

RHONDDA CYNON TAF PENSION BOARD

Minutes of the meeting of Rhondda Cynon Taf Pension Board held at The Pavilions, Clydach Vale on Monday, 11th January 2019 at 9.30 a.m.

In Attendance:

Professor Hugh Coombs	Employer Representative (University of South Wales) and Chairman of the RCT Pension Board
Angela Pring	Member Representative (Actives/Deferred)
Rob Whiles	Member Representative (Pensioners)
David Francis	Pension Board Employer Representative (Coleg y Cymoedd)

Officers:

Ian Traylor	RCTCBC Support
Stephanie Davies	RCTCBC Support
Yvonne Keitch	RCTCBC Support
Denise Stone	RCTCBC Support
Julia Nicholls	RCTCBC Admin Support

23 DECLARATION OF INTEREST/CONFLICTS/CONFIDENTIALITY

There were no declarations of personal interests/conflicts in matters pertaining to the agenda and the confidential nature of proceedings was noted.

24 MINUTES

AGREED to approve as an accurate record, the minutes of the meeting of the RCT Pension Board held on 5th November 2018 subject to it being noted that for the purpose of accuracy the extract on membership of the Pool Committee has been circulated.

25 MATTERS ARISING

Minute 17

It was confirmed that 22,000 letters had been issued by mid-August 2018 as part of an additional piece of work which involved communicating with all pre 2014 deferred members.

The Head of Pensions, Payroll and Payments reported that the Service had undertaken some pre-retirement events which have been well received by the employer. He advised that internal resources would need to be a considered should the number of requests increase. He added that training for the over 53's could be a consideration for the Service area to target in the future.

It was explained that should Members wish to transfer into a Private Fund linking to the Pension Freedoms, the LGPS require checks in place to ensure

appropriate financial advice has been sought and received as well as relevant background checks on the pension companies.

It was confirmed that an item relating to Employer's Transfers has been included in the report and updates will be included at future meetings.

The Chair thanked Mr Rob Whiles for undertaking the Regulator's Annual Survey in his absence.

26 SUMMARY OF ACTION POINTS RESULTING FROM THE MEETING OF THE PENSION BOARD ON 5th NOVEMBER 2018.

Minute 15 – It was confirmed that the results of the LGPS National Confidence Assessment had not been circulated to the Fund but had been picked up by the Director of Financial Services at a separate meeting and circulated at the beginning of August 2018. The Head of Pensions, Payroll and Payments explained that this piece of work may not be undertaken on an annual basis but it is something for the Board to consider at its next meeting, if there is any training that needs to link in with the Knowledge and Skills Framework.

Minute 17

It was confirmed that Welsh Government would be re-invited to the Communications Forum.

GMP Reconciliation – It was confirmed that this agenda item would be considered later in the meeting.

AON training session slides to be incorporated into the Knowledge and Skills Framework.

Member Self-Serve by Employer – By means of a handout at the meeting the Board was presented with a list of Member Self-Serve by Employer as at January 2019. The Head of Pensions, Payroll and Payments reported that the figures within the table are improving and he proposed that the information is shared with the Communications Forum so that the individual areas to improve take-up can be targeted. It was explained that as part of the automatic enrolment for all new starters with RCT County Borough Council, the starter pack includes the process for registering on the MSS.

It was reported that the slides from the Pension AGM would be circulated to all the Board.

27. INVESTMENT & ADMINISTRATION ADVISORY PANEL

The Board was provided with an update in respect of the minutes of the Rhondda Cynon Taff Pension Fund Investment & Administration Advisory Panel held on 28th November 2018 and of the Pension Fund Committee held on 17th December 2018.

The Head of Finance, Education & Financial Reporting reported that the overall value of the fund had increased for the quarter ending 30th September 2018 from £3,400 million to £3,475 million and that the overall return for the quarter was 2.8% ahead of the scheme specific benchmark of 2.4%. It was confirmed that there were no large transfers in or out of the Fund during the period. It was confirmed that Invesco and Blackrock were transitioned out of by the quarter end.

