



## **RHONDDA CYNON TAF COUNCIL RCT PENSION BOARD**

Minutes of the meeting of the RCT Pension Board meeting held on Tuesday, 5<sup>th</sup> November 2024 at 10.00 am at the Oldway House, Porth and Microsoft Teams

### **RCT Pension Board Members in attendance:-**

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

Rob Whiles – Member Representative (Pensioners)

David Francis, Director of Finance, Pension Board Employer Representative (Coleg y Cymoedd)

Darren Griffiths - Trade Union Representative (Merthyr Tydfil CBC)

### **Officers in attendance**

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

Mrs C Black, Pensions Services Manager

### **Apologies**

Yvonne Keitch – Principal Accountant

## **13 DECLARATION OF INTEREST / CONFLICTS / CONFIDENTIALITY**

In accordance with the Council's Code of Conduct, there were no declarations of interest pertaining to the agenda. Confidentiality of the proceedings was noted.

## **14 MINUTES OF THE PENSION BOARD AND AGENDA OF PENSION FUND COMMITTEE**

The minutes of the RCT Pension Board meeting on the 30 July 2024 were **APPROVED** as an accurate reflection of the meeting subject to the following amendment:

Members noted the Pension Fund Committee Agenda of the 9<sup>th</sup> October 2024

Matters Arising from the Minutes 30<sup>th</sup> July 2024

Item 5 – The Chair noted that the equity report will be reported back to the next meeting.

Item 5 - The Board has not yet seen updated infrastructure performance figures. This will be followed up.

Item 5 – The Board asked if there was an update on the FBU appeal. It was confirmed this was still ongoing.

Item 9 - The Pensions Regulator General Code 'GAP' analysis – it was confirmed that the review is still ongoing.

Item 12 – Opt Out Survey – The Service Director confirmed that feedback is still outstanding.

## **15 INVESTMENT & ADMINISTRATION ADVISORY PANEL**

The Service Director provided an update on investment performance and explained that representatives from Baillie Gifford attended the last meeting.

The Board were updated on the report to The Pensions Regulator relating to an outstanding payment of a former employer of the Fund. The Regulator deemed that they were satisfied with the appropriate handling of the case and risk mitigation.

The Service Director explained to Board Members that where security bonds are required from participating employers, these secure early access costs due to the Fund to cover the immediate cost that arise from the early release of member benefits on redundancy. These bonds do not cover asset liability shortfall on exit. In some acceptable circumstances the sponsoring employer can act as a guarantor instead of a bond arrangement.

The Board discussed the Property asset class and any implications of the new drive to low carbon. The Service Director explained that property remains a diversifier within the Fund's Asset Allocation, however, there may be better infrastructure opportunities becoming available as an alternative to property. A member asked what timescale is to be expected for the Fund to achieve the 10% allocation into the infrastructure asset class. The Service Director confirmed that it is not a quick process to invest into suitable infrastructure, and whilst the Fund has made positive direction of travel in this regard, the Wales Pension Partnership will provide further opportunity around suitable infrastructure exposure.

In discussion around the recent performance of Baillie Gifford. The Service Director reassured Board that Panel will continue to monitor and scrutinise performance as they do with all the fund managers over that longer term horizon.

The Service Director referred to feedback from the fund managers which suggested highly concentrated markets i.e. the so-called Magnificent Seven, being experienced, which has not been seen for many years, however it was unlikely to last. Typically, active managers underperform during periods of extreme market concentration, as they tend to underweight

mega cap companies.

The Service Director referred to the recently published Baillie Gifford Stewardship report and advised that it contains in depth case studies and highlights the engagement process of the Managers. Members asked for a copy to be circulated to them.

Board discussed reliability of differing investment indices and that consistency could be more meaningful and transparent for comparison purposes.

The Service Director updated the Board on a number of minor late payments identified during the reporting period. Board agreed with Panel's previous determination, that those late payments identified did not constitute a material breach for reporting purposes.

The Board were advised that the Panel and Committee, will also receive an update on the Single Code as a standing item.

