



RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE

Draft Minutes of the meeting of the Pension Fund Committee held on Tuesday, 14 July 2020 at 2.00 pm at the Virtual.

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 & Digital Services
Mr I Traylor, Service Director – Pensions, Procurement & Transactional Services
Paul Griffiths – Service Director Finance and Improvement Services
Yvonne Keitch – Principal Accountant
Sarah Daniel – Senior Democratic Services Officer

1 Declaration of Interest

Cllr Margaret Griffiths declared a personal interest in that she was on the Board of Trivallis which was part of the Pension Scheme.

2 Minutes

It was **RESOLVED** to approve the minutes of the 6th January 2020 as an accurate reflection of the meeting.

3 Work Programme

The Director of Finance and Digital Services provided a report to members which outlined their draft work programme for 2020/2021.

He advised that future quarterly meetings of the committee are initially planned for the new municipal year (subject to the Council's Annual General Meeting) and he set out the proposed Work Programme as below: .

October 2020

- Learning and Development
 - Low carbon equity investing – to receive a presentation by Baillie Gifford on its Global Alpha Paris - Aligned Equity product
- Receive a presentation from CEM benchmarking on investment cost effectiveness analysis
- Delegated Functions Report
- Risk Register Review

- Wales Pension Partnership – Progress Update

January 2021

- Learning and Development
 - Low carbon evolution - to receive a presentation from BlackRock
- Delegated Functions Report
- Risk Register Review
- Audited Financial Statements and Audit Wales report
- Wales Pension Partnership – Progress Update

March 2021

- Learning and Development
 - Receive a presentation from LAPFF on Responsible Investment Engagement Activity
- Review of Governance and Strategy Documents
- Delegated Functions Report
- Risk Register Review
- Wales Pension Partnership – Progress Update and presentation from Link (the operator)

RESOLVED: Members noted and agreed to the items within the work programme

4 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, by the Director of Finance and Digital Services. The report was summarised as follows:

- During the quarter ended 31st March 2020, the overall value of the Fund decreased from £3,784 million to £3,350 million. (Note, at the 31st May 2020 the Fund value was £3,793 million).
- The rolling 3 year performance of the Fund is 1.8% positive as compared to benchmark.
- The Fund participates in the Local Authority Fund Statistical Universe review. At the end of March 2020, the Universe comprised 63 funds with a combined value of £180 billion. The Fund ranked in 2nd place over the three year period and in 5th place over the 5 and 10 year periods.
- With the current market volatility and the considerable stress in the global economy sub investment grade companies, the initial investment of 5% in ARBs has been delayed. This allocation is also to be invested in UK Corporate Bonds when the WPP sub fund is launched.
- Following agreement at the October 2019 Committee to move the investments of the current mandate with Blackrock to the ACS World Low Carbon Equity Tracker Fund, the transition was due to take place during March 2020. This transition has been delayed due to market volatility and Covid-19.

- The Fund is to refresh its current investment strategy following the completion of the 2019 valuation process.

A Member stated that she was pleased to hear that the fund was doing well and asked if it was too early to feel confident that it would remain this way. The Director of Finance and Digital Services stated that we must continue to remain focussed on the long term objectives and that equity values do outperform in the long term.

A member was concerned about the recent large amount of Government borrowing and asked if there was any thoughts about them claiming this through the LGPS. The Director of Finance and Digital Services replied that the LGPS, as a funded scheme, is in a good position and would hope that the Government can see the long term benefits of this.

Another member asked if there were any suggestions into the allocation of investment in infrastructure and the amount that would be allocated to it. The Director Finance and Digital Services advised that the Fund had an ambition to invest 10% of its value in infrastructure, subject to suitable and robust investment opportunities being available.

The Service Director for Pensions and Procurement summarised the following in the report:

- The 2019 Valuation exercise has concluded and all fund Employers have received their results. The Valuation Report has been published on the RCT Pension Fund and Scheme Advisory Board websites. A reconciliation of contributions received post valuation identified a small number of Employers who had unintentionally omitted to apply their new rates. This oversight has subsequently been resolved with those employers concerned
- The employer end of year pension accounting reviews were completed to the timescales agreed with the Fund Actuary. The Annual Pension Increase of 1.7% was also applied and completed to schedule. Year-end contributions postings are well underway and will support the formal publication of the Annual Benefits Statements during August.
- The Chair of Pension Board is supporting the compliance review against the Regulator's 'Governance and administration risks in public service pension schemes: an engagement report'. The fieldwork scope of the Internal Audit review has been expanded to provide reassurance on key processes during 'lockdown' arrangements. The timeline has been adjusted accordingly, with the review to conclude in quarter 2.

