



RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE
Minutes of the Pension Fund Committee meeting held virtually on Tuesday, 13 October
2020 at 2.00 pm.

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

Cllr Mark Norris – Chairman
Cllr Margaret Griffiths
Cllr Emyr Webster
Cllr Gareth Caple

Officers in attendance

Barrie Davies – Director Finance and Digital Services
Paul Griffiths – Service Director Finance and Improvement Services
Ian Traylor – Service Director Pensions, Procurement and Transactional Services
Gareth Roberts – Baillie Gifford
Tim Gooding - Baillie Gifford
John Simmonds – CEM Benchmarking
David Jennings – CEM Benchmarking
Joao Barata – CEM Benchmarking
Sarah Daniel – Senior Democratic Services Officer

8 Declaration of Interest

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

9 Apologies

An apology of absence was received from County Borough Councillor M. Powell.

10 Minutes

It was **RESOLVED** to approve the minutes of the 14 July 2020 as an accurate reflection of the meeting.

10 Learning and Development

The Chair welcomed Gareth Roberts and Tim Gooding from Baillie Gifford who were in attendance to provide Members with a presentation on the Global Alpha Paris Aligned product.

Tim Gooding thanked members for the opportunity to attend the meeting and indicated that the Global Alpha Paris Aligned product was also being presented to three other Pension Fund Committees in Wales for consideration.

A Member sought clarity on the carbon impact of electric vehicles due to the resources required in their manufacture and whether the strategy of a better public transport infrastructure should be the way forward.

Tim Gooding fed back that future projections of vehicle ownership is forecasting that fewer people will own vehicles and also an overall reduction in the number of vehicles on the road. The representative added that this projection, together with improving technology for the manufacture, performance and infrastructure around electric vehicles and better public transport, would be the strategy to support to create a more efficient eco-system.

A Member indicated that determining the extent to which companies operate in an ethical manner is complex and requested clarity on options for Pension Funds to invest in companies that support a low carbon future and also maintain investment return.

Tim Gooding fed back that although oil for example is currently a key component across a number of industries, there is on-going significant investment in substitute products that have a lower carbon footprint. Tim Gooding added that the Global Alpha Paris Aligned product is set up to exclude companies that are fossil fuel extractors and service providers, and deliver competitive return on investment.

The Chair fed back that both Pension Fund Committee Members and the Fund's Independent Advisors have indicated their support to transition to this product via the Wales Pension Partnership.

RESOLVED: Members noted the report and presentation, and confirm the Rhondda Cynon Taf Pension Fund's support to transition to the Global Alpha Paris Aligned product (subject to approval by other Wales Pension Partnership members).

11 INVESTMENT COST EFFECTIVENESS ANALYSIS - TO RECEIVE A PRESENTATION FROM CEM BENCHMARKING

John Simmonds and David Jennings were in attendance from CEM Benchmarking and introduced themselves to Members.

The representatives fed back that the CEM benchmarking report provided an independent assessment of value-for-money by comparing the Rhondda Cynon Taf Pension Fund costs and performance with 29 other Pension Funds, that currently comprise CEM's LGPS universe. It was also noted that the benchmarking report helps to validate Pension Fund

strategies or support arguments for change by

- Comparing your investment performance with others, highlighting returns that come from:
 - The local Pension Committee's strategic asset allocation decisions; and
 - The implementation of the Committee's strategy (increasingly the responsibility of pools in England and Wales).

- Comparing the level of risk inherent in your portfolio and relative to peers.

- Comparing your investment costs with others on a like-for-like basis.

- Explaining why your costs compare as they do.

- Highlighting how and why your costs have changed over time.

- Providing value-for-money analysis – 'did paying more get you more'?

The representatives provided an overview of the Rhondda Cynon Taf Pension Fund performance, noting the Fund's 6-year net total return of 8.0% was above the LGPS median of 6.4% and a 6-year benchmark return of 6.8% was also above the LGPS median of 6.3%.

