



RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE

Minutes of the virtual meeting of the Pension Fund Committee held on Tuesday, 13 December 2022
at 2.00 pm.

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

Councillor M Norris (Chair)

Councillor D Wood Councillor N H Morgan

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

Others in Attendance

Mr G Roberts – Baillie Gifford
Ms M Haper – Baillie Gifford

15 APOLOGIES

Apologies for absence were received from County Borough Councillors M Ashford and G Jones.

16 WELCOME

The Chair welcomed County Borough Councillor N Morgan to his first meeting of the Pension Fund Committee.

17 DECLARATION OF INTEREST

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

18 MINUTES

It was **RESOLVED** to approve the minutes of the 28th October 2022 as an accurate reflection of the meeting.

19 EXEMPTION OF THE PRESS AND PUBLIC

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

20 LEARNING AND DEVELOPMENT - RESPONSIBLE INVESTING AND ENGAGING WITH COMPANIES

Through the aid of a PowerPoint presentation, representatives from Baillie Gifford provided Members with an overview of their environmental, social and governance aims and principles. After a detailed discussion in respect of the presentation, the Committee **RESOLVED**:

- I. To note the contents of the presentation.

21 DELEGATED FUNCTIONS REPORT

The Director of Finance and Digital Services provided Members with the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement.

The Director informed Members of the quarterly reporting cycle for pension fund investment performance and referenced that during the quarter ending the 30th September 2022, the overall value of the Fund decreased from £4,108 million to £3,995 million.

The Committee were advised that the rolling 3-year performance of the Fund was 2.8% positive as compared to benchmark of 2.4% and during quarter 3 Global Opportunities high alpha equity portfolio, BlackRock Passive UK Equity (low carbon), Baillie Gifford traditional equity portfolio and UK Credit outperformed their benchmarks (noting that Baillie Gifford and UK Credit quarter 3 benchmarks were negative); Global Growth high alpha equity portfolio and CBRE Property underperformed their benchmarks; and BlackRock Passive UK Gilts performed in line with their benchmark.

Members were referred to the table at paragraph 4.7 of the report which provided detail of the revised asset allocation strategy together with the current allocation. In respect of infrastructure, the approach was for the Fund to invest over a number of years in order to secure and optimise opportunities across the different time periods (and vintage years).

The Service Director, Pensions, Procurement & Transactional Services provided the Committee with an administration update, from Section 5 of the Report, that included details of the RCT Pension Fund Annual Report, the Fund's governance documents that are currently being updated in line with the 2022 Valuation and in consultation with respective stakeholders, and details on the Employer Cost Cap and Specified Restricted Scheme.

Committee were provided with an update on the 2022 Triennial Valuation exercise, with emerging results indicating a positive increase in overall funding level since the 2019 Valuation. The Service Director added that in discussion with the Fund Actuary, a level of prudence had been factored into assumptions in recognition of current wider economic uncertainty, giving rise to market volatility and significant increases in inflation.

The Service Director updated Members on the new Life Certification exercise underway and the use of biometrics technology to provide assurance on the details / status of scheme members that live abroad, with contact being made with the 189 overseas pensioners.

The Service Director explained the scheme 'data quality' scores which provide a high level of data assurance and confirmed their inclusion within the Fund's annual return to the Pension Regulator.

The Service Director also updated Members on the Service's key performance measures and workload volumes, these remaining positive but challenging, and added that there was a continued focus on team development and recruitment. The Service Director completed the overview of the Report by providing details of the most recent Pension Board meeting on 17th October 2022.

A Member requested further information on the fluctuation in the overall value of Fund from £4.1M to £3.9M. The Director of Finance and Digital Services noted the current market volatility and fed back to Members that the Fund invests over the long term and has a diversified portfolio to manage risks, such as market volatility, and at the same time optimise return. The Director added that the Fund's performance would be kept under on-going review in line with the robust monitoring arrangements in place.

Members discussed arranging a future briefing session with Officers on investment performance including details on the Wales Pension Partnership.

Following discussions, it was **RESOLVED**:

- I. To note the issues addressed within the report.
- II. To take forward a future briefing session with Officers.

22 RISK REGISTER REVIEW

The Service Director, Finance & Improvement Services provided Members with an overview of the arrangements in place to manage risk within the Pension Fund.

The Service Director advised Members that the Fund maintains a Risk Register which is reviewed and updated on a quarterly basis and referred Members to the Risk Register attached at Appendix 1 for their consideration. Members were informed that there had been no changes to 'Likelihood' or 'Impact' risk ratings during the last quarter for the 38 risks within the Risk Register.

One Member commented on the potential pension increase for 2023/24 aligned to the rate of inflation and whether this will cause cashflow pressures. The Service Director fed back that regular cashflow monitoring is in place alongside ensuring that sufficient funds / liquid assets are available to meet on-going pension payments.

Another Member noted the position in respect of the WPP Operator. The Director of Finance and Digital Services fed back that a WPP Operator procurement process has commenced, and Members will be kept updated as the process is progressed.

Following discussion it was **RESOLVED**:

- I. To note the arrangements in place for the management of risk within the Fund.

23 PENSION FUND STATEMENT OF ACCOUNTS 2021/22 AND AUDIT WALES REPORT

The Director of Finance and Digital Services presented Members with the Pension Fund Statement of Accounts (2021/22) and advised of the role and responsibilities of the Committee with regard to the approval process for the Accounts.

The Director advised Members that the Pension Fund Statement of Accounts 2021/22 were approved by full Council on the 23rd November 2022 and the outcome of the external audit undertaken by Audit Wales was an unqualified audit opinion.

Members commented that it was a positive report and **RESOLVED**:

- I. To note the audited financial statements of the Pension Fund for the financial year 2021/22.

24 WALES PENSION PARTNERSHIP - UPDATE

The Senior Accountant, Pensions and Treasury Management provided the Committee with an update on the work and progress of the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC). Members were advised of the areas covered at the December 2022 JGC which included the development of the Private Markets Sub-Funds and Operator contract procurement process. The Senior Accountant fed back the importance of the Taskforce on Climate-related Financial Disclosures (TCFD) and informed Members that the consultation in respect of this ended in November 2022. Members were also informed of the aspiration to become 'carbon neutral' through using the framework, with the framework providing a consistent approach to climate-related financial risk disclosures across all LGPS Pension Funds.

Members **RESOLVED** to:

- I. Note the update provided.

This meeting closed at 3.33 pm

**CLLR M. NORRIS
CHAIR.**