



RHONDDA CYNON TAF COUNCIL RCT PENSION BOARD

Minutes of the RCT Pension Board meeting held on Tuesday, 30 July 2024 at 10.00 am at Oldway House.

County Borough Councillors - 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 – 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
Ms C Black, Pensions Services Manager

1 WELCOME

The Chair welcomed attendees to the meeting of the RCT Pension Board.

An apology for absence was received from the Principal Accountant.

2 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.

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

The minutes of the RCT Pension Board meeting on the 22nd April 2024 were **APPROVED** as an accurate reflection of the meeting subject to the following amendment:

Minute No. 102 (Page 8) – *'The Chair confirmed that he would circulate the CEO response to the enquiry into market evaluations by FCA'* should read *'The Chair confirmed that he would circulate the **FCA** response to the enquiry into market evaluations by FCA'*

4 MATTERS ARISING

The Service Director of Pensions, Procurement & Transactional Services provided Board Members with the following updates resulting from the minutes of the meeting held on the 22nd April 2024:

Page 6 – Minute No. 99

It was confirmed that the Board had received the cashflow summary, which would be discussed at October's meeting.

Page 6 – Minute No. 100

It was confirmed that a factsheet on student accommodation had been circulated to the Board.

In respect of the overdue payments from the Community Councils, Board Members were informed that several of the Community Councils had since moved to Bacs Payment but there were still a few unable to, due their internal process of authorisation. Members acknowledged the Community Council limited personnel challenges and that the amounts were small, and therefore agreed that they are not treated as material late payments.

Page 7 – Minute No. 100

The Board confirmed that the training material from the Pension awareness events, led by the Pensions Service Manager had been circulated and agreed that it was clear and informative. The Chair suggested that it would be beneficial to make information on the different standards of living with associated income levels publicly available, to which the Service Director confirmed that the Pension Software Provider were in the process of deploying a new 'engage' member platform. The resource had been designed to make it easier for scheme members to review retirement goals and support their personal financial planning. The Service Director added that as a Fund, it was positive that opt out rates remain low and emphasised the importance of young people making investment decisions at an early stage in their careers.

The Board questioned whether the corporate induction events were only for Rhondda Cynon Taf CBC, to which officers confirmed. However, presentations were delivered to other employers upon request, subject to resources.

Page 8 – Minute No. 102

The Board, in the context of the FCA potential review of private markets, referred to under 3 above, noted the concern relates to potential conflicts of interest regarding valuations and the implications for investment of such matters.

Page 11 - Action Points

In terms of the Action Points arising from the last meeting of the RCT Pension Board, it was agreed that all had been actioned or were in process.

5 INVESTMENT & ADMINISTRATION ADVISORY PANEL

For the benefit of the new Board Member, the Chair advised that the Board regularly receive the minutes of the Investment and Administration Advisory Panel to monitor its activity.

The Service Director explained that the Panel had met with Mercer, the Fund's performance management provider, and fund managers BlackRock and Pzena on 27th June 2024. It was explained that fund manager attendance at the Panel meetings is alternated to ensure all are met with to challenge performance figures. The Service Director emphasised that if there is a pro-longed period of significant underperformance, broader scrutiny would be undertaken requiring more frequent attendance at Panel.

It was reported that the overall value of the Fund increased from £4,491M (31st December 2023) to £4,712M (31st March 2024). The overall return of the Pension Fund for the year ending 31st March 2024 was 11.1% against a benchmark of 13.6%, which was a modest increase. It was acknowledged that continuation on this trajectory would place the Fund's overall funding in a positive position come the 2025 Valuation exercise.

The Chair noted the growth of the Fund from December 2023 to March 2024 and questioned what it could be attributed to. The Service Director advised that this was likely attributable to positive investments in equities and gilts but that he would confirm and report back at the next meeting.

The Board noted the 3-year performance figures and noted that Baillie Gifford had underperformed against benchmark. Discussions ensued around previous positive outperformance of Baillie Gifford against the long-term investment objectives of the Fund.

Referring to 3.11 of the Panel minutes, the Chair noted that there was no response noted in relation to the query raised around the need for property to be an asset class in the portfolio. The Service Director advised that there were concerns around the potential for vacant office accommodation and large retail sites but stated that property is a diversifier in the Fund.

The Service Director drew the Board's attention to the presentation from Mercer and noted that the value of the Fund had increased mainly due to equity mandates. It was explained that equity mandates tend to

outperform better over the long-term than some of the steadier asset classes.

Referring to 4.9 of the minutes, the Board agreed that updated infrastructure performance figures were needed within the Mercer annual report.

