



RHONDDA CYNON TAF COUNCIL RCT PENSION BOARD

Minutes of the virtual meeting of the RCT Pension Board held on Wednesday, 5 August 2020 at 10.00 am.

RCT Pension Board Members in attendance:-

Professor Hugh Coombs – Employer Representative (University of South Wales) and Chairman of the RCT Pension Board.

Angela Pring – Member Representative (Actives/Deferred)

Rob Whiles – Member Representative (Actives/Deferred)

David Francis – Pension Board Employer Representative (Coleg y Cymoedd)

Officers in attendance:-

Mr I Traylor, Service Director – Pensions, Procurement & Transactional Services

Ms Y Keitch, Senior Accountant Pensions & Treasury Management

Mrs Sarah Handy – Members' Researcher & Scrutiny Officer

63 DECLARATION OF INTEREST / CONFLICTS / CONFIDENTIALITY

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

64 MINUTES OF THE PENSION BOARD AND MINUTES OF PENSION FUND COMMITTEE

It was **AGREED** to approve the minutes of the RCT Pension Board held on the 31st January 2020 as an accurate reflection of the meeting subject to the following:

Matters Arising

Minute 40

The Service Director of Pensions, Procurement & Transactional Services noted that internal audit require a meeting in order to conclude their review, and that this will be done via MS Teams. It was noted that the exercise has also been extended to review key processes since staff have been home working.

Minute 50

The Service Director of Pensions, Procurement & Transactional Services confirmed the importance that everyone maintains appropriate skills, through training and development, particularly new appointments during this new remote working regime.

The Service Director of Pensions, Procurement & Transactional Services also informed the Board about the Pension Allowance Tax limits and advised the Board that the 2018/19 process has concluded.

I-connect responses

The Board were provided with an update on the 'I-Connect' system, and informed that two of the Local Authorities have yet to come on-board for reasons explained. It was confirmed that revised implementation dates would be agreed with those Employers.

Minute 52 - All Wales Pooling

The Service Director of Pensions, Procurement & Transactional Services advised the Board that the transaction took place last week and would take approximately 2-3 weeks to complete.

Annual Governance Survey

The Service Director of Pensions, Procurement & Transactional Services advised the Board that there had been no update in respect of the results of the annual governance survey as of yet.

Wales Pensions Partnership – Update

The Chair noted that the “launch date of the Fixed Income” should in fact say “Fixed Interest”.

Minute 57

The Service Director of Pensions, Procurement & Transactional Services confirmed that no further issues have arisen in respect of the new AVC Scheme, and the members have been communicated with accordingly.

The Board were informed that the impending office move from Bronwydd had been postponed due to COVID-19. Business Continuity arrangements have been implemented, requiring some staff to attend the site on a rota basis to deal with issues such as post, with the remainder of the Pension Service operating from home.

Action Points from the Minutes of the 31 January 2020

Internal Audit - The Service Director of Pensions, Procurement & Transactional Services informed the Board that a MS Teams meeting will be arranged with the Chair, so that the outcomes in respect of compliance testing can be finalised.

FOI from the Financial Times - The Senior Accountant Pensions & Treasury Management, informed the Board that there had been no further updates, however, all details had been supplied.

Funding levels of the Pension Fund - The Service Director of Pensions, Procurement & Transactional Services advised the Board that as at the 5th March 2020, funding levels were at 98%. This has since dropped to 88% due to the market volatility around Covid, however, it was emphasised that the Fund

had quickly bounced back, and was now back on target. Markets were still however volatile

Pension Fund Committee Minutes

In respect of the Work Programme, it was noted that the Pension Board meets four times every Municipal Year and that in January 2021 there is a joint meeting with the Pension Fund Committee planned.

In respect of moving the current mandate with BlackRock to the ACS World Low Carbon Equity Tracker Fund, the Service Director of Pensions, Procurement & Transactional Services noted that the transition has been delayed due to market volatility and the impact of COVID-19. Board members were also informed that the Fund is to refresh its current investment strategy following the completion of the 2019 Valuation and this would be concluded by March 2021.

