

RHONDDA CYNON TAF COUNCIL RCT PENSION BOARD

Minutes of the meeting of the RCT Pension Board held on Wednesday, 20 January 2021 at 10.00 am via a Virtual Meeting.

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 (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 & Treasury Management

82 DECLARATION OF INTEREST / CONFLICTS / CONFIDENTIALITY

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

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

The minutes of the RCT Pension Board meeting on the 3rd November 2020 were **APPROVED** as an accurate reflection of the meeting.

84 MATTERS ARISING

The Service Director – Pensions, Procurement & Transactional Services provided Board Members with the following updates resulting from the 3rd November 2020 minutes:

Minute 74

- a) Minute 40 - Members were advised that the planned meeting with the Chair of the Pension Board in respect of internal audit issues had been reported to the Pension Committee, who were content with this invite and understood the delay in this area due to the pandemic.
- b) Minute 50 – Members queried whether there were any follow up issues with the 2019/20 process in respect of Pensions Allowance Tax Limits. The Service Director advised of the process taken forward with correspondence sent for completion for the 2019/20 tax year for submission of tax returns. The Service Director commented that staff within the team were currently supporting officers, however **reinforcing** that staff were unable to advise with the returns.
- c) Minute 52 – Members queried whether any feedback had been received following the Annual Governance Survey and officers confirmed that nothing had been provided to date. It was advised that the Chair of the Board had received correspondence advising of the launch of the next survey.

Minute 75

- a) Year End 2019 Valuation – The Service Director was queried on the current position of the GAD valuation exercise and whether the valuation was still outstanding. Members were advised that officers had completed the data extract exercise and had submitted the return to GAD as required.

Minute 78

- b) Knowledge and Understanding Framework – The Chair thanked Board Members for providing their training record details. Members of the Board enquired over the Comms Forum and were advised that this would be taking place towards the end of Feb or early March.

Minute 80

- a) Exit payments – The Service Director advised that he was unaware of any responses submitted directly by fund employers to the consultation on the scheme legislation.

Minute 81

- a) The Chair reminded Members that the 22nd March date would be taken forward as a Joint meeting between the Pension Board and the Pension Committee. It was suggested that the next meeting of the Board be taken forward during April 2021.

Action Points from the 3rd November 2020:

- a) Action Point 72 - the Service Director advised that he would check the detail and circulate the current position to the Board.
- b) Action Point 73 – An update in respect of the 2 apprentices were provided to the Board. The Service Director commented on the importance of 'growing own talent' and developing the team.
- c) Action 74 – It was confirmed that the figures had been circulated and the Service Director advised that there was not a significant comparison to be made at present, in light of the pandemic. One Member queried whether details across all LGPS Funds would be received from the Scheme Advisory Board and the Service Director advised that nothing has been provided to date. He added whilst there had been no formal statement to say this combined content would be shared, although it was hoped that the results would be circulated.
- d) Action point 76 – The scoping document information in respect of the 'Asset Review Study' had been shared with the Board.
- e) Action Point 77 – Details had been issued and no feedback received.

RCT Pension Fund Committee Minutes 13th October 2020:

- a) Minute 10 – Members queried whether all other Local Authorities had agreed to support the transition to the Global Alpha Paris Aligned product. The Senior Accountant confirmed that all had agreed and that a due diligence process was now being undertaken on the product.
- b) Minute 11 - Members concurred with the statement by the Committee, noting that the Rhondda Cynon Taf Fund has one of the lowest investment costs and high-performance levels.
- c) Minute 12 – A member commented on the rising state pension age and the Board discussed how this needed to be monitored and the impact this could have on the pension scheme going forward.

Pension Board Chairs Engagement Day – 15th September 2020.

The Chair referred Board Members to the draft minutes of the above meeting which he'd asked to be included within the agenda to help with transparency of governance processes. The Chair provided a quick summary in respect of the meeting, advising that it was a productive meeting and commented upon the performance reporting improvements. The Service Director positively commented on the meeting, and the inclusion of the minutes within the Local Board agenda pack, adding that it was an example of effective engagement between the WPP and Boards, with this good practice of sharing minutes being planned to continue for future meetings of the RCT Pension Board.

- a) Item 1 – It was clarified that HC should not have been referenced in the draft minutes as having a coordinating role.
- b) It was agreed that the Chair would advise of the practice of circulating the draft minutes of the Pension Board Chairs engagement meeting with WPP to the RCT Pension Board at the next Chairs' engagement day as a form of good practice in April.

Wales Pension Partnership Joint Governance Committee – 10th December 2020.

Members were advised that the main item on the agenda for discussion related to the quarterly review of the Risk Register and a brief overview of the discussions relating to the Scheme Member Representation - extension of membership to non-voting 'observer' role. The Service Director provided the Board with an update on RCT's observations with regard to 'Scheme Member Representation'. Adding, that there was a lack of clarity on how appropriate representation would be best achieved and favoured a wider engagement model. Members were advised that further discussions were taking place on this matter.

