



RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE

Minutes of the virtual meeting of the Pension Fund Committee held on Tuesday, 12 July 2022 at 2.00 pm.

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

Councillor M Norris (Chair)

Councillor M Ashford Councillor M Rees-Jones
Councillor D Wood

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 C Black – Pensions Service Manager
Mr M Jones – Democratic Services Officer

1 DECLARATION OF INTEREST

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

2 MINUTES

It was **RESOLVED** to approve the minutes of the 8th March 2022 as an accurate reflection of the meeting.

3 MATTERS ARISING

The Director of Finance & Digital Services updated Members on the statement made by the Leader of Rhondda Cynon Taf Council at the full Council meeting on 6th July 2022 in respect of the Pension Fund and relayed the statement to the Pension Fund Committee – *'The RCT Pension Fund has always invested its assets in a responsible way and engages with companies as part of ensuring an orderly carbon transition. This has already resulted in ongoing reductions in the Council's fossil fuel holdings and the establishment of disinvestment principles. I would now like to announce that as part of our climate change goals I have asked officers to work with the Pension Committee to review options for setting a target for disinvesting our remaining Pension Fund investments away from fossil fuel extraction. Personally I would like to see this by 2030 but recognise that there are responsibilities which we have to the Pension*

Fund and that we do co-invest with the other Funds across Wales.'

The Director of Finance and Digital Services then invited feedback from Pension Fund Committee Members. Committee Members fed back that they welcomed the statement and confirmed their support for the way forward.

The Director of Finance and Digital Services went on to indicate that based on the Committee's feedback, an initial briefing and workshop will be arranged for Committee Members to ensure any decisions subsequently made at Committee are wholly and fully informed.

The Committee **RESOLVED** to take forward a review of options for setting a target for disinvesting the remaining Pension Fund investments away from fossil fuel extraction.

4 WORK PROGRAMME

The Director of Finance & Digital Services presented the report to Members which provided details of the Committee's Terms of Reference and proposed work programme for the 2022/23 Municipal Year. Members were informed of the items scheduled for the year and were reminded that the Work Programme remains flexible to adapt to changing priorities and business requirements, which will be by the agreement of the Chair.

In response to a question in respect of the Committee receiving regular training to enable Members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role, the Service Director, Pensions, Procurement & Transactional Services fed back that all training requirements are kept under on-going review and a comprehensive and continuous training programme is in place to ensure the Committee effectively fulfils its Terms of Reference.

Following discussion, Members **RESOLVED** to agree the work programme for the 2022/23 Municipal Year.

5 LEARNING AND DEVELOPMENT

Members received a presentation from the Pensions Service Manager in respect of the Local Government Pension Scheme.

Within the presentation, Members were provided with:

- Key features of the Local Government Pension Scheme including - Employers Contributions; Death Benefits; Annual Benefit Statements; Protections;
- McCloud/Sargeant Judgement Project with an update on the Employer data returned so far and information still required;
- Update on 'What next?' that covered on-going liaising with Employers, Regulations expected October 2023, Review tools provided by Software Provider; and Regular compliance updates to

Pension Panel and Board.

In response to a question raised regarding what are the main issues for Employers to provide service data in respect of the McCloud/Sargeant judgement, the Service Director Pensions, Procurement & Transactional Services informed Members that this is due to a number of issues which include Employer capacity, changes in Employer Payroll systems and staff turnover resulting in loss of experience and knowledge of previous arrangements / systems in place. The Service Director added that additional guidance is anticipated nationally to be provide more consistency in data collection and application of the remedy.

RESOLVED: to note the content of the presentation.

6 DELEGATED FUNCTIONS REPORT

The Director of Finance & Digital Services presented the report in respect of the key issues being addressed as delegated functions and as specified in the Pension Fund Governance Policy Statement.

The Director referred members to the performance of the fund detailed at table 4.3 of the report explaining that during the quarter ending 31st March 2022, the overall value of the Fund decreased from £4,819 million to £4,510 million.

The Director provided an overview of Fund performance informing Members that the rolling 3-year performance is 9.4% positive as compared to benchmark of 8.3%. For the last quarter (i.e. quarter 1 to 31st March 2022), Global Opportunities high alpha equity portfolio, UK Credit, CBRE property, BlackRock Passive Equity and BlackRock Passive UK Gilt all outperformed their benchmarks; Baillie Gifford traditional equity portfolio and the Global Growth high alpha equity portfolio underperformed their benchmarks; and Baillie Gifford traditional equity portfolio (global core) outperformed their rolling 3-year benchmark achieving a return of 11.4% against a benchmark of 9.1%. The Director added that compared to national performance of local authority Pension Funds across the UK, the Rhondda Cynon Taf Pension Fund was in the top quartile of best returning Funds on a rolling 5, 10 and 20 year basis.

