



RHONDDA CYNON TAF COUNCIL RCT PENSION BOARD

Minutes of the virtual meeting of the RCT Pension Board meeting held on Thursday, 25 May 2023 at 10.00 am.

RCT Pension Board Members in attendance:-

Professor Hugh Coombs – Employer Representative (University of South Wales) and Chairman of the RCT Pension Board.

Rob Whiles – Member Representative (Actives/Deferred)

David Francis – Pension Board Employer Representative (Coleg y Cymoedd)

Officers in attendance

Mr I Traylor, Service Director – Pensions, Procurement & Transactional Services
Ms Y Keitch, Senior Accountant Pensions and Treasury Management

48 Welcome

The Chair welcomed everyone to the meeting and advised that an apology of absence had been received from Ms Cindy Absalom – Member Representative (Actives/Deferred).

49 DECLARATION OF INTEREST / CONFLICTS / CONFIDENTIALITY

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

50 MINUTES OF THE PENSION BOARD AND MINUTES OF PENSION FUND COMMITTEE

The minutes of the RCT Pension Board meeting on the 9th January 2023 were **APPROVED** as an accurate reflection of the meeting.

51 Matters Arising

The Service Director – Pensions, Procurement & Transactional Services provided Board Members with the following updates resulting from the July 2022 minutes:

Matters arising –

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- The Board agreed that the Minutes from the meeting held on October 2022 would be re circulated for clarity (and it was confirmed that both sets of minutes from July and October 2022 had been translated and published to the web pages).

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- Confirmation that the letters to the Board members, referred to on page 4

- of the minutes, had been received;
- It was confirmed that the Member's training programme was running to plan and subject to any further changes a pension committee member was signed up to the fundamental training;
- The Chair wished to reinstate the 'actions' to arise from the minutes following each meeting.

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- TPR 'Pledge to Combat Pension Scams' - An update was provided in respect of pension scams. There were none to report relevant to the Fund, but it was agreed to have an update to a future RCT Pension Board meetings (potentially October 2023/January 2024) to understand the new procedure;
- Prudential performance monitoring- Reported that software problems had impacted but all turnaround times had now been resumed;
- 10% Pension Increase applied - IT confirmed that the results of the Cashflow analysis/projections being undertaken by the Actuary would be shared with the Board when available ;
- Increase in the LGPS membership – IT confirmed there were no concerns associated with the membership in light of the potential impact of the cost-of-living crisis.

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- The Chair confirmed that he had attended the All Wales Chairs and comments had been fed back.

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- Accommodation Strategy 'hybrid approach' – IT confirmed there would be no impact on resources as a result of the Council's Accommodation Strategy with staff already attending physically in the office two days a week;
- New digital 'proof of life' exercise for overseas pensioners update – IT advised that the RCT Fund would be used to help market the solution to other Pension Funds, but no progress in terms of the wider marketing to date.

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- Cycle of Meetings-It was agreed that both the 25th July and October 24th meetings of the RCT Pension Board would need to be altered to: Tuesday 1st August 2023 and Thursday, 26th October 2023 respectively.

52 INVESTMENT & ADMINISTRATION ADVISORY PANEL

The Board was provided with an update in respect of the minutes of the Rhondda Cynon Taf Pension Fund Investment & Advisory Panel held on the 23rd March 2023 where three presentations had been received from the fund Managers in attendance.

The Senior Accountant Pensions & Treasury Management reported that the overall value of the Fund increased from £3,995 million (30th September 2022) to £4,103 million (31st December 2022) with the overall return of the Pension Fund for the year ending 31st December 2022 at -14.9% against a benchmark of -9.3%.

The Senior Accountant Pensions & Treasury Management assured the Board

that there had been no negative impact on the bonds portfolio following the collapse of Credit Suisse and explained that the growth in the value of the fund had emerged from the buoyancy of the equity markets. This positive outcome was consistent with what Link had informed the Pension Fund Committee.

A discussion ensued regarding the value of the bonds following the news that the Bank of England was raising interest rates. The Senior Accountant Pensions & Treasury Management confirmed that they are performing above benchmark and the Unit Trust investments remain at market value price. As discussed at the Pension Fund Committee, the strategy is monitored at every panel meeting.

