

Mae'r cofnodion hyn yn amodol ar gymeradwyaeth yng nghyfarfod priodol nesaf y Pwyllgor.
These Minutes are subject to approval at the next appropriate meeting of the Committee.

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL
PENSION FUND COMMITTEE

Minutes of the meeting of the Pension Fund Committee held at The Pavilions,
Clydach Vale on Monday 15th October 2018 at 2 p.m.

PRESENT

County Borough Councillor M. A. Norris – in the Chair

County Borough Councillors

G. Caple and R.W. Smith

Officers in Attendance

Mr. C. Lee – Group Director, Corporate & Frontline Services

Mr B. Davies – Director, Financial Services

Mr. I. Traylor – Head of Pensions, Payroll & Payments

Also in Attendance

Mr S. Mayne – Principle Investment Consultant, AON

11. DECLARATION OF INTERESTS

Members had no declarations of personal interests to declare in matters pertaining to the agenda (other than as members of the LGPS which was noted as being not a conflict insofar as the role of the Committee was concerned).

12. MINUTES

RESLOVED – To approve as an accurate record the minutes of the meeting of the Pension Fund Committee held on the 24^h July 2018.

13. LEARNING & DEVELOPMENT

The Head of Pensions, Payroll and Payments introduced Mr Simon Mayne, Principle Investment Consultant for AON who presented investment training in respect of Fixed Interest and Infrastructure. The training was delivered via a presentation under the following headings:-

- Background
 - Investment objectives
 - Objectives – the big picture
 - Asset Classes

- Bonds
 - Pension Fund Liability Flows

- Fixed Interest UK Government Bonds
- Credit
- Credit Ratings
- Multi-Asset Credit and Absolute Return Bonds
 - The Credit Universe
 - Idea Overview & Value
 - Sectors perform differently year on year
 - Portfolio Construction
 - Absolute Return Bonds
 - Overlapping Opportunity set, different approaches
 - Absolute Return Bonds (ARB) Funds
 - ARB versus passive corporate bonds
 - Corporate Bonds vs ARBS vs MAC
- Infrastructure
 - Introduction to Infrastructure
 - Infrastructure Assets – Sectors
 - Heterogeneous Asset Class
 - Types of Infrastructure Equity Strategies
 - Stages of Infrastructure Projects
 - Accessing the Asset Class – Equity
 - Accessing the Asset Class – Debt
 - Investment Considerations
 - Advantages and disadvantages of infrastructure investment
 - Summary

Following the presentation and questions, it was **RESOLVED** to note the content of the presentation.

14. **DELEGATED FUNCTIONS REPORT**

The Director of Financial Services presented an update report in respect of Delegated Functions as specified in the Pension Fund Governance Policy Statement, by the Group Director, Corporate and Frontline Services and outlined the responsibilities tasked to the Group Director, Corporate and Frontline Services in his role as S151 officer.

Members received an update in respect of the performance relative to the Fund specific benchmark which demonstrated that the rolling 3 year performance is 2.2% positive as compared to benchmark, with the latest quarter (to 30th June 2018) being 1.6% positive. The Director reminded Committee that the Advisory Panel meets with Fund Managers on a cyclical basis and had met with Baillie Gifford at the September meeting to discuss the Global Equity and the High Alpha Global Equity portfolio.

With regard to the High Alpha mandate it was noted that this is to be transitioned into the WPP Global High Alpha Equity sub funds (Global Growth and Global Opportunities at 80% and 20% respectively). The traditional mandate however has a

lower performance and risk profile than our high alpha mandates and so will be considered as part of future phases of work by WPP.

An update was provided in respect of the progress made regarding step one of the implementation of the revised asset allocation strategy following Committee's agreement in March 2018.

It was agreed that an update on the Wales Pension Partnership would be provided later in the meeting as set out on the agenda.

The Head of Pensions, Payroll and Payments reported on Administration issues and confirmed that the Regulator scheme return statutory deadline of the 6th November 2018 will be met and had included a request for data quality scoring to be provided. He reminded Committee that, as reported at the previous meeting, Heywoods have been appointed as software supplier and the transition to the hosted platform is being progressed.

It was confirmed that the Annual Benefit Statements had been provided by the statutory deadline of the 31st August 2018 with the majority being published via the Member Self Serve. Committee was also informed that due to the diligence and commitment of staff within the service the GMP Reconciliation process is on target to be finalised by the end of 2018. Committee wished to pass on its thanks to the staff concerned for completing this process on target and from within existing resources.