A Member noted that the Fund's 6-year performance was better than the LGPS median and sought clarity around if there are Funds that were adding more value at a lower cost. CEM advised it is difficult to consistently add value and that some large LGPS Funds are building the capability to invest their assets directly.

A Member noted that the Rhondda Cynon Taf Fund has one of the lowest investment costs and high-performance levels, and it will be crucial that this position is built upon as part of the Welsh Pension Partnership arrangements.

A Member asked if there was a drop in performance how would the reasons be identified given the widespread impact of the COVID19 global pandemic. The Chair fed back that the benchmarking report will provide information to indicate if performance is being impacted globally or more locally and the Director of Finance and Digital Services added that we would expect the Fund's active Investment Managers to out-perform the market and to achieve their target.

RESOLVED: Members noted the presentation.

12 DELEGATED FUNCTIONS REPORT

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

- During the quarter ended 30th June 2020, the overall value of the Fund increased from £3,350 million to £3,905 million, noting that at 31st August 2020 the Fund value was £4,032 million).
- The rolling 3-year performance of the Fund is 2.4% positive as compared to benchmark with an overview provided of the performance of each portfolio compared to benchmark.
- Following the recent actuarial valuation exercise, work is underway to refresh the Fund's current investment strategy.
- The transition is progressing to move the investments of the current mandate with Blackrock to the ACS World Low Carbon Equity Tracker Fund.

The Service Director, Pensions, Procurement & Transactional Services went on to provide an administration update

The Service Director informed the Committee that two Ministry of Housing, Communities and Local Government consultations have been issued in respect of the required remedies as a result of the McCloud judgment and also £95k exit payment cap reforms being implemented by the UK Government across the public sector.

The Chairman stated that this would have an affect across local government. He added that we have balanced budgets for many years through the delivery of efficiency savings which have included voluntary redundancies. These proposals would significantly impact workforce planning arrangements going forward.

A Member stated that they had feared that this regulation would be introduced a number of years ago. They added that it is going to impact people who have worked all their lives and penalise them. They added that the retirement age had risen to 55 in 2010 and feared this would rise again.

The Service Director stated Government has recently confirmed that the minimum private pension age will increase from 55 to 57 in 2028. He further advised that this along with recent proposals, needs to be communicated to those it will affect, so they can prepare for it. He added he would share the consultation response when it is completed.

The Service Director went on to inform the Committee that the Employer year-end contributions postings are completed and supported the formal publication of the Annual Benefits Statements during August, and prior to the statutory deadline. This enables the Service to conclude the 2019/20 Annual Allowance 'Pension Tax' exercise, issuing Savings Statements to those scheme members affected by the 6th October.

The Service Director referred to the Eight Key Performance Service Standards that are monitored by the Panel and Pension Board, confirming that the latest cycle of performance had been impacted by some resourcing issues within the Service. He added that the Internal Dispute Resolution Process reported no trends or patterns of note.

The Committee received an update on the Fund's data improvement items, including the recent 'Data quality' scores required by the Pensions Regulator. The Chairman commended the improvement made again this year against the relevant data categories. The Chairman requested that those Fund Employers that have yet to transition to 'I-connect' monthly data transmission are provided with an implementation extension deadline of the 31st March 2021.

The Service Director finished by advising Members that the Pension Board last met virtually on the 5th August 2020 and the next board meeting was scheduled for 3rd November 2020.

RESOLVED: Members noted the contents of the report and that a letter of implementation extension to be issued to relevant Fund Employers.

13 PENSIONS FUND RISK REGISTER - RISK REGISTER OVERVIEW

The Service Director Finance and Improvement Services updated the Committee with details of the arrangements in place to manage risk within the Pension Fund, as at the end of September 2020 which were included at appendix 1 to the report.

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

14 WALES PENSION PARTNERSHIP - UPDATE

The Director of Finance and Digital Services provided the Committee with an update on the progress with regard to the Wales Pension Partnership and Joint Governance Committee.

Resolved: Members noted the update

15 URGENT BUSINESS

NONE

**Cllr M Norris
Chairman.**