The Pensions Dashboards Programme (PDP) overall deadline of October 2026 remains, however the LGPS onboarding date has been confirmed as 'connect by' 31st October 2025. Data Readiness' project work is underway and Heywood, the Pension Funds current software provider, has been appointed as the Funds Integrated Service Provider (ISP). Heywood have been working closely with Government on the dashboard programme. The Service Director confirmed that the Fund has commenced an on-boarding projected with a proposed target completion date of March 2025.

The Service Director advised that the Government's Actuary Department (GAD) has now completed the scheme cost assessment required under Regulation 116 of the LGPS Regulations 2013. The Scheme Advisory Board (SAB) completed its own cost management process and determined not to recommend any benefit changes to the Scheme.

A Member asked if there had been any issues experienced with Teachers' Pensions sharing information for the McCloud exercise. The Pensions Service Manager responded that the Local Government Association were providing guidance to Local Government Pension Funds. A spreadsheet is in the process of obtaining legal sign off to enable Teachers Pensions to provide data to Funds for those teachers with excess service. The Pensions Service Manager commented that there were minimal numbers involved.

Members were advised that The Government Actuary Department had published its report on the 2022 LGPS valuations, as required by 'Section 13' of the Public Service Pensions Act 2013, The report concluded that the scheme appears to be in a strong financial position with most funds in surplus at 31<sup>st</sup> March 2022. The Board were advised that there were no 'red flags' for the RCT Fund in respect of this solvency review, however

GAD have made a number of recommendations for consideration by the Scheme Advisory Board.

The Pensions Service Manager advised Board that the RCT Pension Fund Annual Report will be published at the end of November, following the sign-off of the pension fund accounts. The Report has been re-designed so will look slightly different this year. The Local Government Association Fundamentals Training had also been booked for new Board and Committee Members for November and December and will take place online.

The Board discussed a recent High Court ruling (Virgin Media Ltd v NTL), recently upheld by the Court of Appeal in July 2024, it was decided that certain pension scheme rule amendments were invalid if they were not accompanied by the correct actuarial confirmation, the Board were advised that this may have a retrospective impact and implications were currently being assessed.

Board Members were advised that preparation for the 2025 valuation has commenced with an early data validation exercise to be completed following receipt of reports from the Fund Actuary. Good housekeeping, making sure data is received early, helps to ensure a timely valuation process.

The Pensions Service Manager advised that the Fund is continuing to engage with a number of Fund Employers in respect of their voluntary redundancy/exit type exercises. This ongoing engagement will help the Team plan and prioritise workloads and resources accordingly.

The Board noted that the 'My Pension Online' portal is to be upgraded following removal of support for the current version. A project will shortly commence to implement this transition.,

The Board were advised that the Data Quality scores will be available at the end of the month and will be provided at the next board meeting.

The Service Director advised in respect of Iconnect that South Wales Fire and Rescue are committed to onboarding, however they are currently prioritising complex technical changes to the Firefighters Pension Scheme. The Service Director has advised South Wales Fire and Rescue that they do need to comply and will monitor going forward.

The Board discussed the new admission agreements that were being implemented. The Pensions Service Manager explained that these were as a result of recent Employer outsourcing arrangements where scheme member protection of the LGPS was a tender requirement.

The Board acknowledged the number of recent Admissions and the due diligence and legal frameworks put in place to protect the Fund and its participating Employers.

The Service Director advised that a formal exit notification had been received from an Employer as at 30<sup>th</sup> September 2024 and that the Fund is currently awaiting on the membership termination details from the Employer in order for the Fund Actuary to undertake the exit calculation accordingly.

The Service Director referred to the key service standards and advised that they are priority standards which now include some additional measures following a revision to the CIPFA code for Producing Pension Fund Reports. The Board heard that the expanded measures provide a broader reflection of the work that the pension team routinely deal with. In response to Board Member queries, the Service Director advised that where the targeted service levels had not been met there were no breaches to report. He further reassured members that the “My Pension Online” is promoted to staff regularly and the pension’s helpdesk always signposts Members to manage their pension online.