The Chairman enquired as to the progress of the Internal Audit Review that is currently being undertaken in the first and second quarter. The Service Director replied that that the audit would be extended to test and ensure the ongoing robustness of our internal controls following the slight amendments to processes necessitated by the move to remote and homeworking.

- A number of surveys had been requested via the LGPS Advisory Group impact on how we ensure governance arrangements are still

appropriate. Information was requested on the statistics of the number of member deaths that has occurred over this timeline to last year, we have provided information requested but had not received feedback as yet. This will be circulated to members when it is received.

- As a result of the new remote working arrangements, an assessment of the Fund's cyber security arrangements has been updated, which confirmed that appropriate arrangements are in place.
- Member Self-Serve continues to be promoted and work has been undertaken with providers on the development which includes the provision of electronic payslip and P60's to pensioners via their MSS online record.
- Eight 'Key Performance Service Standards' are monitored by the Panel. It was noted that in respect of performance during May 2020, one Performance Service Standard was behind target. The flow of high priority work originally slowed due to the new remote working arrangements, however process performance is now back to normal following some small changes to workflow practices..

The Service Director Pensions, Procurement and Transactional Services, advised that the Pension Board last met on 31st January 2020. The last joint scheduled meeting of the Pension Committee and Pension Board was due to take place on the 23rd March 2020. This was cancelled due to the then social distancing and impending lockdown. He added that an employer's communication forum had also been set up (21st July 2020) and a Pension Board virtual meeting is to be scheduled for July/August 2020. The Funds formal governance arrangements are therefore fully re-established and it was also noted that during the lockdown period the Director of Finance and Digital Services had shared a briefing note (in May) with both Committee and Board members to provide assurance that the Funds governance arrangements were continuing to be effectively discharged through this period, included a monthly update of the Risk Register.

RESOLVED: The Committee noted the issues within the report

5 Pension Fund Risk register - Risk Register Overview

The Service Director Finance and Improvement Services presented the report to members which provided the Risk Register dated June 2020 for member's information.

RESOLVED: Members reviewed the Risk Register and noted the arrangements in place for the management of risk within the fund

6 Wales Pension Partnership - Update (including Wales Pensions Partnership - Business Plan 2020 - 2023)

The Principal Accountant presented the report and the WPP Business Plan to members and summarised to members as follows:

- The UK Government's requirement for all pension funds to pool their

- investments has been progressing in Wales through the WPP.
- The Partnership governance arrangements include a JGC which meets around 4 times a year. Each pension fund in Wales is represented on the Committee by their Chair
 - At its March 2020 meeting, the JGC considered information in respect of the Training Plan for 2020/21 and gave approval to the WPP Business Plan. It was a requirement for the Business Plan to be approved by individual pension fund committees. Performance Reports for the WPP Global Growth Fund, Global Opportunities Fund and UK Opportunities as at 31st December 2019, were also presented.
 - The JGC were informed that the prospectus of the fixed interest sub fund had been submitted to the Financial Conduct Authority. The transition had a target date of mid-April 2020. Arrangements were delayed due to market volatility. A provisional date of 27th July 2020 has been agreed subject to market conditions.
 - Following the completion of the procurement process for a Voting and Engagement Service Provider, the JGC agreed the recommendation to appoint Robecco Institutional Asset Management as the preferred candidate
 - The Annual Progress Report has been completed and is now on the WPP website;
 - A Conflict of Interest Policy has been developed. This is to be shared at the next JGC meeting; and
 - Hymans, the Oversight Advisors to the WPP, and the Host Authority are progressing with the development of a WPP Risk Register.
 - The next JGC meeting is scheduled to take place on 17th July 2020

A member asked if there had been any disparity noticed in performance since the pooling of assets. The Principal Accountant replied that as it was early in the performance cycle, there was limited comparison. One fund manager had underperformed in the Global Growth sub fund since inception but this appeared to be due to its style of investments not suiting market conditions for that period.

Another member asked if there had been cost savings by having 50% invested into the pool. The Director of Finance and Digital Services replied that cost comparisons were undertaken year on year and that CEM Benchmarking will be presenting to the Committee in October. The Principal Accountant added that, given the value of the fund, we were able to achieve economies of scale in fund managers fees prior to pooling and so the savings for us were expected to be less.

RESOLVED: Members noted the update and approved the WPP Business Plan 2020-2023

7 Urgent Business

None

**This meeting closed at Time Not
Specified**

**CLLR M. NORRIS
CHAIR.**