

RHONDDA CYNON TAF PENSION BOARD

Minutes of the meeting of Rhondda Cynon Taf Pension Board held at The Pavilions, Clydach Vale on Tuesday, 12th September 2017 at 9.30 a.m.

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

Officers:

Ian Traylor	RCTCBC Support
Stephanie Davies	RCTCBC Support
David Cullinan	Advisor
Julia Nicholls	RCTCBC Admin Support

11 DECLARATION OF INTEREST/CONFLICTS/CONFIDENTIALITY

There were no declarations of personal interests/conflicts in matters pertaining to the agenda and the confidential nature of proceedings was noted.

12 MINUTES

AGREED to approve as an accurate record, the minutes of the meeting of the RCT Pension Board held on 16th June 2017 subject to the following statement being inserted 'the All Wales Investment Pool Business Case achieves the objectives of the RCT Scheme' and subject to the word 'quarter' (Minute No. 4(2) being changed to read 'quarterly'.

13 Matters Arising

Minute 63 –Member Data - The Head of Pensions, Payroll and Payments confirmed that there is software in operation which runs checks on a monthly basis via a third party against the Registrars. This process prevents potential overpayments and will be monitored.

Minute 64 – GMP Reconciliation- to be discussed under the heading 'Action Points'.

Minute 6 (5) – Voting Template – It was confirmed that this item is on the work programme of the Pension Fund Committee for October 2017 and will be fed back to the RCT Pension Board in due course.

Minute 10 – It was confirmed that the Factsheet on the 85 Rule had previously been circulated to Members of the RCT Pension Board.

14 SUMMARY OF ACTION POINTS RESULTING FROM THE MEETING OF THE PENSION BOARD ON 16th JUNE 2017.

The Board Members considered the summary of action points to have arisen from the minutes of the previous meeting held on the 16th June 2017 as follows:-

Minute 3 (59) – Cashflow Position of the Fund – Members were advised that due to the Actuary requesting further information an update will be brought to the next meeting of the RCT Pension Board or circulated in advance of the meeting should the information become available.

Minute 3 (64) – GMP Reconciliation – It was agreed that the item is included on the agenda for the next meeting of the RCT Pension Board so that the Board can receive an update from the appropriate officer.

Minute 4 (2) – The additional information in respect of the fund managers performance figures is recorded within the minutes of the Rhondda Cynon Taf Pension Fund Investment & Administration Advisory Panel Minutes for information.

Minute 4 (3) – Information was circulated at the meeting in respect of the total return delivered by Newton's portfolio for the next quarter to March 2017. (Following consideration of the paper circulated a discussion ensued in respect of the visit by Newton to the RCT Council Offices on the 8th August 2017).

(**Note:** It was agreed to consider the remaining Action Points following the Power Point presentation by Mr David Cullinan).

15 ANNUAL FUND INVESTMENT PERFORMANCE UPDATE

Mr David Cullinan, Advisor, presented the Annual Fund Investment Performance Update via Power Point under the following headings:-

- LGPS Market Environment
- Fund Performance
- Performance Relative to Peers
- Summary

The latest year was positive for LGPS returns which should be positive for funding levels. The positive performance was largely driven by equities. Those funds that had currency hedging would not have had the benefit of currency gains. Bonds were also positive.

The 10 year performance for LGPS is also positive with average returns of 7% when generally funds target 4-5%.

Alternative asset exposure has increased in the LGPS in general. Exposure to such assets reduces volatility and protects against downside risk.

The RCT Fund 3 and 10 year performance has been strong relative to benchmark and peers despite lagging the benchmark in 2016/17.

The RCT Fund is overweight equities but the Fund has been handsomely rewarded for the additional risk.

In conclusion Mr Cullinan summarised the Annual Performance Review by means of the latest year results which demonstrated that asset strategy and good manager performance has served the Fund well in recent years.

The Board was assured that the sector has delivered excellent returns over the medium term despite a disappointing 2016/17. It was pointed out that the Rhondda Cynon Taf Fund is performing well in comparison with other Welsh Funds.

The Chair thanked Mr David Cullinan for attending the Pension Board and it was **AGREED** to note the current position in respect of the Annual Fund Performance Report.

16 SUMMARY OF ACTION POINTS RESULTING FROM THE MEETING OF THE PENSION BOARD ON 16th JUNE 2017.

The Board resumed its consideration of the Action Points.

Minute 4(4) – RCT Pension Board TOR – The Head of Pensions, Payments and Payroll confirmed that following discussions with the Director of Legal & Democratic Services and the Director of HR, the tenure of the Board Members have been confirmed. The Board was assured that confirmation of their remaining tenure would be confirmed in writing.

Minute 4(5) – Employer transfers/cessations – It was agreed that as this was a standard agenda item, updates would be provided as the meeting progressed.

Minute 6 – Fund Manager Voting/Stakeholder Engagement – with reference to the S212 of the Local Government and Public Involvement in Health Act 2007 referred to at section 4 of the Investment Strategy Statement considered at the previous meeting, the Head of Finance, Education & Finance explained that in line with the requirement from LGPS regulations no more than 5% may be committed to such fund entities.

17 INVESTMENT & ADMINISTRATION ADVISORY PANEL

The Board was provided with an update in respect of the minutes of the Rhondda Cynon Taff Pension Fund Investment & Administration Advisory Panel held on 6th July 2017.

