



RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE

Minutes of the meeting of the Pension Fund Committee held virtually on Monday, 13 December 2021 at 2.00 pm

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

Councillor M Norris (Chair)

Councillor M Griffiths 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, Senior Accountant Pensions and Treasury Management
Mr T Jenkins, Senior Team Manager Digital, Comms and Governance
Mrs T Watson, Senior Democratic and Scrutiny Officer

17 Apologies

Apologies for absence were received from County Borough Councillors G Caple and L Hooper.

18 Declaration of Interest

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

19 Minutes

It was **RESOLVED** to approve the minutes of the Pension Fund Committee held on the 11 October 2021 as an accurate record of the meeting.

20 Delegated Functions Report

The Director Finance and Digital Services 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. He referred members to the performance of the fund detailed at the table in 4.3 of the report explaining that during the quarter ending 30th September 2021, the overall value of the Fund increased from £4,725 million to £4,744 million with a quarter underperformance relative to the benchmark, albeit a positive return of 0.3% but it did lag the benchmark of 0.7%. The rolling three-year performance remained strong at 11% annualised, compared to a benchmark of 8.1% which was a 2.9% out performance which significantly benefited the fund in terms of excess return over that period, as opposed to passively tracking the index.

He continued that whilst there had been some variable performance in the last quarter it was pleasing to note that all fund managers had performed positively compared to the benchmark over the 3-year period, the only exception being the property manager who had fallen short of their customised benchmark of CPI plus 4.5%. With regard to moving towards the revised asset allocation strategy, step 1 of the revised strategy was complete with the move of 5% of the fund from equities to bonds. Having completed the investment and legal due diligence, £50 million would be transitioned to infrastructure to begin the Fund's exposure to this asset class. The ambition is to move up to 10% to infrastructure but it was noted that this would be over time. He added that it was pleasing to note that journey had begun, and the Fund would continue to work with the WPP in terms of the other options that were available.

The Service Director Pensions, Procurement and Transactional Services continued through the report starting at 5.0 and highlighting at 5.2, the new legislation in relation to the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021, with the regulations taking effect from 30 November 2021. He acknowledged the Service was seeing increasing numbers of members requesting transfer information, however those members that actually transfer their benefits out remain relatively low. The new regulations seek to increase protection for scheme members from pension transfer scams.

Members were advised that there were existing controls in place to help mitigate these scams whereby as an administering authority, the Service ensures that members have sought appropriate/registered financial advice, but it was still ultimately up to the member whether they wished to proceed or not having taken that advice. The new regulations place further responsibilities on the administering authority.

He acknowledged that it was quite a big responsibility for the administering authority to take on this new role but appreciated why it had been introduced, and was one for the Service to monitor but hopefully by applying some of the new measures this would mitigate some of the scams that were targeted against members.

The Chairman felt most people should understand any additional measures that might be put in place to secure their money.

The Service Director Pensions, Procurement and Transactional Services then continued through the remaining sections at 5.0.

The Service Director Pensions, Procurement and Transactional Services put on record at 6.1 there were no items noted for referral back to Committee from the Pension Board meeting of the 15th November 2021. He noted at 6.2 the successful appointment of the 'Scheme Member' representative, who had attended the Annual General Meeting and was at present completing the 'Fundamentals Training programme' training. He felt it was fortunate to be able to have appointed somebody with the appropriate background into the role.

The Chairman gave a welcome from the Committee to the new 'Scheme Member' representative and looked forward to seeing her at the joint meeting.

RESOLVED: Members noted the contents of the report.

21 Learning and Development - Pensions Fund Administration

Members received a presentation on the Pensions Fund Website Rebranding along with an update in terms of the administration strategy and McCloud from the Senior Team Manager Digital, Comms and Governance.

The Chairman thanked the Senior Team Manager Digital, Comms and Governance for the presentation and the update in terms of McCloud and agreed that it was going to be a huge undertaking to sift through and collect the data for the small amount of people that were affected.

A Member congratulated the team on the disability accessibility of the website with the rebranding, noting the compliance with accessibility standards had gone from 31% to 91%. He looked forward to narration software as the next stage.

A Member acknowledged that the McCloud issue was a massive problem that could take years to resolve and asked whether the Council needed to be employing more staff so that it didn't take quite so long.

The Director of Finance & Digital Services provided assurance to the Committee of this work, through the risk register, acknowledged that a specific risk had been introduced in respect of McCloud recognising the scale of the issue the Senior Team Manager Digital, Comms and Governance had set out to the Committee.

A Member noted there was a legal requirement to find the records and information back to 2014 and asked what would happen if that information could not be found by the Fund Employers.

The Service Director – Pensions, Procurement & Transactional Services explained that currently the Scheme Advisory Board for the LGPS was considering those kinds of issues and there was recognition to look nationally too, to get a consistent approach on how to deal with those areas where there were data gaps, hopefully in a prudent way, by developing some consistent assumptions, although he acknowledged there were likely to be data gaps given the retrospective timeline.

Upon conclusion of the presentation members RESOLVED to note the update.

22 Pension Fund Risk Register

The Service Director Finance and Improvement Services presented the report and referred members to the Risk Register attached at Appendix 1 for their consideration.

