

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 17th December 2018 at 2 p.m.

PRESENT

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

County Borough Councillors

G. Caple, L. Hooper and 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 Pensions and Treasury Management

20. APOLOGIES

An apology of absence was received from County Borough Councillor R W Smith.

21. 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).

22. MINUTES

RESLOVED – To approve as an accurate record the minutes of the meeting of the Pension Fund Committee held on the 15th October 2018.

23. LEARNING & DEVELOPMENT

Data Improvement Plan

The Head of Pensions, Payroll and Payments presented the report in respect of the RCT Pension Fund Data Improvement Plan which was circulated at the meeting. It provided Committee members with updates on a number of objectives as follows:-

- Iconnect – As agreed by the Pension Fund Committee, Iconnect for all Fund Employers will be mandatory and currently there are 15 employers on Iconnect.
- Updates will be reported regularly to the RCT Pension Board;

- Scheme Membership – It was reported that information in respect of the scheme is collected annually for non-Iconnect Employers;
- Annual Benefit Statements – Requirement to publish annually by 31st August (Actually completed and published by the 14th August 2018);
- My Pension On-line – Members are able to access their own pension record on-line;
- To improve Data Quality – To ensure that Member benefit calculations are accurate and not delayed due to outstanding/missing data;
- Valuation 2019 – Opportunity to undertake work in advance of the 31st March and work with employers earlier to minimise the number of data enquiries and enable quicker results;
- GMP Reconciliation – To finalise the GMP reconciliation exercise, liaise with HMRC and ensure the deadline of December 2018 is met for the record closure.

In conclusion the Head of Pensions, Payroll and Payments reported on those tools available to verify and update member data such as ATMOS mortality screening which is carried out on a monthly basis as well as the National Fraud Initiative (NFI) which is a larger biennial (every 2 years) exercise which allows for sharing data sets.

It was **RESOLVED** to note the information within the handout.

(b) Securities Lending

The Senior Accountant Pensions and Treasury Management presented the slides which had previously been circulated to members of the Committee in respect of Securities Lending.

Members of the Committee were provided with information in respect of the following:-

- What is securities lending?
- How does securities lending work?
- How securities lending makes money
- The mechanics of securities lending
- Risk cascade and risk management

Following the presentation, the Pension Fund Committee was asked to consider if it felt comfortable to invest in a securities lending programme.

Members posed a number of questions in relation to Securities Lending, including the implications of Brexit and whether this was the right time for the Fund to become involved in this activity. Committee was advised that risks would be managed by having sufficient collateral available in the form of shares and not cash. In addition, in respect of voting rights, the Committee were informed that Northern Trust would retain a small proportion of shares to maintain a voting presence, over and above the right of the pension funds (WPP) to call back shares and vote on any significant issues.

Across the Welsh Pension Funds, it was reported that there appears to be a general appetite for securities lending but given the structure of the Wales Pension Pool (WPP) and its sub funds, it would need to be a decision agreed by all Pension Funds if the Securities Lending programme is to take place (on a sub fund basis). Following discussion it was **RESOLVED**:-

1. That the Pension Fund Committee is currently comfortable to invest in a securities lending programme with a voting presence maintained and the ability to call back for voting on significant issues, and subject to any future regulatory changes and subject to onward discussion by the WPP; and
2. That the Pension Fund Committee will continue to closely scrutinise the process and receive regular reports back on lending activities.

24. 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 of the Fund which demonstrated that during the quarter ended 30th September 2018, the overall value of the Fund increased from £3,400 million to £3,475 million. The rolling 3 year performance is 1.9% positive as compared to benchmark. It was reported that at the November 2018 meeting, the Advisory Panel met with BMOGAM and CBRE.

A summary of progress was provided in respect of the revised asset allocation, as agreed by Committee in March 2018 which reported the reduced equity and increased fixed interest exposure.