The Senior Accountant Pensions & Treasury Management confirmed that the performance of the Fund was related to March and was affected by the global pandemic. However, markets in which the fund is invested have since returned to positive state..

65 INVESTMENT & ADMINISTRATION ADVISORY PANEL

The Board was provided with an update in respect of the minutes of the Rhondda Cynon Taf Pension Fund Investment & Advisory Panel held on the 22nd June 2020.

The Senior Accountant Pensions & Treasury Management reported that the overall value of the Fund decreased from £3,784 million (31st December 2019) to £3,350 million (31st March 2020). The overall return of the Pension Fund for the quarter ending 31st March 2020 was 0.8% behind the scheme specific benchmark of -10.6%.

Members were referred to the three year performance figures of active managers. . It was noted that the quarter one's performance of the Fund was - 11.4% versus a benchmark of --10.6% and that all markets fell rapidly at the end of March creating disorder for a short period. Past quarter end, there has been a fast global response and issues have been quickly addressed. The fund currently remains ahead of benchmark.

Board Members were also referred to the presentation of PZENA. The Senior Accountant Pensions & Treasury Management informed Board Members that PZENA were a global investment business which was privately owned. They have \$26 billion of assets under management and have confirmed that their investment style is to remain steadfast to a single philosophy.

The Service Director, Procurement & Transactional Services continued to provide an update to the Board in respect of the key administration issues facing the Fund. Board were informed that the risk register has been amended to reflect Covid-19, the transition delay of the fixed interest investment into the WPP, a transition delay of passive assets into a low carbon and staff working from home.

In respect of Year End 2019 Valuation, it was noted that the valuation exercise was concluded and all Fund Employers have received their results in line with the schedule.

The Service Director advised the Board that the 'All Wales' practitioner group meetings have been held to discuss and feedback any Covid related pension issues into the national LGPS advisory group. Members were advised of the initial statistics to determine the impact of member deaths for the Fund. It was noted that LGA have created COVID Pension FAQ's for employers and administrators, they also run webinars for the Employers, which are recorded for those unable to attend. It was also noted that the RCT Corporate Induction Day in September will be held virtually and that the Service has been asked to record a 5-10 minute video to be shown on the day.

Discussions ensued and it was noted that the next phase of the GDPR is underway, requiring a complete document review. The Council's information management team is supporting the Service.

Board Members were informed that I-connect continues to be rolled out and that those Employers who have yet to implement it have been given a revised implementation date of the end of June 2020.

Board Members were then referred to the performance against the Fund's key service standards. In respect of the Wales Pension Partnership Report, Board Members were informed that the business plan has been approved by the WPP JGC at their meeting held in March 2020 and was approved by the Pension Fund Committee in July. Pension Board had been invited to comment on that business plan and some feedback had been given in relation to the possible need of such a business plan to reflect outcomes of the previous plan against budgets.

In respect of the Pension Fund Draft Statement of Accounts, Board Members were advised that the accounts are being reviewed before being certified and that the Audit Wales review is scheduled for completion by the end of November.

Following discussion, Board Members wished to place on record their thanks to all members of staff in the Pensions team for all their hard work and diligence during the COVID-19 pandemic.

66 RISK MONITORING

Board Members were provided with an assessment of the risks associated with the RCT Pension Fund and to outline the control measures in place.

The Service Director of Pensions, Procurement & Transactional Services confirmed that the value of Pension Fund is being monitored, to understand any impact Covid-19 may be having.

The Chair referred Members to the governance section and the introduction of new pooling arrangements by central government. It was noted that the pool has developed and agreed policies which has partly mitigated the risk and that this needs to be reflected in the register.

Board were informed that the risk register has been amended to reflect;

- Covid-19;
- The transition delay of the fixed interest investment into the WPP;
- The transition delay of passive assets into a low carbon; and,
- staff working from home.

