



RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE

Minutes of the meeting of the Pension Fund Committee meeting held virtually on Tuesday, 8 March 2022 at 2.00 pm.

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

Councillor M Norris (Chair)

Councillor M Griffiths Councillor G Hopkins
Councillor E Webster

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 - Principal Accountant, Treasury Management & Pension Fund
Mrs T Watson - Senior Scrutiny and Democratic Officer
Mr K Bray - Forum Officer LAPFF
Ms T Younger - Head of Engagement PIRC Ltd
Mr A Quinn - Associate Director, UK Institutional, Russell Investments
Mr T Paik - CFA Manager, Russell Investments
Mr E Gough - Senior Relationship Manager, Link Group

RCT Pension Board Members in attendance:-

Professor H Coombs (Chair of the Board)
Ms S Absalom
Mr D Francis
Mr R Whiles

26 Apologies

Apologies for absence were received from County Borough Councillor L Hooper.

27 Declaration of Interest

Cllr Geraint Hopkins declared a personal interest in that he was part of the Local Authority Pension Scheme.

28 Minutes

It was **RESOLVED** to approve the minutes of the 13 December 2021 as an accurate reflection of the meeting.

29 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 and structure 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 and the priorities going forward. Following the presentation Members questioned the LAPFF representatives on how the companies were prioritised in respect of climate engagement, to make best use of available capacity.

The LAPFF representative explained holdings-based engagement and indicated that LAPFF members are requested to provide details of their holdings on an annual basis. In addition, there is a planned approach to the work with a draft work plan already issued for the coming year. This allowed for Member input into the work plan on what areas are most effective for LAPFF to address.

Members recognised that decarbonisation would be a challenge for some sectors. The LAPFF representative explained that whilst some sectors were called 'hard to abate sectors' a specific example was provided of ArcelorMittal, who had started using renewables and green hydrogen, and is a positive example of how a company is progressing its decarbonisation plans.

Members noted LAPFF's involvement in metrics and goals and asked for clarification. The LAPFF representative explained that the Climate Action 100+ Net Zero Company Benchmark sets out a useful set of 10 metrics that aim to bring consistency to and simplify the analysis that includes science-based targets. The LAPFF representative indicated that the approach was focussed on continuous learning and on-going development in respect of science-based targets, as currently only a small proportion of companies worldwide had such targets in place.

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.

30 To consider passing the following resolution:

RESOLVED: Members **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 5 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".

31 LINK SOLUTIONS AND RUSSELL INVESTMENTS

Members received a presentation from representatives at Link and Russell Investments.

Upon conclusion of the presentation Members **RESOLVED** to note the updates.

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 fell within the remit of the Committee as detailed in the terms of reference.

At 4.3, Table 1 set out the documents reviewed on an annual basis and those where proposed updates had been incorporated for the Committee's consideration were included in Appendices 1 - 5. The Service Director provided a brief overview of the proposed updates and indicated that these had also been circulated to the Pension Board, acknowledging the contribution made by Pension Board Members in this regard.

It was RESOLVED to approve the fund governance and strategy documents.

33 DELEGATED FUNCTIONS REPORT

The Director of Finance and Digital Services provided a Statement on the Russia / Ukraine crisis and Investments held by the Fund.

Rhondda Cynon Taf Pension Fund mirrors that of the statement from the Wales Pension Partnership and the LGPS in Wales, the statement being:

We are deeply saddened by the situation in Ukraine and our thoughts are with the Ukrainian people

The WPP total exposure to Russian investments is minimal at less than 1%. Even so, in the light of the terrible events we have witnessed, and the economic sanctions imposed internationally, as a collective we have decided to divest from these holdings as soon as is practically possible.

Given the circumstances we do not believe that engagement with these companies presents a viable option.

Rhondda Cynon Taf Pension Fund also has minimal exposure to Russian investments. It has contacted all managers with mandates outside the pooling arrangements expressing its view. It has given its support and backing to the statement of the Wales Pension Partnership and the LGPS in Wales.

The Director Finance and Digital Services then presented the report to members which set out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement. The Director referred members to the performance of the Fund detailed at the table in 4.3 of the report explaining that during the quarter ending 31st December 2021, the overall value of the Fund increased from £4,744 million to £4,819 million. In terms of the Fund performance, the quarter itself was positive at +1.6% but negative compared to benchmark (-2.6%), and with regard to 3-year performance this was well ahead of benchmark at +2.8% annualised.

The Director continued and indicated that the Baillie Gifford global core equity portfolio outperformed the rolling 3-year benchmark achieving a return of 22.2% against a benchmark of 13.1%, noting that this was held outside of the Wales Pension Partnership (WPP) pooled assets, pending implementation of the Fund's asset allocation strategy, and continued to provide significant added value. The Director went on to indicate that 71% of the fund was currently held within WPP pooled assets and the asset allocation de-risking strategy and initial exposure to the infrastructure product with Black Rock was now in progress. In terms of carbon exposure, Baillie Gifford, as one of the fund managers of the

WPP, had transitioned their mandate to their Paris Aligned product. Black Rock passive equity continued to be held in the low carbon tracker and the global opportunities sub fund continued to benefit from the carbon reduction overlay which was in place. It was added that the WPP creation of a sustainable equity fund will provide further options with regard to ongoing divestment from carbon and the ongoing transition to sustainable infrastructure which will see a further reduction in equity holdings overall. Active management along with engagement was a positive contributor to support effective carbon transition, with Managers instructed to represent the Fund's views and to continue to work with Robeco as voting and engagement partner and LAPFF.