Board Members were advised that the on-going development of team members, including new apprentice roles was helping to increase and share knowledge within the team. The Service Director agreed to bring the workforce Plan to a future meeting of the Board.

### **Wales Pension Partnership**

The Service Director advised that a new operator contract will take place from January 2025 with revisions made to the contract with lessons learnt. The TCFD reporting of the WPP as a whole and for individual Funds is progressing.

The Board discussed the recent UK Government consultation on pension funds being invested UK companies with over £336bn of assets in Local Government. Members were told that the Fund contributed to the consultation through the Wales Pension Partnership.

Board discussed the Scheme Advisory Board legal advice on Local Authority decision makers being associated with potential war crimes through their pension investment.

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### **RISK MONITORING**

Board Members were provided with a ‘Cyber Security’ presentation to demonstrate how the Council manages the Fund’s associated risks and complies with obligations. The presentation detailed the approach and plan in place to build resilience against cyber security threats including contingency plans and training to comply with data protection in the event of a breach.

The Board noted the following:

- The measures taken to build cyber resilience and the recovery process should an incident takes place.
- Reporting requirements for cyber-attacks or breaches within the Fund,
- Anti-virus programmes used internally,
- The importance of training for officer behaviour,
- The broad range of controls in place.

The Chair asked if it was possible for officers to consider a standing item on the pension's Board / Panel / Committee agendas to report if there has been any breach in cyber security in terms of pensions.

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

The Board thanked officers for the presentation.

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

## 17 **ALL WALES 'POOLING'**

The Service Director of Pensions, Procurement & Transactional Services provided Board Members with an update on the progress of the Wales Pension Partnership

Board was informed that oversight advisor procurement ends December 2024. The appointment for the new provider is to be undertaken using the National Framework for Investment Management Consultancy Services. The recommended successful bidder will be taken to JGC for approval at the December 2024 meeting

The Service Director advised on Voting and Engagement procurement which ends 31st March 2025. The appointment for a new provider is to be undertaken using the National Framework for Stewardship service: Voting and Engagement Services. The invitation to tender has been issued. The recommended successful bidder will be taken to JGC for approval at the December 2024 meeting.

Board noted that the value of total pooled assets of the WPP is currently £18.5 billion (June 2024). This equates to 74% of all Welsh pension funds assets being invested through the pool.

## 18 **KNOWLEDGE AND UNDERSTANDING FRAMEWORK**

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

The Board noted that Cyber security had been included with the addition of Wales Pension Partnership Training on the 28<sup>th</sup> November Net Zero planning to also be added.

## **19 KEY PROJECTS UPDATE**

The Chair noted that in depth discussions had already taken place earlier in the meeting.

## **20 LEGISLATIVE AND ADMINISTRATIVE ISSUES**

The Chair noted that in depth discussions had already taken place earlier in the meeting but drew attention to the GAP Analysis – the Pensions Regulator Single Code. The Service Director confirmed that progress has been made on the analysis since the last meeting.

## **21 ENVIRONMENTAL, SOCIAL & CORPORATE GOVERNANCE**

Board Members were advised of the following from the Service Director:

- The Fund currently invests in BlackRock Low Carbon Equity Fund. The value of investments as at 30th September is £288 million.
- The Fund invests in the WPP Sustainable Equity Fund. The value of this investment is £116 million.
- The Fund invests in a local windfarm project. The value of this investment is £3 million.
- The Fund has committed to the BlackRock Renewable Infrastructure product. The total commitment is \$75 million. Drawdowns to date total \$37 million. The value of this investment is £27 million.

## **22 ANY OTHER BUSINESS**

- 1) The Cash-flow analysis update – deferred to next meeting.
- 2) The Chair asked that consideration be given to marking pension member correspondence 'private and confidential' or to be opened by addressee only to avoid potential data breaches.

Meeting closed at 1.16PM

**Professor H Coombs  
Chairman.**