

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 Thursday, 27th October 2016 at 2 p.m.

PRESENT

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

County Borough Councillors

G. Hopkins, S. Pickering and E. Webster

Officers in Attendance

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

Mr. B. Davies – Director of Financial Services

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

Mrs. S. Davies – Head of Finance - Education & Financial Reporting

8 APOLOGY

An apology was received from County Borough Councillor G. Smith.

9 DECLARATION OF INTERESTS

County Borough Councillor G. Hopkins declared a personal interest in respect of Agenda Item 4 – Delegated Functions (Administration Issues) – stating “I am a member of Llanharan Community Council”

10 MINUTES

RESOLVED – To approve as an accurate record the minutes of the meeting of the Pension Fund Committee held on the 5th July 2016.

11 LEARNING & DEVELOPMENT

The Head of Pensions, Payroll and Payments provided a verbal update in respect of learning and development issues including the recent 1-1 awareness sessions which had been undertaken by Members of the Committee, in respect of their individual learning and development needs. The Officer noted that the Fund uses the CIPFA pensions ‘knowledge and skills’ framework, which identifies six areas, as the core technical requirements for those involved in decision making. It is expected that Members of Committee maintain a general level of awareness in regard to these areas.

It was confirmed that in accordance with Pension Regulator requirements, all training sessions attended by Committee Members would be recorded and used to evidence their knowledge and skills. It was also stated that ‘learning and development’ will be a regular agenda item for the Pension Fund

Committee in order to monitor and record progress. In addition, the the opportunity may also be taken to provide specific training under this agenda item in future meetings.

In conclusion the Head of Pensions, Payroll and Payments confirmed that the Pension Fund AGM will be held on the 29th November 2016 at 10.00am at the Council Headquarters, The Pavilions, Clydach Vale (The Council Chamber) which will be chaired by the Group Director, Corporate & Frontline Services.

RESOLVED to note the updates in respect of learning and development.

12 DELEGATED FUNCTIONS

The Director of Financial Services presented the report of the Group Director, Corporate & Frontline Services in respect of the key issues being addressed as delegated Functions, as specified in the Pension Fund Governance Policy Statement.

Committee was provided with an overview of the responsibility for all day to day operational matters which have been delegated to the Group Director Corporate and Frontline Services, in his capacity as S151 Officer, supported by an Investment and Administration Advisory Panel . The role of the Investment and Administration Advisory Panel was explained to Members of the Committee together with the areas under which they provide advice and guidance.

Under the heading of Investment Performance, the Director of Financial Services reported that at the recent panel meeting held on the 30th September 2016, the investment performance was considered to the end of June 2016. A summary of the performance was set out in a table which showed the rolling 3 year performance of the fund which had performed above the benchmark.

Committee raised concern at the underperformance of the fund during the last quarter, being behind benchmark and sought clarification in respect of the process by which the managers are monitored. In response the Director of Financial Services reported that all managers underperformed against their benchmarks in Quarter 2 as recent market conditions had not favoured the investment styles of the managers however, he assured committee that the fund managers are monitored regularly and where necessary, they are challenged. The importance of maintaining a long term view of the fund was noted.

Members were provided with details of the RCT Pension Fund returns, which are published on an annual basis by the pension fund performance measurement company Statestreet (WM) by means of a local authority league table. In respect of the RCT Pension Fund, it was reported that it ranked in the 14th percentile (against 89 funds) for the 2015/16 financial year.

The Head of Pensions, Payroll and Payments provided an update in respect of administration issues and reported that two Community Councils have requested to join the Fund and will be progressed on receipt of the appropriate resolution of bodies. (At this point during proceedings, County Borough Councillor G. Hopkins declared a personal interest in respect of this item (Minute 9 refers)).

It was reported that the 2016 Valuation process is underway and will be finalised by 31st March 2017 with a further update provided at the next meeting of the Pension Fund Committee.

It was confirmed that the regulatory date for issuing the Annual Benefit Statements, 31st August 2016, had been met.

An update was provided in respect of the new regulatory requirement to replace the current Statement of Investment Principles with an Investment Strategy Statement. This will be developed by the Pension Fund Working Group which has also been charged with reviewing other key governance documents. It was confirmed that Committee will have sight of the document prior to 1st April 2017. Other issues including the current 'Internal Dispute Resolution Procedure Appeals', of which there are very few, were reported.

It was confirmed that the Pension Board met on the 20th October 2016. At the meeting the Pension Board Members received an update in respect of the role and responsibilities of the Pension Committee. Members of both the Committee and the Board welcomed the opportunity to meet at the forthcoming Pension Fund AGM.