The Director also referred Members to the review of Fund Managers' performance reported to the March 2022 Panel meeting, the asset allocation of the Fund as at 31st March 2022, progress to date to invest over a number of years in infrastructure and confirmed that the compilation of the Pension Fund draft Statement of Accounts for 2021/22 is nearing completion and the external audit process will then follow.

The Service Director Pensions, Procurement and Transactional Services continued through the report starting at paragraph 5.1 and indicated that the Pensions Regulator (TPR) has published new guidance for trustees on ensuring compliance with the requirements for Pensions Dashboards and a press release issued by the TPR on 22nd June 2022 emphasised that schemes should be taking action now and that TPR will "take a dim view of trustees who carelessly fail to prioritise their dashboard responsibilities". At paragraph 5.2 the Service Director informed Members that, as noted in the March 2022 Committee, the Normal Minimum Pension Age (NMPA) will increase

to 57 from 6th April 2028.

The Service Director went on to inform Members of the statutory guidance issued on special severance payments by the Department of Levelling Up, Housing and Communities to Best Value authorities in England and noted that the guidance or expectation does not currently apply to Wales. The Service Director added that the planning for the 2022 Valuation exercise is continuing with Terms of Reference and a timetable agreed, with key assumptions and the valuation data quality exercise progressing as planned.

The Service Director also referred Members to the work in conjunction with the Fund's Communication Forum; McCloud Working Group; a Life Certification exercise; the issuing of the annual newsletter to the Fund's Pensioners that amongst other things confirms an annual pension increase of 3.1% effective from April 2022; Member Self-serve; performance of the Additional Voluntary Contribution partner; and the position where the number of 'Internal Dispute Resolution Procedure' appeals in progress continues to be extremely low with no obvious trends or concerns to report.

In response to a question, the Service Director Pensions, Procurement & Transactional Services stated that a graduate and a number of apprentices have been appointed to support medium term workforce plans and the McCloud Project, with further work underway to support the on-going development and retention of staff. The Service Director added that officers are working, 2 days per week in the office and 3 days at home, this enabling teams to meet face-to-face and share learning.

The Service Director Pensions, Procurement & Transactional Services went on to cover Section 6 of the report, Pension Board, and outlined that the Pension Board last met virtually on 30th May 2022, and there were no specific items noted for referral back to Committee. The Service Director added that at the May 2022 meeting the Pension Board proposed updates to the Pension Fund Risk Register and these have been incorporated into the Risk Register agenda item for the Committee's consideration at this meeting.

Following discussion, Members **RESOLVED** to note the issues being addressed in the Delegated Functions report.

7 PENSION FUND RISK REGISTER - RISK REGISTER OVERVIEW

The Service Director, Finance & Improvement Services informed Members 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 of the updates to control measures reflected within the Risk Register for the following Risk Categories / Risks: Governance (and the risk 'Introduction of pooling arrangements by central government') and Operational (and the risks 'Loss of key staff / expertise' and 'Delivery of the 2022 Triennial Valuation').

Members fed back that they felt reassured based on the comprehensive control

measures in place to manage risks and the regular monitoring arrangements by the Fund's governance groups.

RESOLVED: Members noted the contents of the report.

8 WALES PENSION PARTNERSHIP - UPDATE (INCLUDING WPP BUSINESS PLAN 2022 - 2025)

The Director of Finance & Digital Services presented the report to Members which detailed the work and progress of the Wales Pension Partnership and Joint Governance Committee (JGC). The Director informed Members that the last meeting of the JGC was held on the 8th July 2022 where the Host update included the following:

Work continuing to develop in a number of key areas, including:

- Completing the 2021/22 year end closure of the accounts
- New policies and policy reviews
- Private Markets Allocator procurement process
- Officer Working Group sub-groups:
 - Private Markets sub-group.
 - Responsible Investment sub-group.
 - Risk Register sub-group.

Next Steps / Priorities:

- Development of the Private Markets Sub-Funds.
 - March 2022 to December 2022 – Private debt and Infrastructure sub funds to be developed, approved and launched.
 - 21st September 2022 – JGC to approve Private Equity Allocator appointment.
- Operator contract procurement process.
 - The existing contract comes to an end in December 2024.
 - Start discussions with Burges Salmon re the legal requirements.
 - Put a timeline in place.
- Formulate the 2021/22 Annual Update and Annual Return.
- Launch of the Active Sustainable Equity Fund.

Other Key areas:

- Virtual training sessions continue.
- The website continues to be updated with approved policies, press releases and details of sub-fund launches.

The Director of Finance & Digital Services also referred Members to the WPP Business Plan 2022 – 2025 and sought the Committee's approval of the document.

RESOLVED: To note the update and Members considered and approved the WPP Business Plan 2022-2025.

This meeting closed at 3.35 pm

**CLLR M. NORRIS
CHAIR.**