With regards to the Disruptor part of the Baillie Gifford portfolio (as discussed at agenda item 6.12 of the minutes) the Senior Accountant Pensions & Treasury Management provided a summary of the activity around reducing the volatility of that mandate during January, bringing its US element more in line with the core portfolio.

The Service Director – Pensions, Procurement & Transactional Services provided an update on the key administration issues facing the Fund, which included details of a late payment. The circumstances were discussed in detail, and Board agreed with the Panel's conclusion that these instances did not constitute a material breach and the subsequent action taken was appropriate.

With regards to the letters to Board Members, the Service Director confirmed he had contacted HR to action the letters which have now been received by both the Chair and Mr Whiles in line with their respective tenures. The Service Director thanked the Board for their support with the annual update to the Fund's Governance documents.

Board were updated on the changes announced in respect of the pension tax allowances which would require adjustments to the Pension software. IT reminded the Board that the changes included the increase to the standard Annual Allowance (AA) from £40,000 to £60,000.

The Service Director referenced the recently introduced regulations to change the annual revaluation date and explained the impact on the calculation used to determine annual pension growth.

The Service Director spoke of the further delay with the Pensions Regulator (TPR) publishing their new General Code of Practice, due to be published, originally in mid-April 2023. He assured the Board that as soon as it is published and the associated training becomes available, the Fund would review and access its compliance.

In respect of the McCloud update, it was confirmed that project work continues in preparation for the anticipated implementation date of 01st October 2024 and McCloud would remain a standing agenda item for the Board. It was also confirmed that the Pension Regulator 'Governance and Administration Survey' was jointly completed with the Chair of Pension Board and submitted by the required deadline.

Action Point: The completed survey to be circulated to all members of the Board.

In view of the fact that the Scheme Advisory Board no longer require scheme 'death statistics,' the Service Director advised that there would be no

requirement for this to feature as a standing item on future agendas.

In respect of the Triennial Valuation, the Service Director advised that the 10.1% pension increase had been formally published in the Pension Scheme newsletters and on the Members Self-Serve portal. It was also confirmed that the 2022 Pension Savings Statements were issued to those members impacted prior to the statutory deadline of 6th October.

The Terms of Reference and data collection spreadsheets issued for 2023 Pension Accounting exercise have been issued for accounting purposes.

An update was provided on the 'proof of life' exercise for overseas pensioners, and it was confirmed that in overall terms the exercise has been a success, but a small number of pensioners will receive reminder correspondence, with an update provided at the next Pension Board.

In response to workload monitoring, the Fund has identified a number of Employers undertaking or planning early retirement/redundancy exercises, these have been channelled where possible through bulk estimate exercise arrangements.

The Service Director – Pensions, Procurement & Transactional Services Data acknowledged that data quality still needs to be monitored and provided an update on the national pension dashboards programme.

The Service Director continued by adding that the increase in self-serve numbers remains stable and level with signposting to continue to encourage the opportunities to join the Fund progressing digital engagement wherever possible.

In recognition of the significant resource challenges ahead, Members of the Board were pleased to hear of the recent recruitment drive and the additional employees within the Pension Service, providing needed additional resource.

Members acknowledged the update in respect of the WPP and particularly the sustainable equity fund with details of the procurement process which is ongoing with a launch date of the 20th June.

Following consideration of the Panel Minutes the Board **AGREED** to note the contents.

Action Points:

- Further update with regards to overseas pensioners;
- Further update in October regarding McCloud ; and
- The Service Director to circulate the completed Governance & Admin survey to the Board

53 RISK MONITORING

The Service Director – Pensions, Procurement & Transactional Services referred Board Members to the updates taken forward to the Risk register.

'Potential for 'Cashflow Negativity' -cashflow projections will be undertaken and cashflow positions added to the Register.

Board members' attention was drawn to two new risks on page 27 and page 31 respectively, as follows:

'Failure to adequately take into account climate change, climate risk and ESG factors resulting in financial loss'

'Inability to comply with Pension Dashboard Staging Dates and Duties'

A discussion ensued around a recent cyber breach of a national Pensions Administrator, and the Board sought reassurance of the arrangements in place at the RCT Pension Fund. The Service Director confirmed that the local authority and its third parties have appropriate accreditation and testing for cyber security mitigation.