Positive progress was reported in respect of the WPP with the second sub fund for UK and European Equities agreed by the Joint Governance Committee on the 25th September 2018. It was confirmed that Legal and General have been appointed as transition manager with the anticipated transition of the two high alpha equity mandates into the Global High Alpha sub funds in the new {calendar} year.

The Head of Pensions, Payroll and Payments reported on Administration issues.

It was reported that at the Annual General Meeting held in November 2018, 25 representatives from 17 employers were in attendance to receive presentations from the Fund Actuary (AON), the Funds Independent Advisor (David Cullinan) and the Pension Regulator.

An update was provided in respect of how the focus on Data Quality is continuing via a number of key areas such as the mandatory roll out of I-Connect, the Member Self Serve (MSS) (which is now rolled out to Active, Deferred, Pensioner and Dependent members) and via the updated Data Improvement Plan.

Feedback from the Pension Board was provided which included their request to have sight of WPP Policies and Governance documents (including the Business Plan) when they become available.

The agenda items for the next meeting of the Committee were identified as including a presentation from AON on the valuation process and a review of fund governance documents. It was agreed that given these agenda items all members of the Rhondda Cynon Taf Pension Board be formally invited by the Chair to attend the March 2019 Committee meeting in order for their feedback to be obtained in respect of these particular items.

Members were also referred to the LAPFF quarterly engagement report which was appended to the report.

In conclusion, Committee **RESOLVED** to note the issues addressed within the report

25. PENSION FUND RISK REGISTER

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

Committee was directed to the web link to the Fund's Investment Strategy Statement which had been added since the last report. The Director also highlighted the inclusion of a new risk in respect of the threat of a Cyber security breach of the Fund's pension system and personal data contained within it which had been discussed at the recent Pension AGM. It was reported that discussions had already taken place with the Head of ICT and it was proposed that the matter be included on the Pension Fund Committee forward work programme.

Following discussion in respect of the increases in Employer contributions risk, it was **RESOLVED** to note the arrangements in place for the management of risk within the fund.

26. INVESTMENT STRATEGY STATEMENT (ISS)

The Director of Financial Services reminded Committee that at the previous meeting it was resolved that delegated authority is given to the relevant officers to make the required amendments to the Fund's Investment Strategy Statement and that the draft changes are brought back before the Pension Fund Committee in December with a view to then consulting with the RCT Pension Board and other stakeholders before being considered for formal adoption at the joint meeting to be held in March 2019.

The Director highlighted the amendments as previously directed by Committee subject to the inclusion of additional comments to reflect the Committee's current position in respect of securities lending. It was also agreed that point 9 in respect of Voting Rights attached to Investments would be amended as necessary.

The updates to the draft ISS include:

- Asset / Liability scope of review undertaken with AON and proposed steps to desired allocation;

- Updated asset allocation figures;
- WPP progress;
- Inclusion of the Fund's commitment to an orderly carbon transition;
- Fund manager reporting requirements on how they integrate financial and non-financial factors into their decision making process for investments.

In conclusion the Director made reference to the Responsible Investment Seminar held in September and the continuing engagement that is being undertaken in this area. He proposed that Responsible Investment would be a regular agenda item for the forward Pension Fund Committee work programme so that consideration can be given to how this can be progressed in the future, such as via an officer working group.

RESOLVED to:-

1. Acknowledge the revised Investment Strategy Statement;
2. Amend the wording to reflect the position of the Pension Fund Committee in respect of stock lending; and
3. Include Responsible Investment on the forward work programme of the Pension Fund Committee and as a standing agenda item for future agendas

27. 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 reported that an update in respect of the Wales Pension Partnership had also been provided at the Pension AGM. The launch of Tranche 1 funds, originally planned for transfer before Christmas would be discussed at a planned conference call in the next week or so and the transfer is now likely to take place in early January. .

It was reported that further discussion was needed around Fixed Interest options but progress was positive and the tranche 3 fixed Interest sub fund proposals are likely to be discussed at the next formal Joint Governance Committee to be held in January 2019.

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

**M.A.NORRIS
CHAIRMAN**

The meeting terminated at 3.30pm