The Board **RESOLVED** to note the current risks associated with the RCT Pension Fund and the control measures in place.

67 ALL WALES 'POOLING'

The Senior Accountant Pensions & Treasury Management provided the Board with an update on the progress of the Wales Pensions Partnership.

It was noted that the business plan had been approved by the WPP JGC at their meeting held in March 2020 . The RCT Pension Fund Committee gave its approval in their July meeting.

Following discussion, it was **RESOLVED** to note the current update in respect of the Wales Pensions Partnership.

A discussion took place on the risk register for WPP and the development of the risk register was welcomed. The graphic used in the plan were commented on favourably but it was pointed out that there was no specific mention of fraud as a risk. This in the context of increasing scam activity and pressures on systems in the COVID-19 environment.

68 KNOWLEDGE AND UNDERSTANDING FRAMEWORK

The Service Director, Pensions, Procurement & Transactional Services referred Board Members to the training undertaken to date by the Board.

The Service Director confirmed that the relevant training had been provided via MS Teams and members attendance at the Powys Board conference was confirmed. The Service Director assured Members that Pension events, such as the Scheme Advisory Board, will be circulated accordingly to Board members.

The Chair noted that the 23rd March joint Pension Board and Pension Fund Committee meeting was still on the list and that this needs to be amended accordingly.

It was also noted that the WPP Chairs meeting on the 15th September will be held via MS Teams due to the coronavirus restrictions. This would give the chair an opportunity to be updated on WPP and to feed in comments from the RCT Pension Board as well as to hear views from other chairs across Wales.

Following discussion, Members **RESOLVED** to note the information in respect of the Board's knowledge and skills framework.

69 COVID GOVERNANCE UPDATE

The Service Director of Pensions, Procurement and Transactional Services provided reassurance to the Board around the business continuity and governance arrangements established as a result of the COVID circumstances.

It was noted that only one governance meeting (March), had needed to be

cancelled. As an interim measure the Board and Committee were provided with a report update from the Director of Finance & Digital Services. The Chair also confirmed that he had maintained contact with the Service Director, in order to be advised of any Service risks that may arise.

The Service Director referred the Board to the guidance from the LGA in respect of the furlough scheme. For employers paying staff on the furlough scheme, the contribution will only be 80%. Employers, could chose to top-up pays to 100%, in which case employee pension contributions would remain the same.. Board members were assured that as a Fund, the furlough scheme will have minimal or no impact to contribution levels.

The Chair noted his concerns over the uncertainty of future pension costs and possible impacts of the crisis on future cash flows of the fund in light of the economic impact of Covid-19.

The Service Director of Pensions, Procurement and Transactional Services also reassured the Board in respect of the Fund's contingency and recovery planning actions.

Following discussion, Members **RESOLVED** to note the update.

70 **LEGISLATIVE UPDATE**

- **McCloud**

The Service Director of Pensions, Procurement & Transactional Services informed the Board that information has been received in respect of remedies. The Board was reassured that the Fund was well positioned in terms of liability as this was factored into the latest Valuation exercise. Members were informed that the Service will be approaching Employers shortly in respect of setting up a project group and collating member service data required from 2014 onwards.

- **Cost Cap**

The Service Director of Pensions, Procurement & Transactional Services provided the Board with an update on the Cost Cap arrangements

- **Exit payments**

Board were updated in respect of the £95k exit cap, and that agreements were now underway to finalise the legislation. There was some discussion on the impact of this on administrative resources. The scheme was currently out for further consultation. .

Following discussion, Board Members **RESOLVED** to note the legislative update.

71 **ANY OTHER BUSINESS**

It was noted that the AGM will be held on the 16th November 2020 and the Service Director will confirm to Board members in due course whether or not this will be held virtually.

The Chair also requested that a calendar of meetings is circulated to Board

members as soon as possible.

This meeting closed at 1.55 pm

**PROFESOR H. COOMBS
CHAIR.**