- a) A Member queried how the appointment would be ratified and the Senior Accountant advised that it would need to go to each Authorities Pension Committee and full Council.
- b) Members commented positively on the WPP winning the LAMP Investment Innovation Award 2020.
- c) Members queried how any changes to policy would be taken forward and it was advised that policy changes where necessary would need to be reviewed on an annual basis.
- d) Members commented on the performance reports and highlighted that a few illustrated under performance which Members attributed to the pandemic. The Senior Accountant advised that this could be dependent on market conditions.

85 INVESTMENT & ADMINISTRATION ADVISORY PANEL

The Service Director and Senior Accountant provided Members with an overview of the Rhondda Cynon Taf Pension Fund Investment & Administration Advisory Panel meeting which took place on the 24th November 2020.

Referencing the investment report of the Director of Finance and Digital services, Members were advised that the overall value of the Fund increased from £3,905 million (30th June 2020) to £4,040 million (30th September 2020), with the overall return of the Pension Fund for the quarter ending 30th September 2020 at 3.5% ahead of a scheme benchmark of 1.6%. It was highlighted for Members attention that over 65% of the Fund assets were

invested with the Wales Pension Partnership and that the excellent Fund performance over the medium term had financially benefitted the employers.

In respect of the performance figures for active managers, CBRE (Property) had underperformed and this was attributed to the pandemic. An issue with recording Global Growth data had been identified although this had now been remedied.

Details of the presentation from Fidelity International were provided including the details of the Fund's 18% allocation to Government Bonds, with this investment being used for liquidity purposes rather than holding cash and provided the opportunity to look at bond market. The Panel were advised that these positions were to be monitored.

Details of the presentation from CBRE were provided to the Board before the Officers provided an update in relation to the Pension Fund Risk Register. Members commented on the Potential for 'Cashflow Negativity' that had been amended within the risk register and queried whether this was to be expected. The Service Director commented on the potential issue as the Fund matures, resulting in reductions in contributions being brought into the Fund. The Service Director confirmed that this was not an issue of concern for RCT, as although recorded in the risk register there were income generating opportunities in place to mitigate the risk. The Chair queried the cash flow projection budget and it was agreed that this would be shared with Members of the Board.

Members commented on Pzena not performing and the Senior Accountant commented on the different styles of the value fund manager that were needed to compliment the growth managers in that sub fund. To date the growth managers had outperformed the value fund manager. Officers advised that Pzena should start to improve on performance during this next quarter as their style suited volatile markets.

The Service Director continued the update by advising on the key administration issues facing the Fund, informing Members that no late payments or potential breaches were reported on for this period. Members were reminded that the internal audit was scheduled before the end of the financial year in respect of the 'Governance and administration risks in public service pension schemes: an engagement report'.

Members commented on the potential of hybrid meetings being taken forward in the future and the Service Director spoke of the improved attendance at the Annual General virtual meeting by Senior Employer Officers.

The Service Director confirmed that the Pension Fund Annual Report was published prior to the statutory publication date of 2nd December and the full accounts had been ratified at Council on the 25th November, 2020. Members queried whether the report was available on the website which officers confirmed. Members were advised that a copy was also circulated to the Scheme Advisory Board with the Service Director adding that in future the Service would aim to produce and share a copy of the report prior to or at the AGM.

Members attention was drawn to the key service standards identified within the panel minutes. Members were advised that there was some slight slippage in performance against the targets but this was minimal. The Service Director

commented that due to the COVID-19 pandemic it had been a challenging year and the service were working hard to ensure service standards were maintained. Members noted the Panel's comments in respect of the standards and level of activity despite the challenging circumstances and evolving legislative pressures and echoed these endorsements.

In respect of the Internal Dispute Resolution process the Service Director explained that the number of Fund/Employer appeals remained extremely low and there were no trends or concerns to report as a result of these cases.

The Senior Accountant continued the update by advising that the Pension Committee supported moving the current Baillie Gifford high alpha portfolio in the Global Growth sub fund to its Paris Aligned Product. It was also noted that the move to the Paris Aligned Product had yet to be agreed by all Constituent Authorities who currently invest in the Baillie Gifford high alpha portfolio (Global Growth sub fund).

In respect of the Asset liability review the Chair queried whether any update was available. Officers advised that the modelling had commenced and further option analysis had been requested by the end of February. It was proposed that the information would be presented at the Investment Panel meeting and Pension Committee for approval.

Members further discussed the review and the portfolio constructions and the impact that these portfolios would have on the discount rate. Members were advised that every time a tranche was amended then this would need to go back for approval. The Service Director added this was simply fine tuning rather than any fundamental changes to the strategy, adding that this was long term strategy, looking at the direction of travel and trying to reduce the risk of equity exposure given the improvement in the Fund's overall funding level. Following the detailed discussions Members **RESOLVED** to note the update.

86

RISK MONITORING

Officers provided Members with the Risk Monitoring Register and it was suggested that in respect of the narrative for the risk Potential for 'Cashflow Negativity' the following wording be added "*and adjust the asset strategy as necessary*".