The Service Director Pensions, Procurement and Transactional Services continued through the report starting at 5.0 and highlighting at paragraph 5.1 that the recent amendments to the Public Service Pensions and Judicial Officers Bill had expanded the McCloud remedy eligibility in the LGPS. The Service Director added that this extended scope will add further complexity and data collection requirements. At paragraph 5.2 the Service Director referenced changes to legislation around the 'Normal Minimum Pension Age' (NMPA), changing from 55 to 57 from 6th April 2028 and noted that this impacted the scheme and the pension protection age would be adjusted accordingly. At paragraph 5.3, the Service Director referenced the requirement for the UK Government, as part of the Pensions Act 2014, to review periodically future increases to State Pension Age, and indicated that the second such review had been launched and must be published by 7 May 2023. The Service Director indicated that the outcome of the review would be looked at closely, in light of any change impacting on when LGPS scheme members are able to receive payment of their benefits as well as the overall costs of the scheme.

The Service Director Pensions, Procurement and Transactional Services continued at paragraph 5.4 and highlighted that it was anticipated there would be further governance requirements for LGPS Pension Funds during 2022-23. The Department of Levelling Up, Housing and Communities (DLUHC) would progress recommendations from the Good Governance project and The Pensions Regulator's (TPR) Single Code of Practice Code is likely to be launched from October 2022. At paragraph 5.5, the Service Director highlighted that 2022 was a valuation year and had met with the Fund Actuary on a number of occasions, agreeing the Terms of Reference for the triannual exercise and with the aim of providing employers with the outcome of the exercise as timely as possible during 2022/23. The Committee were provided with death statistical information at paragraph 5.6 and paragraph 5.7 set out Member Self-Serve information, where it was agreed with employers at the last Communication Forum for a targeted awareness activity to be progressed to support improved take-up in this area.

The Service Director Pensions, Procurement and Transactional Services went on to Section 6 of the report, Pension Board, noting that the Pension Board had last met virtually on 31st January 2022 and there were no items noted for referral back to Committee at this time. The Service Director added that the Pension Board also received an update on the revised measures put in place as a result of new legal restrictions on an individual's right to transfer from the LGPS, this taking effect from 30th November 2021. Further information on this might helpfully be provided to a future committee meeting. The Chair agreed with this suggestion.

It was RESOLVED to note the contents of the report.

34 RISK REGISTER REVIEW

The Service Director Finance and Improvement Services presented the report and referred Members to the Risk Register attached at Appendix 1 for their consideration. The Service Director advised Members that the Pension Fund Risk Register provided an overview of the arrangements in place to manage the risk to the Fund and was presented to the quarterly meetings of the Investment and Administration Advisory Panel for review, challenge, and agreement. Following agreement of the updated Risk Register, Members were informed that it is then published on the Fund Website and the Service Director indicated that the Risk Register is also reviewed by the Pension Board, as part of its role in supporting the Fund's overall governance arrangements.

The Service Director went on to note that the Risk Register contained 38 risks, comprising 1 High Risk, 16 Medium Risks and 21 Low Risks, and this position being in line with that reported to the December 2021 Pension Fund Committee meeting. The Service Director also noted that there had been one update to a risk score and accompanying narrative, set out on page 119 and within the 'Investments' Risk Category and the risk that covers 'Financial markets being suppressed by the economic climate'. Members were informed that the risk description for this particular area had been updated to reflect the geopolitical instability as a result of the situation in Ukraine and the risk impact and likelihood scores had been updated accordingly, revising the overall risk score from 16, as reported to the December 2021 Pension Fund Committee, to 25.

A Member noted the update and the changing risk due to the volatile situation and agreed that the position needed to be monitored on an on-going basis.

RESOLVED: Members noted the contents of the report.

35 WALES PENSION PARTNERSHIP - UPDATE

The Principal Accountant, Treasury Management & Pension Fund provided an update and progress for Members with regard to the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC). The Principal Accountant advised that the last meeting of the JGC was held on the 1st December 2021 and 3.3 of the report contained the hyperlink to access the agenda.

The Principal Accountant then took Members through 3.4 of the report and provided further information in relation to several points, including the development of Private Market Sub-Funds via the procurement of Private Debt and Infrastructure allocators.

In terms of other key areas, it was noted that virtual training sessions continued with the next session scheduled for the 22nd March 2022, which would include Board and Committee Members, and would cover good governance and costs transparency. The Committee was also informed that the website continued to be updated with relevant news and publications.

The Principal Accountant also provided an update on the sustainable equity fund and explained that work was ongoing to set out and scope this sub fund, and had engaged with Russell Investments in this regard. The Principal Accountant added that the next JGC meeting would take place virtually, on the 23rd March 2022.

A Member referred to the Woodford case and sought reassurance in relation to Link.

The Director of Finance & Digital Services explained that assurances had been sought directly from Link and Link were cooperating with the FCA and the Regulators, noting that the process is on-going. Assurance had been given that the relationship with WPP would continue to operate as is.

The Chair noted that this was the last meeting before the Elections and thanked Members of the Committee and the Pension Board, and all Officers, for all the hard work put in.

RESOLVED: Members noted the update.

36 Urgent Business

None received.

This meeting closed at 4.05 pm

**Cllr M Norris
Chairman.**