



RHONDDA CYNON TAF

RHONDDA CYNON TAF COUNCIL RCT PENSION BOARD

Minutes of the meeting of the RCT Pension Board meeting held on Friday, 31 January 2020
at 9.30 am at Block F, The Pavilions, Clydach Vale

County Borough Councillors - RCT Pension Board Members 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 in attendance

Ian Traylor	RCTCBC Support
Stephanie Davies	RCTCBC Support
J Nicholls	RCTCBC Admin Support

55 Declarations of Interest/Conflicts/Confidentiality

In accordance with the Council's Code of Conduct, there were no declarations of interest pertaining to the agenda.

56 Minutes of the RCT Pension Board and Pension Fund Committee

It was **AGREED** to approve the Minutes of the RCT Pension Board held on Friday, 29th November 2019 as an accurate reflection of the meeting subject to the numbering within the Minutes to be re aligned where appropriate.

Matters Arising

Minute 37 – (point 25) – The Service Director – Pensions, Procurement & Transactional Services confirmed that there would be an update from McCloud at a later date;

Minute 39 – The Board was advised that the MSS take-up was progressing to extend its functionality and notification would be included on the Council March payslip insert;

Minute 40 – Internal Audit – It was reported that a meeting with internal audit to discuss compliance issues would be arranged and the outcome reported back to the next meeting. The Service Director- Pensions, Procurement & Transactional Services referred to the Annual review by the joint internal audit provision (between RCT CBC, Bridgend CBC, Vale of Glamorgan Council and Merthyr CBC).

Minute 50 - Investment & Administration Advisory Panel

- i) It was confirmed that more recent figures relating to the value of the Fund would be available in September 2020;
- ii) New staff –An update was provided in respect of the new staff appointments and the training development period which is ongoing for staff new to the financial sector;
- iii) Pension Allowance Tax Limits – The Service Director provided an update in respect of the 115 members who have potentially exceeded the pension allowance tax limits. Those members had being notified and their responses are forthcoming. Arrangements are in place to discuss plans to repay HMRC;
- iv) Consultation –The Chair queried whether there had been a response to the LGA's Pension's Secretary, Bob Holloway's ESG consultation. It was confirmed that the consultation has been reviewed and the Board satisfied with the initial standard guidance.

Minute 52 - All Wales Pooling

The Chair commented that he was pleased to see the WPP Joint Committee's Communications Plan and Belief Statement (9 Key Points) in place on the WPP website;

Code of Practice 14 – It was confirmed that the Code of Practice 14 (issued by the Pension Regulator) has been formerly reviewed and it was noted that there had been no fundamental changes to the Code;

AOB – Confirmation that the Pension Regulator, Annual Governance survey had been submitted by the required deadline and an update on the ESG workshop held on the 15th January 2020.

Action Points from the Minutes of the 29th November 2019

I-connect responses - The Service Director – Pensions, Procurement & Transactional Services provided an update in respect of employer responses. It was confirmed that members were informed of the extended deadline, from December 2019 to the 30th June 2020, a further six months. Employees have been asked to contact the service should they have any concerns regarding the new deadline.

AGM slides – It was confirmed that the slides from the AGM have been circulated.

Cyber Security Update – The Service Director Pensions, Procurement & Transactional Services confirmed that this issue would be addressed at a future meeting.

Pension Fund Committee Minutes – 6th January 2020

An update was provided in respect of the revised asset allocation strategy for the Fund and the steps taken to move toward the preferred strategy. Fixed interest tranche is the next step into the WPP which will be monitored regularly.

Wales Pensions Partnership – Update

The Chair raised a concern regarding the launch date of the Fixed income which had been postponed due to ongoing work with the prospectus with a new launch date to be confirmed. He stressed the importance of the reporting mechanism through the Officer Working Group and reporting back to the WPP. In response, the Service Director Pensions, Procurement & Transactional Services acknowledged the timescales involved in preparing the prospectus and he provided assurances that the Officer Working Group is monitoring the process. He stressed the importance of getting the process right.

It was **RESOLVED** to:-

1. Receive further updates in respect of the following matters at a future meeting:-
 - Update from McCloud;
 - Cyber security; and
 - Outcomes from the internal audit meeting which would soon be arranged; and
2. Note the Minutes of the Pension Fund Committee held on the 6th January 2020.

57

Investment & Administration Advisory Panel

The Board was provided with an update in respect of the minutes of the Rhondda Cynon Taf Pension Fund Investment & Administration Advisory Panel held on the 11th November 2019.

- The Service Director of Pensions, Procurement and Transactional Services advised that the Additional Voluntary Contribution (AVC) Scheme and Change of Articles were passed with a majority vote. He added that correspondence was expected from the new provider (Utmost Life) with an effective date of the 1st January 2020. Members were informed that they would be updated on the matter at a future meeting.
- It was reported that the Pension Fund Annual report had been published prior to the statutory deadline in December 2019.
- The Service Director of Pensions, Procurement and Transactional Services referred to the Year End 2019 Valuation and confirmed that all employers have been issued with the initial results. He also added that the final report will be published at the end of March 2020 which will include the rates and adjustment certificates. The Board was reminded that within the agreed assumptions the term had been reduced from 22 years to 19 years.
- The Board wished to formally acknowledge the good work which has gone into the Fund's Data Improvement Plan activity.
- The Service Director of Pensions, Procurement and Transactional Services provided an update on the impending office move from its

current location in Bronwydd to Porth town centre by mid-March. The Board was advised that scanning documents has been ongoing for many years to support the digital management of records.

