

RHONDDA CYNON TAF PENSION BOARD

Minutes of the meeting of Rhondda Cynon Taf Pension Board held at The Pavilions, Clydach Vale on Monday, 20th August 2018 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 Cymoedd)	Pension Board Employer Representative (Coleg y

Officers:

Ian Traylor	RCTCBC Support
Stephanie Davies	RCTCBC Support
Yvonne Keitch	RCTCBC Support
David Cullinan	Advisor
Julia Nicholls	RCTCBC Admin Support

1 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.

2 MINUTES

AGREED to approve as an accurate record, the minutes of the meeting of the RCT Pension Board held on 27th April 2018 subject to the spelling of the word Euraplan (Minute No. 38 reflects) and for consistency purposes the wording on Minute No. 40 to read "This pensioner has also emailed the Chair of the RCT Pension Board".

3 Matters Arising

Minute 17 – It was confirmed that the paper on the derivatives had been circulated.

Minute 23 – An update on Liability Insurance would be brought to a future meeting.

Minute 15 – An update was provided on the closure and subsequent takeover of WM Investments.

Minute 40 (5) – An update was provided in respect of I-Connect

4 SUMMARY OF ACTION POINTS RESULTING FROM THE MEETING OF THE PENSION BOARD ON 16th JUNE 2017.

The Board Members considered the summary of action points to have arisen from the minutes of the previous meeting held on the 27th April 2018 as follows:-

Minute 29 (5) – A Board Member confirmed that she had successfully tested the Member Self Serve and it was reported that the Members Self Serve had been rolled out to active members.

Minute 40

- An update was provided in respect of the appointments and implementation of the Pensions Software Provider. Aon Hewitt have been re appointed as the Actuary and Heywards appointed as the Pension Software Provider.
- It was confirmed that the Penywaun Enterprise Partnership ceased on the 31st December 2017 and the actuary is in the process of calculating a cessation value.

Minute 42 – It was reported that the minor amendments identified at the last meeting have been adjusted and the final version of the Governance Document is now on the Fund website.

5 ANNUAL FUND INVESTMENT PERFORMANCE REVIEW

Mr David Cullinan, Advisor, presented the Annual Fund Investment Performance Review via a Power Point presentation (and with the aid of handouts circulated at the meeting) covering both the “Universe” and the RCT Pension Fund under the following headings:-

- Latest Year Results
- Longer Term Performance
- Asset Allocation Changes over time
- Fund Structures
- Fund Performance
- Asset Manager Performance
- Performance Relative to Peers
- Risk & Return

The Advisor outlined the latest year results and the longer term performance of the Fund and provided a detailed explanation of the Fund structure. Despite a difficult environment for investors, the average Fund produced a return of 4.5%

The Fund demonstrated excellent performance and outperformed the benchmark, universe and CPI over period ranges between 1 and 30 years. In particular, ranking in the 5th percentile for 17/18 and consistently within the top quartile.

It was reported that Baillie Gifford was the standout performer with underperformance compared to benchmark from Newton, Invesco and Black Rock. As a result of the under performance it was confirmed that regular updates are received.

Details were provided of the risk and return for the last ten years which demonstrated that the Fund achieved a return ahead of average which was considered to be an acceptable outcome.

In conclusion and following a discussion, it was considered that the Fund had performed well relative to both benchmark and the LGPS average especially for the period 2017/18 which was attributable to good active manager performance and clear strategic investment objectives. Board Members were advised of the challenges ahead and provided with some considerations for maintaining a good performing fund.

The Chair thanked Mr David Cullinan for attending the RCT Pension Board and it was **AGREED** to note the current position in respect of the Pensions Board annual performance review.

6. EURAPLAN SYSTEM DEMONSTRATION

The Senior Accountant, Pension Fund & Treasury Management led Members of the Board through a detailed demonstration of the system used by officers to record and account for purchases and sales of Pension Fund stocks. It was stated that this is the same demonstration that had been shared recently with the Pension Fund Committee.

Members commented on its cost effectiveness and efficiency in recording transactions of the Fund Managers and a discussion ensued as to how the future pooling arrangements may impact on the current system.

It was **RESOLVED** to note the demonstration of the Shareholder Management System, Euraplan.

7. 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 11th July 2018 and of the Pension Fund Committee held on the 24th July 2018.

The Head of Finance, Education & Financial Reporting reported the reason for the recent decrease in the overall value of the fund. An error was pointed out in the headings on table 3.3, in respect of the 3 year performance figures namely 'Benchmark Return' and 'Performance Achieved' which it was advised should be swapped.

