



RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE

Minutes of the virtual meeting of the Pension Fund Committee held on Monday, 22 March 2021
at 2.00 pm.

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

Councillor M Norris (Chair)

Councillor M Griffiths Councillor G Caple
Councillor E Webster Councillor M Powell

Officers in attendance:-

Mr B Davies, Director of Finance & Digital Services
Mr I Traylor, Service Director – Pensions, Procurement & Transactional Services
Mr P Griffiths, Service Director – Finance & Improvement Services
Ms Y Keitch – Senior Accountant Pensions and Treasury Management
Mr K Bray – Forum Officer LAPFF
Ms T Younger – Head of Engagement PIRC Ltd
Mr A Quinn - Associate Director, UK Institutional, Russell Investments
Mr R Thornton - Head of Relationship Management, Link Fund Solutions
Mr D Cullinen – RCT Pension Fund Advisor.

RCT Pension Board Members in attendance:-

Professor H Coombs (Chair of the Board)
Mr R Whiles
Ms A Pring
(Apology noted from Board Member Mr D Francis)

26 Declaration of Interest

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

27 Minutes

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

28 Learning and Development

Members of the Committee received Mr K Bray and Ms T Younger who, through the aid of a powerpoint presentation, provided Members with details of the role of the LAPFF incorporating 'responsible investing, protecting shareholder value.' Members were provided with an overview of the role and structure of LAPFF, areas of concern with specific reference to environmental, social and governance concerns and the priorities going forward.

Following the presentation Members questioned the LAPFF representatives, querying concerns raised in respect of investing in infrastructure for the creation of jobs, following the covid pandemic. Members were advised that the pension fund would invest in line with advice and the investment case for global as

opposed to local investment. The LAPFF representatives commented that this would need to be taken forward within the context of the fiduciary basis of the Fund.

Members welcomed the ethical investments and the climate change aspects, with one Member querying the work taken forward with hydrogen cells and renewable resources and also spoke on the electrification of vehicles. The LAPFF representative spoke of the need to look at sectors rather than specific companies in respect of renewable energy, the engagement with National Grid in respect of hydrogen and the need to survey Members to gauge the areas of investment.

Members spoke of the need to include these areas within the workplan and the importance of collaborative approaches.

LAPFF representatives were queried on the pool relationship between LAPFF and Robeco. Members were advised that open communication was being undertaken with Robeco.

The Chair concluded the Members questions by referencing the concerns with the reporting of carbon emissions by companies and the need for a consistent approach across the board. The representatives referenced the work of the TCFD taskforce and the future intention for such reporting to be regulated.

Upon conclusion of the item the Chair thanked the representatives for their informative presentation to the meeting.

It was **RESOLVED** to note the content of the presentation.

29 To Consider Passing the Following Resolution:

RESOLVED: That the press and public be excluded from the meeting under Section 100A(4) of the Local Government Act (as amended) for the following item of business on the grounds that it involves the likely disclosure of the exempt information as defined in paragraph 14 of Part 4 of the Schedule 12A of the Act.

30 Link Solutions and Russell Investments

Members received Mr A Quinn and Mr R Thornton who provided a PowerPoint presentation in respect of Link Solutions and Russell Investments on the performance of the Fund's investments in the WPP.

Members were provided with information on the WPP sub-fund market values as at 31st December 2020, highlighting the three sub funds that the RCT Pension Fund is currently invested in.

Members were informed of the performance of the Global Growth Fund, the Global Opportunities Fund, and the UK Sterling Credit Fund for the current quarter, one-year and since inception. The Director of Finance and Digital Services requested that the PowerPoint presentation be amended to show the correct excess returns over those periods for the Global Growth Equity Fund (as at 28th Feb 21).

Members **RESOLVED** to note the contents of the presentation.

31 **Asset Liability Review**

Members received Mr D Cullinen, RCT Pension Fund independent advisor, who provided Members with details of the outcome of the asset liability review of the Pension Fund.

Mr D Cullinen informed members of the Fund's current performance over the one, three and five year periods. Members were updated on the Fund's current investment strategy and an oversight into the asset liability review considerations and asset classes considered.

Members were advised that the Fund's current investment strategy was efficient but there was potential to achieve incremental improvements from a risk / return perspective.

The proposal is a three-step approach to reduce the current allocation and weighting to equities to be offset by increasing the weightings of government bonds, corporate bonds and infrastructure investments.

Following discussion it was **RESOLVED**:

1. To note the contents of the asset liability review update; and
2. To approve the proposed investment strategy.

32 **Annual Review of Fund Governance and Strategy Documents**

The Service Director – Pensions, Procurement and Transactional Services provided Members with details of the Fund Governance and Strategy documents which fall within the remit of the Committee as detailed in the terms of reference. Members were referred to section 4.3 of the report which identified the documents and the proposed reporting arrangements to the Committee.

Members welcomed the news that the Exit Cap change no longer applied and questioned whether any employees had been affected prior to this amendment. Officers confirmed that no employee within the Fund had been impacted.