- A response was provided in relation to the 'query on provision of Bond received' from a Bridgend CBC linked admitted body.
- A query was raised in relation to the outcome of discussions regarding the use of a guarantor rather than a bond for smaller admitted bodies. It was explained that the Fund will accept the company acting as a guarantor and the Fund's provision for the smaller admitted bodies was also summarised.
- The Board was informed that a number of cases within the monthly service standards were being targeted for improvement, notwithstanding this the number of case over target were low in number (7 cases).

Investment Report

The Head of Finance, Education & Financial Reporting reported that the overall value of the Fund increased from £3,617 million (30th June 2019) to £3,684 million (30th September 2019). The overall return of the Pension Fund for the quarter ending 30th September 2019 was 1.9% behind the scheme specific benchmark of 3.1%.

The quarterly performance demonstrated that, unusually, Baillie Gifford and CBRE had underperformed.

Members were informed that the review of Fund Manager's Performance had improved due to access to a portal which shows the individual details, although the details are not held historically. It was reported that Link & Russell were present and addressed the concerns raised in respect appropriate levels of detail required. This had demonstrated the challenge that is in place and the Fund's expected level of management information from the Fund Managers.

The Head of Finance, Education & Financial Reporting highlighted the investment report of CBRE who had underperformed for the Quarter due to the current political uncertainty and the underperformance of the retail sector, although it was confirmed that office accommodation remains positive.

The Board noted that a high level of detailed discussion took place regarding the CBRE GRESB, the assessments to measure, benchmark and improve the real estate and infrastructure Managers sustainability programs and their ESG developments. It was also noted that CBRE are actively looking to improve their ongoing investments and were open and transparent during the discussions.

The Head of Finance, Education & Financial Reporting provided an update to the Board on the presentation from Link Solutions and Russell Investments. With regard to the "Enhanced Portfolio Implementation" it was agreed at the meeting that further discussions would take place to discuss the programme in greater depth. The RCT Pension Board noted the increased emphasis of the Responsible Investments.

With reference to socially responsible investments, it was confirmed that all ESG

factors and returns had been taken into consideration.

There has been good levels of engagement at the last few Fund Communication Forums and a high number of employers in attendance which has progressed discussions. It was noted that the Trade Unions had brought an additional level of engagement to the forum.

The Board discussed the funding level of the Pension Fund, particularly the long-term impact of fewer contributions. It was suggested that the income from dividends may go some way to addressing any potential cash flow issues. The Chair of the Board suggested that a further report to the Board from the Director of Financial Services & Digital Services regarding the funding levels would assist discussions in respect of the matter.

In conclusion the Board was advised that an update in respect of the FOI from the Financial Times regarding FX trades, would be reported to a future meeting. It was **RESOLVED:-**

1. To note the latest Panel meeting work (11th November 2019); and
2. To receive the following updates/reports to a future meeting of the RCT Pension Board:-
 - Scheme & Change of Articles;
 - FOI from the Financial Times in respect of FX trades; and
 - Funding levels of the Pension Fund

58 **Risk Monitoring**

Board members were provided with an assessment of the risks associated with the RCT Pension Fund and to outline the control measures in place.

With regard to the second sub fund for UK and European Equity investments, the Head of Finance: Education & Financial Reporting confirmed its launch in September 2019.

The Board **RESOLVED** to insert the following wording into the risk register to reflect the potential impact of Brexit on the Pension Fund – “Continue to monitor the ongoing implications of Brexit”.

The Board was referred to two other sections within the register where the text had been amended:-

- “Common and Scheme Specific Data reviews/scoring” (changed from “common and conditional data...”);
- “TPR Annual Scheme Return and data score”

59 **Knowledge & Understanding Framework**

The Service Director Pensions, Procurement & Transactional Services advised the Board of the forthcoming Pension Board Engagement Day which will be held on 2nd April 2020 in a Cardiff venue (tbc) with an open invitation to all Board

members to attend the afternoon session following the Chairs meeting in the morning.

Also announced was the Powys Training Day on the 21st February 2020 in Powys Council Chamber which will be hosted by Link & Russell Investments. This was considered to be a good opportunity to meet with Link & Russell Investments and Hymans. Any Board members wishing to attend were asked to inform the Service Director.

It was **RESOLVED** to note the forthcoming events.

60 **The Pension Regulator Engagement Report**

The Service Director Pensions, Procurement and Transactional Services presented the Pension Regulator report which had been developed following the review of the 10 LGPS Funds. He advised the Board that there were matters for discussion with internal audit and the Board was asked how it wished to proceed.

Following discussion, the Pension Board **RESOLVED** to support Internal Audit independently reviewing the Board.

61 **Any Other Business**

The Service Director Pensions, Procurement & Transactional Services advised that the Scheme Advisory Board (SAB) draft Responsible Investment Guidance Consultation had been circulated. He outlined the membership and purpose of the SAB.

The Board was informed of 'Pensions Made Simple' videos on the LGPS Members website which have been compiled to clarify some basic pension information. It was confirmed that there is a link to the videos from the RCT Pension website.

The deadline for completion of the Investment Strategy Valuation report was discussed.

The Board was advised of the next meeting which would be a joint meeting with the Pension Fund Committee held on 25th March 2020 with a Board meeting to follow (dates tbc).

It was **RESOLVED** to note the information.

This meeting closed at 12.15 pm

Chairman.