A further update was provided on the mandatory roll out of I-connect which is advancing with 15 active employers on board. The Member Self Serve (MSS) has been rolled out to Active, Deferred, Pensioner and Dependant members and further to a query at the previous meeting of the Pension Fund Committee to receive a Member Self Serve Analysis across Welsh Funds, a paper was circulated which highlighted this comparison.

In conclusion, the Head of Pensions, Payroll and Payments confirmed that in future, the draft minutes of the RCT Pension Board would be published on the Fund website in advance of the subsequent meeting (when the draft Minutes would be formally approved). It was also confirmed that the training delivered to the Pension Fund Committee by AON would also be shared with the Pension Board

In conclusion, Committee **RESOLVED** to note the issues addressed within the report (to include the additional information relating to the Member Self Service Analysis across Welsh Funds which had formally been requested by Committee).

15. PENSION FUND RISK REGISTER

The Director of Financial Services presented the arrangements in place for the management of risk by the Pension Fund.

The risk in respect of climate change was discussed and it was noted that the Fund's approach to Responsible Investing is set out in the Fund's Investment Strategy Statement. It was agreed that a link would be inserted in the Risk Register to the Fund's Investment Strategy Statement on the Pension Fund website.

Following review of the Risk Register, it was **RESOLVED:-**

1. To note the arrangements in place for the management of risk; and
2. That a link is inserted into the Pension Fund Risk Register to Investment Strategy Statement on the Pension Fund web-site.

16. RESPONSIBLE INVESTING

The Director of Financial Services presented the report of the Group Director, Corporate & Frontline Services which set out extracts from the Fund's governance documents with regard to Responsible Investing.

It was reported that the relevant extracts serve to clarify that the Fund is committed to an orderly carbon transition and Committee was asked to consider whether the Fund's Investment Strategy Statement should be amended or enhanced in any way to reflect the Pension Fund Committee's views.

The Committee noted the role of the Local Authority Pension Fund Forum (LAPFF) and its active engagement with companies across a range of responsible investing themes, including climate change and carbon management. The forum publishes quarterly engagement reports and it was agreed that these should be presented to the Committee on a regular basis.

LAPFF have quarterly business meetings which are attended by the Chair of the Committee along with the Fund's Investment Officer. Cllr Norris referenced a presentation given at the October meeting on RE100, regarding the world's most influential companies, committed to sourcing 100% of their global electricity consumption from renewable sources. It was suggested that this be an item for a future committee meeting.

Following discussion, it was agreed that Officers should update the Investment Strategy Statement as appropriate and present an updated draft to the December meeting, with the opportunity to consult on it in advance of Committee agreeing a final version at the March 2019 meeting.

Following discussion it was **RESOLVED:-**

1. To note the extracts as set out in the report;
2. That LAPFF Quarterly Engagement Reports are included as part of future agendas;
3. That officers make any amendments to the Fund's Investment Strategy Statement as directed by Committee; and;
4. That the draft changes to the Statement are presented to the Pension Fund Committee in December 2018 with the opportunity for consultation to take place in advance of Committee finally agreeing the Statement at the March 2019 meeting.

17. PENSION FUND AUDITED FINANCIAL STATEMENTS 2017/18

The Director of Financial Services presented his report in respect of the Pension Fund Audited Financial Statements for 2017/2018 which set out the role of the Committee with regard to the approval process for the Pension Fund Accounts and provided members with the opportunity to discharge their responsibilities in this regard. It was noted that the accounts had already been presented to Council (19th September 2018) and that there were no amendments required to the draft accounts.

Following consideration of the report it was **RESOLVED** that the Committee note the audited financial statements of the Pension Fund for the financial year 2017/18.

18. WALES PENSION PARTNERSHIP – PROGRESS UPDATE

The Group Director, Corporate & Frontline Services provided a verbal update to Committee in respect of progress being made towards developing LGPS investment pooling arrangements on an all Wales basis.

The Group Director reminded Committee of progress to date in respect of Tranche 1, consisting of two global high alpha equity sub funds which were approved by the FCA in July 2018. It was reported that, subject to the appointment of the transition manager, the transfer of assets would most likely take place in November 2018.

It was confirmed that at the Joint Governance Committee, held on the 25th September 2018, Tranche 2, with an asset value of £1.4 billion was formally approved. With regard to tranche 3, it was reported that a number of options are being considered around fixed interest / bonds. It was confirmed that by 2019 50% of the pool will be in place. It was reported that Central Government has requested a progress update on the arrangements in place for the Wales Pension Partnership and a general update would be provided across all the Pools in November 2018.

It was **RESOLVED** to note the verbal update of the all Wales Pooling arrangements.

**M.A.NORRIS
CHAIRMAN**

The meeting terminated at 4.02pm