In respect of the presentation made by BlackRock, the Service Director spoke highly of the relationship with the Fund Manager and of its positive track record with infrastructure projects. It was noted that the projects have a lifespan prior to money return and as such, the different projects had various start and end points. The Board noted the opportunities with the Fund Manager and the longer-term ambitions of 10% investment in infrastructure asset allocation.

The Chair highlighted the comment made in respect of solar being straight forward to make and challenged this. Discussions ensued around the difficulties and planning challenges when producing and transporting any type of energy.

In terms of the presentation from Pzena, the Service Director assured the Board that although their style is different, they were active managers achieving positive returns. The Board sought clarity on the term 'magnificent seven' and advised that it was the name given to the seven mega-cap tech companies whose stocks do routinely well, namely Apple, Amazon, Google, Meta, Tesla, Nvidia and Microsoft.

The Service Director then informed the Board of the three late payments, which were due to the Fund by 19th April 2024 and noted that they were employee absence and system related. The Board were satisfied that the matter had been escalated by the team.

In terms of the contribution payment in respect of one Employer, Board Members were informed that 'The Pensions Regulator' was recently contacted in accordance with the Fund's Breaches Policy, and Board were satisfied that the correct procedure had been followed, that existing member benefits were protected and to receive further updates on the matter.

In respect of Fund's latest 'Cyber Assurance' measures it was confirmed that as in previous years, the Service Director for ICT & Digital Services would attend a future meeting of the Board.

The Service Director advised that the Pensions National Dashboard's Programme (PDP) overall deadline of October 2026 remained, however LGPS onboarding date had since been confirmed as by October 2025. It was confirmed that the Fund has been undertaking preparatory work with its key partners, in readiness for onboarding. Following the Chair's query on who the key dashboard contact was, the Service Director advised that it was both him and the Pensions Service Manager.

In respect of the 2023/24 'Pension Service' Internal Audit Review, whereby the Audit Opinion provided 'substantial assurance', the Board wished to pass on their thanks to the staff involved.

The Board noted the abolition of the Lifetime Allowance and that the relevant documents had been reviewed and updated accordingly but questioned if this could be easily reimplemented, should the new Government wish to reinstate the Lifetime Allowance. Officers advised that only a small proportion of individuals would be impacted should the decision be reverted.

In terms of McCloud, there was no further update on the FBU's appeal to the Supreme Court.

Referring to the LGA Fundamentals Training for the new Committee Member and the new Board Member, the Service Director advised that the dates had since been made available and booked and this would be recorded in the Skills & Knowledge log.

Following an update on the End of Year Accounting 2024, the Chair asked for a copy of last year's Annual Benefit Statement.

It was noted that the 2024 Deferred Pension Increase had been completed and that the 'Deferred Member' Annual Benefit Statements (ABS) were to be issued by 31st August 2024 and Members were assured that the deadline would be met.

It was noted that the preparation for the 2024 'Active Member' Annual Benefit Statement exercise had commenced and that they would include standard wording agreed on an All Wales Basis.

In terms of McCloud progress, the Service Director spoke of the substantial ongoing exercise. It was confirmed that, to date, a high proportion of records had been updated with further updates required to the remaining records; and that if a member finishes in the interim, they record maintenance would become a priority. Discussions ensued around the ongoing comparison process and that this impact is likely to change as active members position changes during their career. The Service Director added that in respect of 'excess teacher service' cases, additional records would need to be created within the LGPS and that notification would be sent from the Teachers' Pension Agency to the relevant Employers in respect of the data. Members were assured by the governance arrangements in place.

In respect of the 'Member Self Service' table detailed at section 10.7 of the report, the Board were informed that over 50% of scheme members were now active but the take up was slow, despite encouragement.

The Service Director referred the Board to the 2023/24 KPIs listed at

section 10.11 of the report and noted that whilst the overall performance was positive, the significant workload remains a constant challenge. In terms of workforce planning, Board Members learned that the Service had successfully appointed three apprentices from the recent apprenticeship programme. Following a question about previously appointed apprentices, the Service Director advised that the programme has helped in recent years to supplement the recruitment and retention of the Team.

The Board then received an update on asset liability, which provided an overview of the Fund's position in terms of infrastructure investment and vintage years.

In terms of the update on socially responsible investments, it was noted that the Fund currently invested in the BlackRock Low Carbon Equity fund and in the WPP Sustainable Equity Fund. One Board Member spoke of the numerous questions around the journey to Net Zero and sustainable pensions. The Service Director advised that new funds and opportunities had been created in the market, in recognition of the direction of travel, and that the Fund was committed to exploring such opportunities.

The Chair acknowledged that WPP had begun to present Responsible Investment & Climate Risk reports for all its sub funds using MSCI ESG research data and raised concerns around the differing metrics being used by the sector as well as previous revisions to such metrics.