The Head of Finance, Education & Financial Reporting referred to the investment report for BMOGAM which had been presented to the panel. It was reported that the rolling 3 year performance of the portfolio is 4.0% as compared to a benchmark of 3.7%. It was reported that an additional £235M was invested with BMOGAM. It was stated that even as a Bond Mandate Fund Manager with no voting rights, BMOGAM are actively engaging in ESG issues. The Fund Manager shared with the Panel their Environmental, Social and Governance analytics report demonstrating active engagement. The Fund Manager confirmed that there were 1400 engagements last year of which 700 were face to face. Engagement can relate to issues such as climate change or board structure.

Likewise an update in respect of CBRE was provided which saw the value of its property portfolio increase from £174.9M to £206.3M in the last quarter with an additional £15M being invested to September 2018. The rolling 3 year performance outperforms at 8.9% compared to a benchmark of 6.8%. It was noted that CBRE are making progress in being invested to the required level outlined in the asset allocation review and that opportunities are available with an affordable housing fund.

The Chair referred to the Brunel Responsible Investment Strategy and suggested that this may be a model to consider as it has defined goals within its ESG strategy. It was stated that these discussions, including the Brunel model would be considered by the WPP and reported to the WPP meeting on the 31st January 2019.

In conclusion the Head of Finance, Education & Financial Reporting outlined some of the key points relating to the Absolute Return Bonds detailed within the presentation such as ARBs having an objective to provide cash plus returns, returns are predominately based upon manager skill and that they have a low correlation to equities and traditional fixed income. The Board was advised that it may be useful to receive some of the slides from the presentation.

The Head of Pensions, Payroll and Payments provided an update to the Panel in respect of administration issues facing the Fund.

The Board received confirmation that the WPP Governance and Business Plan previously raised by the Chair of the RCT Pension Board in respect of WPP Governance had been discussed at both the Pension Fund Committee and the Investment & Administration Advisory Panel and formally recorded in the Minutes. It was agreed that details of the MCHLG pooling governance

consultation would be shared with the Committee as previously requested. It was further confirmed that the following issues of concern would be raised at the meeting of the Joint Governance Committee on the 31st January 2019, the WPP revised Business Plan, Policies around infrastructure, KPI's and Scheme representation. It was proposed that the Chair of the RCT Board would take the opportunity to raise this with the Chair of the Joint Governance Committee, County Borough Councillor M. Norris, in advance of the meeting.

It was agreed that in the future links to the Minutes of the Joint Committee would be accessible on the agenda of the Pension Fund Committee and the RCT Pension Board.

It was reported that this year, more than one representative in some cases from each employer attended the Annual General Meeting which was held on the 13th November 2018 and was well received. It was referenced whether there is a further opportunity to improve Employer engagement and networking at the meeting. There was positive feedback in respect of the Regulator's attendance at the AGM, who was complimentary of the RCT Pension Fund. The Board discussed the message delivered at the AGM by the Actuary. Following discussion, the Board proposed that the Communication forum consider means for potential informal engagement at the end of the AGM.

The Board was informed that the Fund Annual Report had been published prior to the statutory deadline of the 2nd December 2018.

It was confirmed that the Board had been provided with the union circular which included its support of the benefits of the pensions member self-service system.

It was reported that the valuation extracts for the interim valuation run at the 31st August were uploaded to the actuary. The Head of Pensions, Payroll and Payments confirmed that those employers, where the actuary has raised potential data concerns were being contacted. It was agreed that a summary of the data issue types would be provided to the Board.

The Board was referred to the Action Points at the end of the Investment & Administration Advisory Panel minutes which noted that the Stewardship Code would need to be approved by the Committee and published on the website.

A progress report was provided in respect of the Wales Pension Partnership. It was reported that the transition of Global High Alpha Equities Sub Fund will take place in January 2019. Fixed interest sub fund proposals will be covered in Tranche 3.