It was acknowledged that the mandate now allows the use of derivatives to ensure efficient portfolio management.

Board Members were updated with the performance of the individual performance managers, Newton and Invesco underperformed in this period with Blackrock slightly behind benchmark. Baillie Gifford performed significantly above benchmark. It was reported that regular discussions would be held with CBRE, the property manager, to confirm their timescales for investing their additional allocation of funds from Invesco in accordance with the Asset Allocation realignment to rebalance and de-risk the portfolio.

The Head of Pensions, Payroll and Payments reported on key administration issues facing the Fund. The Board Members formally agreed that the small late payment identified as an oversight was a minor not a material breach.

An update was provided in respect of I-Connect and the progress in respect of the 'mandatory' Fund Employer sign-up was noted. It was suggested that monthly rather than annual submissions would provide more accurate data.

With regard to the Member Self Serve update, the Board wished to convey it's thanks to the relevant officers on their performance and efforts in undertaking the data gathering.

The Board wished to congratulate Councillor Mark Norris (Chair of the Pension Fund Committee) on his appointment as Chair of the Wales Pension Partnership (WPP) at the Joint Governance Committee held on the 11th June 2018. A Member asked for an explanation in respect of 'stock lending' which had been raised at the Officer Working Group meeting on the 27th June 2018. It was explained that this process is done through the custodian, not a process carried out in RCT but would be a consideration for the WPP. The process of the appointment of a transition manager for tranche one investments were discussed.

Consideration was also given to the Minutes of the Pension Fund Committee which was held on the 24th July 2018 and it was **AGREED** to note the updates relating to the Board from the Investment & Administration Advisory Panel.

8. **RISK MONITORING**

The Board was presented with an assessment of the risks associated with the RCT Pension Fund and the control measures in place.

One change to the register under the heading 'Compliance with data quality regulation and best practice' was highlighted and reference made to the additional detail given to the control measures in place.

It was confirmed that there is an annual internal audit of Pension Funds.

Following consideration of the document presented it was **RESOLVED** to agree the information contained within the Pension Fund Risk Register.

9. STATEMENT OF ACCOUNTS AUDIT UPDATE

The Head of Finance, Education and Financial Reporting presented the Statement of Accounts Audit update to the Board and explained that the accounts would be approved by Full Council at its meeting on the 19th September 2018.

It was reported that the draft accounts remain unchanged and it was confirmed that there were no misstatements identified by Wales Audit Office. In view of this, the Board wished to acknowledge the efficient preparation of the financial statements by the team.

It was **RESOLVED** to note the Statement of Accounts Audit update.

10. WALES PENSION PARTNERSHIP

In addition to information already reported in respect of the Wales Pension Partnership (Minute No. 7 refers), it was confirmed that the transition manager would be appointed in October/November 2018 for Tranche 1 – Global High Alpha Equities. The second tranche to be launched is for UK Equities and progress will continue in the Autumn. The third tranche would progress in early 2019 and is likely to include Fixed Interest. A training session on Socially Responsible Investments would be held on the 31st October 2018 and representatives from the RCT Pension Board and Pension Fund Committee would be invited to attend. It was **AGREED** to note progress in respect of the All Wales Pooling.

11. 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.

The Board **AGREED** the updated Knowledge & Understanding Framework which would include the 'Annual Fund Investment Performance Review' delivered by David Cullinan which had been received at today's meeting.

12. ANY OTHER BUSINESS

- LGPS National Confidence Assessment – It was reported that both Chairs of the RCT Pension Board and Pension Fund Committee have received and completed the assessment which would be circulated to the Board Members.
- It was confirmed that the next meeting of the RCT Pension Board would be held on the 5th November 2018 at 9.30am in Block F, The Pavilions, Clydach Vale (It was also noted that the Pension AGM would be held on the 13th November 2018 at 10.00am)

- The Head of Pensions, Payroll and Payments reported that the Pension Regulator now requires all local authorities to score their Pension Fund data quality. He explained that RCT has purchased a product which will enable it to provide its score to the Regulator. It was clarified that this is a LGA and Regulator trial and has generated much discussion around which elements should be scored. It was further clarified that although the same information will be measured, the text under the 'Common and Conditional Data' heading can be determined by each individual Local Authority. It was added that the Local Authority needs to evidence that its data is improving, it was suggested that this could be demonstrated by I Connect, the Members Self Serve and the Data Improvement Plan.

The Chair suggested that issues such as internal audit and external opinion should be raised at the next communications Forum.

**PROFESSOR H. COOMBS
CHAIRMAN**

The meeting closed at 12:15 p.m.