Following discussion, Board members **AGREED** to acknowledge the updated information.

6 RISK MONITORING

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

Board Members discussed the potential wider scheme risks where reference has recently been made to the possible creation of a National Wealth Fund model.

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

7 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.

The Board noted the detailed activity around the ongoing procurement exercise.

Members praised the comprehensive set of minutes and the Chair explained that it was a major development that all Boards now receive consistency in feedback and standardisation in terms of the papers, which could only be of benefit.

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

8 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 Chair requested access to the last training video from 18th June 2024 in respect of Cyber Security.

9 KEY PROJECTS UPDATE

In respect of the two items listed for update, the Pension Dashboard Programme 'connect by date' and McCloud, the Chair advised that these had been provided earlier in the meeting (Minute No. 5).

In respect of the third item listed for update, the Pension Regulator General Code 'Gap Analysis, the Pensions Service Manager shared with Members the Code of Practice outlined on the Pension Regulator's website. It was explained that all codes had been brought together under one single code by the Regulator with 5 areas of compliance and sub-modules; alongside the Regulator's expectations and the role of the Governing Body.

Officers stated that there were 51 modules in total, which must be reviewed for compliance over the next 12 months. Members were shown the central compliance tracker document, a process which demonstrated the team's efforts to ensure compliance. The document clearly identified each module, which was allocated to an individual officer for review and used a colour co-ordinated method of identifying whether an area was deemed compliant, partially compliant, or non-compliant; and the progress and steps to ensure compliance, where necessary.

Members were supportive of the process and noted that they welcome the regular updates and opportunity to participate and support the Fund's compliance obligations.

10 LEGISLATIVE AND ADMINISTRATIVE ISSUES

The Service Director Pensions, Procurement & Transactional Services provided a short update on the following issues, noting that in depth discussions had already taken place earlier in the meeting:

- **Fundamentals Training;**
- **ABS Consultation (McCloud);**
- **Dashboard Preparations;**
- **SAB – Scheme Annual Report LGPS Scheme Advisory Board - Foreword (lgpsboard.org) –** It was noted that £354B under investment at scheme level;
- **Good Governance;**
- **TPR General Code;**
- **LGPS Code of Transparency –** It was noted that this continued to be delayed;
- **Opt Out Survey –** It was noted that work was underway to gauge the impact at a scheme level; **and**
- **Abolition of the ‘Life Time Allowance’ guide published Gender Pensions Gap –** it was noted that work was still underway.

11 ENVIRONMENTAL, SOCIAL & CORPORATE GOVERNANCE

The Board noted that Environmental, Social and Corporate Governance had been discussed earlier in the meeting (Minute No.5).

12 ANY OTHER BUSINESS

The Chair shared an update on the following matters arising from the recent LGPS bulletins (250-252), many of which had been discussed earlier in the meeting:

- Additional AVC Services and Consultancy Associated with AVC Framework launched;
- Consultation on technical changes to LGPS McCloud closed 9th July 2024; and final statutory guidance on McCloud implementation;
- Pension Administration Standards Association Dashboard Working Group published a spring update in respect of AVCs, Test Case Matrix, Matching and Administration Readiness;
- TPR's recommencement of the 'nudge' campaign;
- SAB statement on Minister's letter regarding LGPS efficiency (SAB good governance to improve efficiency but recognised the post-election delay);
- Various information on HMRC newsletter;
- TPR code recommend LGPS plan and review compliance;
- Annual Report guidance – plan to review end of 2024;
- Former Minister (J Hunt MP) requested an update on pooling and larger funds to cut costs. There was a discussion with Committee Chairs on 27th June 2024;

- Funding Strategy Statement update aim by end of 2024;
- Opt Out Survey on why individuals choose to opt out closed on 7th June 2024;
- The Fire Brigades Union (FBU) is seeking permission to appeal to the Supreme Court over the government's proposed method of paying for the costs incurred by the McCloud ruling in relation to public sector pension schemes; and
- The Government Actuary's Department (GAD) has completed its Scheme Cost Assessment (SCA) of the LGPS with no breaches identified and no recommendations for changes in scheme benefits.

The Pensions Service Manager shared with the Board the new Pension Fund KPIs from CIPFA Guidance. It was noted that the new KPIs would provide a broader volume of activity and form part of future committee papers.

The Board noted that:

- The next WPP training session would take place on 18th October 2024; and
- The AGM would take place on 12th November 2024 and would possibly be hybrid at Llys Cadwyn, Pontypridd, depending on take up.

This meeting closed at 1.20 pm

**Professor H Coombs
Chairman.**