It was **RESOLVED:-**

1. To note the Minutes of the Investment & Administration Advisory Panel Minutes (28th November 2018) and the Pension Fund Committee Minutes (17th December 2018);
2. To note the Minutes of the Joint Governance Committee (JGC) which had been circulated at the meeting;

3. That in future links to the Minutes of the JGC will be embedded within the agendas of the Pension Fund Committee and the RCT Pension Board;
4. That the Chair of the RCT Pension Board meets with the Chair of the JGC to discuss WPP Governance arrangements in advance of the next meeting of the JGC;
5. That the Communication forum consider a means of potential informal engagement at the end of the meeting (Pension AGM); and
6. That the Board receives a summary of the Valuation data.

28. CURRENT BENCHMARKS AND TARGETS

The Senior Accountant Pensions and Treasury Management presented the Board with information in respect of Current Benchmark and Targets via a handout circulated at the meeting. It was reported that the Pension Fund Panel reports annually on the current fund managers' benchmarks and targets to ensure that they are appropriate to the funds current strategic aims.

Following consideration of the information it was **RESOLVED** to note the current benchmark and targets and information contained within the handout.

29. RISK MONITORING

The Board was presented with an assessment of the risks associated with the RCT Pension Fund and the control measures in place. The Board noted a new risk in place which refers to Cyber security breach of the Fund's pension system and personal data contained. The Head of Pensions, Payroll and Payments informed the Board that an update would be provided in due course following discussions and assurances from the Head of ICT and the third party supplier in this matter and would feature as an ongoing agenda item

The Board **RESOLVED** to note inclusion of the new risk associated with Cyber any security breach of the Fund's pension system and personal data and of the web link to the Pension Fund website as previously requested by the Board.

30. GMP EXERCISE

Information was circulated at the meeting in respect of the GMP reconciliation progress summary regarding of active members, pensioners and deferred members. It was reported that there were over 75,000, some cases dating back as far as three years. Some cases had required further clarification from HMRC and it was hoped that all outstanding queries would be resolved shortly.

The Board **RESOLVED** to note the information contained within the handouts circulated at the meeting and wished to congratulate those members of staff involved in the process of resolving the outstanding cases.

31. INVESTMENT STRATEGY STATEMENT

Board members were provided with the opportunity to consider the investment strategy statement review updates and it was **RESOLVED** to agree the Investment Strategy Review subject to the following amendments:-

Page 41-(and throughout the document) the consistent use of capital letters

Page 43 -to investigate the relevance of the word “Constructs”

Page 48 UK Equity portfolio to be removed, WPP High Equity to be inserted

Page 49 “Each” LGPS Fund to replace “The” LGPS Fund

Page 49 “Reduce management fees”

Page 49 “Was approved by the FCA (24th July 2018)”

Page 49 “Third phase relates to Fixed Interest with options is in the process of being reviewed”

Page 51 (added to the paragraph “The Fund....”) “This is regularly monitored and appropriate action taken”

32. ALL WALES POOLING

The Board agreed that this matter had been dealt with at the meeting under a previous heading.

33. KNOWLEDGE & UNDERSTANDING FRAMEWORK

Officers provided the Board with a copy of the ‘Knowledge and Skills Framework’ showing details of the Core Technical Requirements for the Chair and Members of the Pensions Fund Board together with details of the training undertaken to date.

RESOLVED to include the following information in the Knowledge & Understanding Framework:-

1. Training in Absolute Bonds;
2. Stock Lending (at the June/July 2019 meeting of the RCT Pension Board)
3. Actuary –Valuation training (to be undertaken at the joint Pension Fund Committee/RCT Board training session in March 2019)

34. ANY OTHER BUSINESS

The Board was informed that the Group Director Corporate & Frontline Services is leaving the Authority to take up post with Cardiff City Council, commencing in March 2019. In his absence, the Director of Financial Services will pick up the Section 151 responsibilities (subject to Council approval in March). The Board wished to extend its congratulations to the Group Director.

It was proposed that succession dates for Board Members would be considered at the next meeting following appropriate discussions with the Council’s Human Resources Section.

**PROFESSOR H. COOMBS
CHAIRMAN**

The meeting closed at 12.40 p.m.