Members queried the position with the McCloud case in respect of the Long Term investment risk and officers advised that this would be reflected in the next quarter where more information would be available going forward, providing further specific detail with what is going to happen, advising that this would be referenced under the operational part of the register.

In respect of the Governance risk, Members discussed the need for the wording to be updated and it was suggested that the 'Chair Engagement day - updates and feedback' be added into the context.

Members discussed the Operational disaster (fire / flood, etc) risk and it was proposed that the wording 'and tested' be added into the control mitigation narrative.

Members commented that maybe the WPP risk wording needs updating as the Pool had now been established.

Following discussions Members **RESOLVED** to note the report.

87 ALL WALES 'POOLING'

Members were confident that this item had been covered through the previous agenda item updates, although the Service Director was queried on the meeting arrangements of the Officer Working Group. The Senior Accountant advised that the group met at least quarterly, with a practitioners meeting on a monthly basis with lots of sharing of good practice.

It was **AGREED** that this meeting should be added to the risk register as a form of good practice for improvement and consistency contributing as it does to the overall governance arrangements for WPP.

88 KNOWLEDGE AND UNDERSTANDING FRAMEWORK

Members discussed the knowledge and training framework and confirmed their attendance at future events:

- 26th (LGA) January 2021
- 22nd (BW) February 2021
- 24th (WPP) February 2021

The Chair reminded Members of the good practice of sharing slides following attendance at such training events.

Members **RESOLVED** to note the information.

89 COVID GOVERNANCE UPDATE

The Service Director advised that he had no new issues to raise in respect of the update adding that as previously discussed by the Board, the COVID 19 impact on business continuity and operation is being effectively managed. He added that the Service were still maintaining core activity, around the processing payments, and issue of pension packs, although through a different process and provided Members with details of the new systems in place. The Service Director reassured Board that there was a lot of positive activity and very little impact on key service standards.

Members **RESOLVED** to note the update.

90 LEGISLATIVE AND ADMINISTRATIVE ISSUES

McCloud.

Officers advised it was difficult to provide a clear update in respect of the McCloud case and anticipated a further update at a future meeting.

Exit Payments.

Officers advised that in respect of exit payments controls had been put in place but no further update has been provided from MHCLG. It was questioned whether at scheme level the changes were going to be pushed ahead. The Service Director, confirmed that he would like to see amendments to the proposals made in line with the Fund feedback on the consultation.

Members were advised of the Treasury's exit regulations that are in force and the subject of Judicial Review. However, officers confirmed that the regulations were still in force and had not been postponed.

A Member queried when the next CIPFA session was being run in respect of McCloud, and the Service Director agreed to advise details in due course.

Members spoke of the Fund's consultation response submitted in respect of exit payments, commenting that some aspects of the original consultation paper did not reflect the original intention.

Members **RESOVED** to note the update.

91 **FUND ACCOUNTS 2020/21**

Members were presented with the Fund Accounts 2020/21 which presented the financial position of Rhondda Cynon Taf Pension Fund as at 31st March 2020 and its income and expenditure for the year.

Members referenced the management expenses borne by the Fund in 2019/20 and commented on the increase of investment manager cost and the Service Director advised that this was around 25% which was small in respect of the overall size of the fund.

Members discussed the 'Cost Management Process' and the potential for discrimination. The Service Director confirmed that there was a potential issue with regard to GMP equalisation. Members discussed the evaluation element and queried who was taking forward the costs in respect of this evaluation. The Service Director advised that this could fall back on pensions funds as an increase in liability.

One Member referenced the cost implication of McCloud over previous years accounts and it was advised that provision has been made.

Following the discussion's, the Board **RESOLVED** to note the Fund accounts 2020/21.

92 **ANY OTHER BUSINESS**

Members were advised of the email circulated via unison in respect of Brexit concerns and the changes that may impact funds. The Senior Accountant provided Members with an overview of the actions taken by the fund managers to help mitigate any potential impact. The Service Director advised that there were issues with some UK banks closing the accounts of non-UK residents. The Service are exploring options to support the [payment of pension benefits to overseas pensioners.

The Chair commented on the recognition of the WPP innovative investment award.

Members noted that the 'Tell Us Once' service had recently been given a nomination for an award for achieving 100% population coverage in England Wales and Scotland so every citizen in those countries has access to the service.

The Aon IT survey was referenced and Members queried whether a response had been provided. It was advised that the slides of the training had been circulated but officers had not yet had sight of the survey. The Service Director agreed to review.

Members asked if a calendar of meetings could be provided to assist Members going forward. The Service Director commented that Pension Fund meetings

needed to align closely with the Pension Committee dates, which would be set at the Council AGM. It was added that some potential dates could be provided. Going forward it was agreed that the next meeting of the Fund be taking forward at the end of April.

The Chair thanked the Members and officers for their contributions to the meeting and the Board **RESOLVED** to note the information provided.

This meeting closed at 12.20 pm

**MR H. COOMBS
CHAIR.**