Reference was made to the funding objective and on the need to ensure that an integral part of the overall objectives was to comply with high ESG standards, and officers were requested to ensure that this is reflected appropriately and consistently through the documents.

The importance of training of Members was discussed and Officers confirmed the training requirements needed by all Members to assist in their role on the Committee.

Following discussion it was **RESOLVED** to approve the fund governance and strategy documents and authorised officers to update accordingly.

33 **Delegated Functions Report**

The Director of Finance and Digital Services and the Service Director – Pensions, Procurement and Transactional Services provided Members with the key issues being

addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement. Members were advised that during the quarter ended 31st December 2020, the overall value of the Fund increased from £4,040 million to £4,417 million.

Officers further advised members that the rolling 3-year performance of the Fund was 11.0% positive as compared to a benchmark of 7.1%. For the last quarter (i.e. quarter 4), Baillie Gifford, the traditional equity portfolio, Global Growth high alpha equity portfolio, Global Opportunities high alpha equity portfolio and the UK Credit Fund had outperformed their benchmarks, and CBRE property portfolio underperformed their benchmark. The BlackRock passive equity portfolio performed in line with benchmark. Officers advised that Baillie Gifford traditional equity portfolio outperformed their rolling 3 year rolling benchmark achieving a return of 17.7% against a benchmark of 12.8%.

As previously highlighted by Members, the position in respect of HM Treasury 'Exit Cap' payment regulations that came into force on the 4th November 2020 was confirmed. It was advised that on the 12th February 2021, the HM Treasury determined that the Restriction of Public Sector Exits Payments Regulations 2020 should be withdrawn due to the potential for unintended consequences.

The Committee were advised of the recent meeting of the Fund's Communications Forum and the discussions relating to the anticipated resource challenges on all parties to address the McCloud remedies.

Data quality and compliance remains a key priority for the Pension Fund and it was added that further to the previous update to Committee, the Fund had been working closely with the Employers yet to implement the I-Connect monthly data transfers. Progress has been made around some of the technical issues, with expectations to finalise in the first quarter of 2021/22. Members of the Committee requested that a reminder from the Committee should be circulated.

Members were also advised that the Member Self-Serve (MSS) continues to be promoted and also provided an update in respect of the work of the Pension Board confirming that there were no items noted for referral back to Committee.

The item was concluded with reference to the LAPFF quarterly engagement report for the period October to December 2020 which was appended to the report.

The Chair thanked all staff involved with the Pension Fund for their continued work and support with particular reference to the work involved in the recent internal audit undertaken and it was suggested that further detail be brought forward to a future meeting in respect of the work to address the 2 recommendations that had resulted from the audit.

One Member queried how the Fund could encourage members to utilise the self-service system and the Committee discussed that continued communication from trade unions (who are very supportive in this regard) could help encourage and promote the message regarding use of the system and it was agreed that further such communications might be helpful.

Following discussion it was **RESOLVED** to:

1. Note the issues addressed within the report; and
2. Bring forward detail of the Internal Audit report, resulting recommendations and response to the recommendations at the next meeting of the Committee.

34 Risk Register Review

The Service Director - Finance and Improvement Services presented the report to members and referred to Appendix 1 of the report which outlined in detail the Risk Register. Members were advised that the Risk Register is reviewed in detail and operationally by the Pension Fund Working Group, where recommended updates are made to reflect changes in risks. This is then presented to the quarterly meetings of the Investment and Administration Advisory Panel for further review, challenge and agreement.

Following a detailed account of the Risk Register the Committee **RESOLVED** to note the arrangements in place for the management of risk within the Fund.

35 All Wales Pooling - Progress Update

The Senior Accountant for Pensions and Treasury Management provided Members with an update on the work and progress with regard to the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC).

Members were advised that the last meeting of the JGC was held on the 10th December 2020 and concentrated on work surrounding:

- WPP Sub funds – All five Fixed Income sub funds have now been launched. Work continues with the next tranches of sub funds.
- WPP Voting Policy
- WPP Training Policy
- The tender evaluation process for the legal advisor contract was completed

Other key areas:

- A Fixed Income press release was issued
- The WPP 2019/20 Annual Report has been published
- Training – Training sessions are continuing to be arranged in line with the 2020/2021 training plan. The training sessions have been held virtually and have been extended to include Pension Committee and Board members, as well as JGC members and officers.
- The Website continues to be updated with approved policies, press releases and details of sub fund launches
- Robeco, the WPP voting and engagement provider, is now actively voting WPP shares using its standard voting template.

The Senior Accountant for Pensions and Treasury Management referenced the forthcoming meeting of the JGC, a link to which had already been circulated to members.

A member of the Committee queried the private market funds and the Senior Accountant for Pensions and Treasury Management referenced the infrastructure, property, private market debt and impact sub- funds.

Members **RESOLVED** to note the content of the report.

This meeting closed at 4.40 pm

**CLLR M. NORRIS
CHAIR.**