The Service Director – Pensions, Procurement & Transactional Services commented that within the risk 'Failure by employers to pay contributions into the Fund on time and in accordance with the 2019 'Rates and Adjustments Certificate'' - a note was added '*to reflect the 2022 Rates and Adjustments Certificate*'

Members were provided with an update in respect of the delivery of the 2022 Triennial valuation which has been completed and will be reflected in the next version. (In addition, it was noted that only in the event of having to undertake an interim evaluation with engagement with the Actuary, would an additional section need to be included).

In conclusion, it was agreed that on page 32, under the heading 'Fraud', specific reference to the new scam transfer process needs to be included.

Members **AGREED** to note the report.

54 ALL WALES 'POOLING'

The Senior accountant, Pension Fund & Treasury Management provided Board Members with an update in respect of all Wales Pooling. Members were advised that Link were progressing an appointment for a fourth Fund Manager for the Global Growth sub fund.

The Chair provided an update regarding the Pension Board Chairs meeting in April where discussions were held on the Operator Link. He added that all Chairs were present for the discussion and a further update would be provided following the next meeting in October. The summary position with Link Fund Solutions is that exclusivity to the Waystone Group has resulted in a takeover, subject to regulatory processes.

The Board **AGREED** to note the updates.

Action Points –

- The Chair to circulate draft minutes from the Pension Board Chairs meeting, when available
- 'Feedback from the Member representative on the Board' to be requested be added to the agenda when the next Chair's agenda is circulated for comment.

55 KNOWLEDGE AND UNDERSTANDING FRAMEWORK

Board Members were presented with the knowledge and understanding framework. Members were reminded to inform the Service Director with details of any new training undertaken. He also advised that the WPP training on the 5th June would be included on the framework accordingly.

The Chair advised that the LGPS Scheme Advisory Board (SAB) training day in Cardiff on the 26th September 2023 with a session on the 'New Code of Transparency' held between 12-3pm. Board members were advised that they need to register themselves for the training event.

Members **AGREED** to note the information in respect of the Board's knowledge and understanding framework.

Action Points –

- The Senior accountant, Pension Fund & Treasury Management to circulate the link to the WPP training session on the 5th June so that Board Members can attend virtually

56 KEY PROJECTS UPDATE

The Service Director advised of the following:

McCloud Power Point Presentation – Circulated, to include all updates.

Board commented on the good progress made in respect of the exercise to date in readiness for the subsequent remedies, which will come into force on 1st October 2023.

National Pension Dashboard Programme- Members were provided with an update in respect of the delayed National Pension Dashboard Programme- which will ultimately bring all the pensions together in one location, acting as a hub for all to access. It was acknowledged that this is indeed a significant exercise to implement.

57 LEGISLATIVE AND ADMINISATRATIVE

Finalised Valuation -The Service Director confirmed that the Valuation has been finalised and assumptions used. The employers received their contributions for the next three years. It was reported that the exercise was a positive one with all targets and plans achieved and employers now paying the new contribution rates as notified.

58 ENVIRONMENTAL, SOCIAL & CORPORATE GOVERNANCE

The Senior Accountant Pensions & Treasury Management provided Board members with a verbal update in respect of ESG matters.

The Senior Accountant Pensions & Treasury Management advised that the Fund currently invests in the BlackRock Low Carbon Equity fund. The value of this investment as at 31st December 2022 is £216.9 million

The WPP now presents Responsible Investment & Climate Risk reports for all its sub funds using MSCI ESG research data.

Following discussion, Board members **RESOLVED** to note the update on environmental, social and corporate governance.

59 ANY OTHER BUSINESS

The Chair of the Board provided Members and officers with updates in relation to the latest bulletins for the Fund (March & April)

- SAB -guidance on responses to Freedom of Information requests regarding ESG surveys
- Gender payback – Final salary schemes
- McCloud
- Pension Regulators Corporate Plan
- Technical Update

The Chair thanked all Board Members and officers for their attendance and contributions at the meeting.

This meeting closed at 12.34 pm

**MR H. COOMBS
Chairman.**