

**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, 26<sup>th</sup> March 2018 at 2 p.m.

**PRESENT**

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

**County Borough Councillors**

G. Caple, L. Hooper, R.W. Smith E. Webster

**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

Ms Y. Keitch - Senior Accountant, Pension Fund & Treasury Management

**Also in Attendance**

Mr David Cullinan - Advisor

Professor H. Coombs – Chair, RCT Pension Board

**30. 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).

**31. MINUTES**

**RESLOVED** – To approve as an accurate record the minutes of the meeting of the Pension Fund Committee held on the 4<sup>th</sup> January 2018.

**32. CEM BENCHMARKING**

CEM Benchmarking were in attendance to present the investment benchmarking results for the 5 year period ending March 31<sup>st</sup> 2017 for the Rhondda Cynon Taf Pension Fund under the following headings:-

- LGPS Net Total Returns
- LGPS Policy returns
- LGPS Net Value Added
- Funding Levels
- Comparison of Costs
- Explanation of Cost Status
- Cost Effectiveness

Following the presentation, which depicted an extremely positive overall position for the Fund, Members of the Pension Fund Committee posed several questions to the representative from CEM Benchmarking.

On behalf of the Committee the Chair thanked CEM Benchmarking for attending the meeting and it was **RESOLVED** to acknowledge the contents of the presentation.

### **33. WALES PENSION PARTNERSHIP – INVESTMENT POOLING**

Committee received representatives from the appointed operator (Link Fund Solutions) and their investment sub-contractor (Russell Investments) who provided an overview of the respective roles of Link and Russell Investments (Investment manager) and set out the objectives for the Wales Pension Partnership. Members were informed that Link's role is to enable each constituent authority (Fund) to implement their investment strategy through sub-funds within the Pool.

Link and Russell confirmed that they have the resources and expertise to be able to work closely with the constituent Authorities to progress through the implementation stage to establish the Pool and regular updates would be provided to the Pension Fund Committee.

The Chair thanked Link Fund Solutions and Russell Investments for their presentation and it was **RESOLVED**:-

1. To note the content of the presentation; and
2. That the Pension Fund Committee receives regular updates in respect of the All Wales Investment Pooling arrangements from the appointed operator at key stages.

### **34. DELEGATED FUNCTIONS**

The Director of Financial Services presented an update report in respect of the key issues being addressed as Delegated Functions, as specified in the Pension Fund Governance Policy Statement, by the Group Director, Corporate and Frontline Services.

Members were informed that the investment performance relative to the Fund specific benchmark demonstrated that the rolling 3 year performance is 1.7% positive as compared to benchmark. Concern was raised at the underperformance of the two Fund Managers Newton and Invesco. The Director advised that conference calls were held with both Fund Managers where they confirmed their commitment to their long term strategies, but added that further updates in relation to their performance would continue to be reported to future Committee meetings.

The Head of Pensions, Payroll and Payments reported on a number of administration issues including the good progress having been made in respect of the GMP Reconciliation requirements and the Welsh Language Standards. An update was provided in respect of the General Data Protection Regulations (GDPR) which takes effect from 28<sup>th</sup> May 2018.

It was noted that Member Self Serve (MSS) is being rolled out for active members and further to a query it was agreed that committee has sight of data outlining the percentage of active members using MSS to understand the extent of use (registrations) across the workforce.

It was confirmed that the Chair of the RCT Pension Board will remain in position for a further 18 months following agreement of the University of South Wales which will ensure continuity for the Board. Further to a query, the Head of Pensions, Payroll and Payments confirmed that he would ensure that the links to the Pension Fund Website and the Council Website were operating efficiently and linked together.

In conclusion, Committee **RESOLVED-**

1. To note the issues addressed within the report;
2. That Committee is provided with data outlining the percentage of active members using the MSS; and
3. That further updates in respect of the negative performance of both Newton and Invesco would be reported at future meetings of the Pension Fund Committee.

### **35. INVESTMENT STRATEGY REVIEW**

With the aid of a presentation (handout) the Director Financial Services presented the conclusions of the Asset Liability Review 2017-18, as undertaken with AON. He outlined for committee the scope and objectives of the review, namely to

- Reduce risk
- Maintain (as far possible) return expectations
- Minimise long term costs
- Increase diversification
- Optimise the transitioning of assets into the Pool
- Infrastructure (align to Pool aspiration)

The current allocation was presented alongside the current benchmark and further strategy options as shown below. It was noted that the deviation from current benchmark was attributable to relative movements in valuation across asset classes.

Asset Class	Current Allocation	Proposed Step 1	Proposed Step 2	Proposed Step 3
		Current Benchmark	Strategy (1)	Strategy (2)
<b>Total Equities</b>	<b>74.80%</b>	<b>63%</b>	<b>63%</b>	<b>58%</b>
<b>Total Alternatives</b>	<b>5.40%</b>	<b>10%</b>	<b>20%</b>	<b>25%</b>
Absolute Return Bonds			10%	10%
Infrastructure				5%
Property	5.40%	10%	10%	10%
<b>Total Bonds &amp; Cash</b>	<b>19.80%</b>	<b>27%</b>	<b>17%</b>	<b>17%</b>
Fixed Interest	8.50%	12.50%	7.50%	7.50%
UK Corporate Bonds	9.40%	12.50%	7.50%	7.50%
Cash	1.90%	2%	2%	2%

In terms of the modelling undertaken by AON, it was noted that progressing to strategy option 2 would retain the expected return whilst reducing the level of risk. It was proposed that the Fund strategic asset allocation now be progressed in line with the above table, with strategy 2 being the target asset allocation. The implementation will be undertaken so as to minimise transition costs into the relevant Wales Pension Partnership Sub Funds when they become available.

It was noted that the return per unit of risk increases with each step.

A discussion also took place on those other asset classes which were considered but discounted as not contributing to the Fund's strategic investment objectives.

The Independent Advisor supported these discussions.

Following discussion it was **RESOLVED** to note the outcome of the review and agree the new asset allocation strategy.

### **36. PENSION FUND RISK REGISTER**

The Director, Financial Services presented the report of the Group Director, Corporate & Frontline Services in respect of the Pension Fund Risk Register.

Members of the Committee reviewed the Risk Register and the Director of Financial Services provided comments on the changes as at March 2018.

It was **RESOLVED** to note the arrangements in place for the management of risk by the Pension Fund.

### **37. REVIEW OF FUND GOVERNANCE AND STRATEGY DOCUMENTS**

The Director of Financial Services presented the report of the Group Director, Corporate & Frontline Services in respect of the Fund Governance and Strategy documents which fall within the remit of the Committee as detailed in the terms of reference.

For information the Director of Financial Services referred Committee to the Rhondda Cynon Taf Pension Fund Governance structure 2018.

Following discussion it was **RESOLVED** to approve the documents subject to it being noted that on page 21 it should read 'Scheme Manager'.

**M.A.NORRIS**  
**CHAIRMAN**

The meeting terminated at 4.10pm

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