



## **RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE**

Minutes of the meeting of the Pension Fund Committee meeting held on Monday, 6 January 2020 at 2.00 pm at the Committee Room 1, The Pavilions, Cambrian Park. Clydach Vale, Tonypany, CF40 2XX.

### **County Borough Councillors - Pension Fund Committee Members in attendance:-**

Councillor M Norris (Chair)

Councillor G Caple    Councillor E Webster  
Councillor L Hooper    Councillor M Griffiths

### **Officers in attendance**

Mr B Davies, Director of Finance and Digital Services  
Mr I Traylor, Service Director – Pensions, Procurement and Transactional Services  
Mr Paul Griffiths, Service Director - Finance and Improvement Services  
Yvonne Keitch, Senior Accountant, Pension Fund and Treasury Management  
Sarah Daniel, Senior Democratic Services Officer

#### **56. DECLARATION OF INTEREST**

In accordance with the Council's Code of Conduct, there were no declarations made pertaining to the agenda.

#### **57. MINUTES**

It was **RESOLVED** to approve the minutes of the 22<sup>nd</sup> October 2019 as an accurate reflection of the meeting.

#### **58. LEARNING AND DEVELOPMENT**

Members received a presentation from Gareth Roberts and Marianne Harper Gow from Baillie Gifford on its approach to ESG and investment.

Baillie Gifford informed members that they had been managing assets on behalf of RCT Pension Fund for over 15 years and had performed well over that period. They stated that their investment approach was a long term approach looking ahead a minimum of 5 years. They added that adapting to social and climate change was critical for long term growth.

Members were advised that Baillie Gifford had created their own stewardship principles which were:

- Prioritisation of long term value;
- A constructive and purposeful Board;
- Long term focussed remuneration with stretching targets;
- Fair treatment of stakeholders; and
- Sustainable business practices.

A member asked if, when investing, Baillie Gifford would prefer a company whose remuneration included company shares. Representatives from Baillie Gifford replied that they would with their performance team assess the long term gains of aligning pay with performance and look for challenging targets as, in their view, mid-range or average performance should not be remunerated against.

A Member asked if it was more difficult to engage with Global companies. Representatives stated that this was not necessarily the case. When investing they look at the age, size and growth prospects of a company. When investing in less established companies Baillie Gifford works with them to grow, evolve and develop strong governance structures.

A Member asked if Baillie Gifford has the confidence to challenge governance within the companies, for example, Amazon. The representatives replied that once relationships are established with the executives they are able to challenge the Board on what they do, their corporate governance, and their working conditions in such areas as distribution centres, etc.

A Member asked how governance and sustainability influence investment decisions. The representatives replied that they take a bottom up approach to company analysis and they also commission work on diversity.

Members thanked the representatives for attending the Committee and **RESOLVED** to note the update provided to them.

## 59. DELEGATED FUNCTIONS REPORT

The Director of Finance and Digital Services presented a report to Members that set out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement.

He advised Members that during the quarter ending 30 September 2019, the overall value of the Fund increased from £3,617 million to £3,684 million. He referred to the table shown in 4.3 of the report showing the rolling 3 year performance of the Fund which was 1.3% positive as compared to the benchmark.

Members were reminded that at the March 2018 meeting of the Committee they agreed to the revised asset allocation strategy for the Fund and the steps taken to move toward the preferred strategy. The following table provides a summary of progress made in this regard to 30<sup>th</sup> September 2019.

		Proposed Step 1	Proposed Step 2	Proposed Step 3
Asset Class	Allocation 30/09/19	Current Benchmark	Strategy (1)	Strategy (2)
<b>Total Equities</b>	<b>67%</b>	<b>63%</b>	<b>63%</b>	<b>58%</b>
<b>Total Alternative</b>	<b>8%</b>	<b>10%</b>	<b>20%</b>	<b>25%</b>
Absolute Return Bonds			10%	10%
Infrastructure				5%

Property	8%	10%	10%	10%
<b>Total Bonds &amp; Cash</b>	<b>25%</b>	<b>27%</b>	<b>17%</b>	<b>17%</b>
Fixed Interest (UK)	11%	12.5%	7.5%	7.5%
Corporate Bonds (UK)	13%	12.5%	7.5%	7.5%
Cash	1%	2%	2%	2%
Expected Return (PA)		5.9%	6.2%	6.3%
Expected volatility (pa)		12.2%	12.2%	11.7%

The Service Director Pensions, Procurement and Transactional Services provided members with an administration update as set out in paragraph 5 of the report. He added that employers had been formally requested to provide an update on their I-connect monthly data transfer implementation, in line with it being rolled out on a mandatory basis by December 2019.

He also advised that the Pensions Board were next scheduled to meet on the 31 January 2020. At a recent meeting, the Pension Board agreed to support a joint compliance review of the Fund against the recently published Pension Regulator 'Governance and Administration Risk' engagement report. He added that at that meeting the Pension Board also commented on the improved engagement and representation at the AGM, as a positive governance step.

**RESOLVED:** Members noted the issues being addressed and did not request to receive any further information on the issues.

## 60. PENSION FUND RISK REGISTER - RISK REGISTER OVERVIEW

The Service Director Finance and Improvement Services provided members with the details of the arrangements in place to manage risk within the Pension Fund.

Following a review of the risk register Members **RESOLVED** to note the arrangements in place for the management of risk within the Fund.

## 61. WALES PENSIONS PARTNERSHIP - UPDATE

The Senior Accountant, Pension Fund and Treasury Management presented a report to the Committee on the work and progress on the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC).

She advised members that the last meeting of the JGC was held on 9<sup>th</sup> December 2019 where they considered information in respect of the Beliefs Statement, Governance Matrix, Communication Plan and Training Plan for 2019/20 and were informed that an updated business plan from April 2020 was in the process of being drafted. She added that performance reports for the WPP Global Growth Fund and Global Opportunities Fund were also presented.

The JGC were also informed that Black Rock had been appointed as the Fixed Income Transition Manager and work was continuing to complete the prospectus for this tranche for submission to the Financial Conduct Authority.

In response to a question relating to scrutiny of the WPP and JGC, it was clarified that each local pension committee and local pension board continued to actively review progress being made and the accounts are audited by the WAO. It was clarified that the Pension Committee is a politically balanced Section 101 committee and not a function of the executive. A member asked if there were any risks or concerns with WPP as a platform for investments. The Chairman advised that whilst some tranches had taken longer to set up than originally thought, it is more important to get the process correct than rushing to complete by a certain timeframe.

**RESOLVED:** Members noted the update provided.

## **62. URGENT BUSINESS**

None

Meeting closed at 15.12

**Cllr M Norris  
Chairman.**