The Chair asked whether it was possible for the Pension Board agendas and minutes to be uploaded onto the Council website in addition to the Fund website. A request was also made to include 'Knowledge and Skills' as a standing agenda item for the Pension Fund Committee which was agreed in line with minute 11.

The Director of Financial Services reported that the cashflow of the fund is being monitored following a significant amount of terminations which have taken place over recent years which has influenced the cashflow position. Discussions ensued in respect of how the negative cashflow position can be managed in the future in view of employees living longer in retirement. It was reported that the outcomes of the tri annual valuation, will need to be taken into account in considering this matter going forward.

It was **RESOLVED:-**

1. To note the issues being addressed;
2. That 'Learning and Development' is a standing agenda item, (first on the agenda) for all future Pension Fund Committees to provide the opportunity for Committee Members to develop their knowledge and skills;

3. To upload future agendas and minutes of the RCT Pension Board onto the Council website in addition to the Fund Website or provide a suitable link.

13. PENSIONS FUND RISK REGISTER

The Head of Finance (Education and Financial Reporting) provided Committee with details of the arrangements in place to manage risk within the Pension Fund.

Members of the Committee reviewed the Risk Register and the Head of Finance provided comments on the changes in risk rating as at September 2016 where appropriate.

It was considered by a Member of the Committee that the All Wales Investment Pool could pose a high risk to the pension fund and in response the Director of Financial Services confirmed that appropriate arrangements are in place to mitigate the risks but agreed they have to be acknowledged. The Group Director, Corporate and Frontline Services added that the Welsh Pool could be seen as an opportunity when considering the benefits that the Pool objectives propose.

In conclusion it was **RESOLVED** to note the arrangements in place for the management of risk within the fund.

14. PENSION FUND COMMITTEE – WORK PROGRAMME

The Director of Financial Services provided Committee with details of the proposed work programme.

In the first instance Committee considered the Terms of Reference for the Pension Fund Committee and were informed of the two dates set for forthcoming meetings, namely the 18th January 2017 and the 25th April 2017. The proposed work programmes for both meetings were set out for consideration and it was noted that a number of agenda items such as 'Learning & Development' and 'Delegated Functions Report' would be standard agenda items. It was emphasised that an element of flexibility should be attached to the work programme with a view to convening special meetings, in agreement with the Chair, in view of the progressing All Wales Pooling agenda.

It was **RESOLVED:-**

1. To note and agree the work programme for the Pension Fund Committee; and
2. To note the forthcoming dates for the Pension Fund Committee:-
18th January 2017
25th April 2017

15. ALL WALES INVESTMENT POOL – GOVERNANCE ARRANGEMENTS

The Director of Financial Services provided an update to Committee in respect of progress being made towards developing LGPS investment pooling arrangements on an all Wales basis including the development of the associated governance arrangements.

It was reported that to date no formal feedback has been received from the Minister for Communities and Local Government to the Wales detailed submission.

Information was provided in respect of establishing a Joint Governance Committee and a Financial Conduct Authority (FCA) regulated Third Party Operator, both of which form part of the Wales Pool proposal. It was reported that the process for establishing a pooling vehicle, which would manage the Pool on behalf of the eight funds. is underway and further details would be reported to this Committee in due course.

The Director of Financial Services explained that work to set up a formal Joint Committee and legally binding Inter Authority Agreement had already commenced. It was noted that for Rhondda Cynon Taf there would be a requirement for these arrangements to be agreed by Full Council.

Committee was informed that arrangements would be in place to establish a Joint Chairs Group (JCG) to oversee the interim arrangements; it was confirmed that the JCG would not be a decision making body but would report back to the Administering Authorities. It was agreed that the Chair of the Pension Fund Committee would be appointed to the Joint Chairs Group. It was also explained that the draft Memorandum of Understanding (MOU), attached at Appendix 1 of the report, was being circulated to all administering authorities to sign up to.

Further to discussions it was **RESOLVED:-**

1. To note the progress in the development of the LGPS all Wales Investment Pool;
2. To approve the draft Memorandum of Understanding (MOU)
3. To authorise the Group Director, Corporate and Frontline Services to approve any amendments to the draft MOU in consultation with the Chair of the Committee and authorise the Director of Legal and Democratic Services to sign on behalf of the Council (in its capacity as administering authority for the Rhondda Cynon Taf Pension Fund); and
4. To appoint the Chair of the Pension Fund Committee to represent the Authority on the Joint Chairs Group as part of the interim governance arrangements detailed in the MOU.

**M.A.NORRIS
CHAIRMAN**

The meeting terminated at 3.30 p.m.