The Head of Finance, Education & Financial Reporting reported that there had been no large transfers in or out of the Fund which have influenced the overall value, from £2,835M (31st December 2016) to £2.983M (31st March 2017) other than growth and performance. The Fund is valued at £3.084M at 31st May 2017.

The 3 year performance figures were 12.5% return compared to a benchmark of 11.5%. For the quarter ending 31st March 2017, performance was 5.1% against a benchmark of 4.3%.

An update was provided from the presentation of BMOGAM, the Fund's Bond Manager including an explanation in respect of the RCT Pension Fund being classed as "retail" until the Fund opts up to professional client status. This is requirement of MIFID II (Markets in Financial Instruments Directive) European legislation.

It was explained that a paper on introducing derivatives into the Bonds portfolio is to be considered by the Panel.

A paper was circulated at the meeting in respect of Rhondda Cynon Taf County Borough Council Cyber Attack Mitigation Measures following discussions at the previous RCT Pension Board. The Head of Pensions, Payments and Payroll outlined a number of measures in place to support the ICT infrastructure at Rhondda Cynon Taf County Borough Council.

It was confirmed that the ABS deadline of 18th August 2017 had been met.

The Head of Pensions, Payments and Payroll provided an update in respect of the All Wales Pooling and confirmed that the tendering process for an operator had begun with the appointment of the operator being approved planned for the September meeting of the Joint Governance meeting.

The Board considered the minutes of the Rhondda Cynon Taff Pension Fund Investment & Administration Advisory Panel held on the 6th July 2017 and the Pension Fund Committee held on the 24th July 2017 (and subject to it being noted that there was a spelling mistake on the latter, Minute No. 8 of the Pension Fund Financial Statement refers) it was **AGREED** to note the contents of both.

18. **RISK MONITORING**

The Board was presented with an assessment of the risks associated with the RCT Pension Fund and the control measures in place.

The Board was provided with an update in respect of comments on changes in risk rating as at June 2017 and it was **AGREED** to note the report.

19. **FUND ACCOUNTS 2016/17**

The Head of Finance, Education & Financial Reporting provided the Board with a verbal update in respect of the Fund Accounts for 2016/2017.

The Board was advised that the external audit had been completed to positive feedback from the Wales Audit Office with no material adjustments required. The Board was made aware of the proposals for improvement and implementation throughout 2017/2018.

The Board was informed that the Accounts will be considered by Full Council on the 20th September 2017 and available to view on the Council website.

The Board **AGREED** to note the verbal update.

20. **MEMBER COMMUNICATIONS**

Members of the Board were reminded that the deadline for the ABS was the 8th August 2017 and the Annual Benefit Statements had been circulated on the 18th August 2017 meeting regulatory requirements. It is also available electronically for those deferred members.

It was confirmed that arrangements for the annual report would be underway shortly and the Chair of the RCT Pension Board kept informed of developments.

The Board **AGREED** to note the update.

21. **ALL WALES POOLING**

Further to the earlier update, it was confirmed that the procurement process continues with evaluations of submissions being the next milestone. and it was **AGREED** to note progress in respect of the All Wales Pooling.

22. **KNOWLEDGE & UNDERSTANDING FRAMEWORK**

Officers provided the Board with a copy of the 'Knowledge and Skills Framework' showing details of the Core Technical Requirements for the Chair and Members of the Pensions Fund Board together with details of the training undertaken to date.

It was **AGREED** to add to the list of 'Training Undertaken' the Annual Fund Performance Report by David Cullinan which had been received at today's meeting (and for the slides from the presentation to be circulated following the meeting).

It was confirmed that the Chair will be attending a CIPFA (Two years on) event on the 3rd October 2017 together with the Chair of the Pension Fund Committee (for slides to be circulated to the Board following the event) and

that Board Member A Pring had attended an ABS Working Party on the 8th August 2017 and for the records to be updated accordingly.

It was agreed that the date of the AGM would be added in once confirmed.

23. ANY OTHER BUSINESS

Scheme Advisory Board Survey

The Head of Pensions, Payments and Payroll presented the Scheme Advisory Board Survey of LGPS Local Pension Boards which had been completed in conjunction with the Chair of the RCT Pension Board. He sought the Board's views on the completed version.

Members discussed point 22 of the survey in respect of their individual terms of office and **AGREED** with the information within the completed survey.

Liability Insurance

A paper was circulated at the request of the Chair of the RCT Pension Board entitled 'The Need for Pension Board Liability Insurance'.

Following a discussion and debate by the RCT Pension Board, it was **AGREED** to approach the Actuary in respect of the issue.

Service Update

The Head of Pensions, Payments and Payroll reported on the following items:-

- An apprentice had been appointed to the service –two former apprentices having been retained as permanent members of staff;
- A Regulator Scheme Return is to be completed on an annual basis- awaiting the return has been received; and
- Section 13 – a detailed report will be published early next year, the Fund Actuary has confirmed that our position is likely to be mid table following their evaluation.

It was **AGREED** that the next Board meeting would take place on the 12th December 2017.

**PROFESSOR H. COOMBS
CHAIRMAN**

The meeting closed at 1.00 p.m.