He advised members that the Pension Fund Risk Register provided an overview of the arrangements in place to manage the risk to the fund. The Risk Register was then presented to the quarterly meetings of the Investment and Administration Advisory Panel for further review, challenge, and agreement. Following agreement of the updated register, it was published on the Fund Website. The register was also reviewed by the Pension Board, as part of their role in supporting the Fund's overall governance arrangements.

The updated Risk Register contained 38 risks compared to 37 in October with 1 High Risk, 16 Medium Risks and 21 Low Risks. There had been two updates reflected in the register, further to the October committee meeting, which related

to the area of McCloud. This was reflected in the Funding Risk Category to reflect the monitoring arrangements in terms of the remedies and ensuring there was appropriate provision made against the Fund's liabilities and secondly the Operational Risk Category, which was a new Medium Risk recognising the difficulties and the risk associated with the delivery of the McCloud remedies, which colleagues had touched upon previously, with a number of control measures reflected in the Risk Register to set out the mitigating actions being taken.

RESOLVED: Members noted the contents of the report.

23 Wales Pension Partnership

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

The Senior Accountant Pensions and Treasury Management then took Members through 3.4 of the report and provided further information in relation to several points. An application had been submitted in respect of the UK Stewardship Code. The launch of the Emerging Markets Sub Fund took place in October 2021 although the RCT pension fund did not have any investments in that Sub Fund.

Committee were provided with an update in terms of the next steps/priorities. Firstly, it was to commence the appointment process for the Scheme Member Representative, and it was believed all constituent authorities had now given their approval and secondly, the development of Private Market Sub-Fund.

From September 2021 to February 2022 work was continuing on Procurement of Private Debt and Infrastructure allocators. The JGC would then approve that appointment at the 23rd March 2022 meeting and then from March 2022 to December 2022 those sub funds would be developed, approved and launched.

In terms of other key areas, virtual training sessions continued with the next session scheduled for the 19th January 2022 which would include Board and Committee Members.

The Senior Accountant Pensions and Treasury Management noted that several Constituent Authorities had expressed an interest in launching a sustainable equity sub-fund and work was underway to set out and scope this sub-fund and gauge the appetite of investors. Over time the objective of the WPP was for local investment opportunities to be facilitated via the private markets sub-fund and appointed allocators. Initial opportunities continued to be explored in this regard and Members would be aware that the RCT full Council meeting had approved the proposed amendments of the WPP Inter Authority Agreement to reflect current ways of working, requirements for further investment arrangements and to agree the appointment of a non-voting Scheme Member Representative onto the JGC.

Members were advised that the next JGC meeting was scheduled to take place on 23rd March 2022.

A Member sought clarification in relation to the application submitted to the UK Stewardship Code.

The Senior Accountant Pensions and Treasury Management explained an application was made to the Financial Report Council (FRC) to be a member of the UK Stewardship Code. This is now a more extensive process requiring the applicant to show evidence of responsible investing and had enlisted Robeco to help with this stage of the voting.

A Member sought further explanation in relation to the development of Private Market Sub funds.

The Senior Accountant Pensions and Treasury Management explained that private market funds were illiquid assets such as infrastructure, to which this Fund had a 10% commitment, but there was no allocation to private credit and private debt. Other Welsh funds had existing allocations to this type of asset class, so the WPP were required to provide a suitable platform for their purposes.

In response to a question, the Senior Accountant Pensions and Treasury Management stated that the investment strategies are determined by the individual pension fund. This Pension Fund has a strategy of investing in equities, bonds, property and now infrastructure, but other pension funds may have more or less risk in their strategies. It was not for other WPP members to influence an individual fund's strategy.

The Chairman clarified that it had been agreed at the beginning that there had to be a vehicle provided for all types of funds currently used by each pension fund, so if some of the pension funds had an investment in private debt then a vehicle would be provided within the WPP, but we do not have to invest in it.

A Member asked if there would be a future report on the sustainability equity sub-fund.

The Senior Accountant Pensions and Treasury Management explained that they were at the initial stages and needed to understand the risk and return metrics and how much each fund would wish to commit to.

The Chairman noted that once it was set up, some of the equities currently held could be transferred into the sustainable fund.

The Director of Finance & Digital Services noted that the Committee would be updated further as the sub fund development progresses.

The Director of Finance & Digital Services elaborated a little on point 3.6, which referenced the objective of WPP over time for local investment opportunities and noted that WPP would be considering such an opportunity at the December meeting and whether to progress with more detailed due diligence. It is clearly for each Fund to determine for themselves whether they would wish to invest in any such opportunity.

The Chairman ended by asking that the Committee be kept informed of progress.

RESOLVED: Members noted the update.

24 PENSION FUND STATEMENT OF ACCOUNTS AND AUDIT WALES REPORT

The Director Finance and Digital Services presented the report to Members with regard to the approval process for the Pension Fund Accounts.

He advised members that the Pension Fund accounts were approved by full Council on the 24 November 2021 and the outcome of the external audit undertaken by Audit Wales was an unqualified audit opinion.

RESOLVED: Members noted the contents of the audited financial statements of the Pension Fund for the financial year 2020/21.

25 Urgent Business

None received

This meeting closed at 3.03 pm

**CLLR M. NORRIS
CHAIR.**