



RHONDDA CYNON TAF COUNCIL RCT PENSION BOARD

Minutes of the meeting of the RCT Pension Board meeting held on Thursday, 6th February 2025 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)

Darren Griffiths - Trade Union Representative (Merthyr Tydfil CBC)

Officers in attendance

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

Ms Y Keitch – Principal Accountant

Mrs C Black, Pensions Services Manager

Apologies

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

23 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.

24 MINUTES OF THE PENSION BOARD AND AGENDA OF PENSION FUND COMMITTEE

The minutes of the RCT Pension Board meeting on the 5th November 2024 were **APPROVED** as an accurate reflection of the meeting.

Matters Arising from the Minutes 5th November 2024

- YK has circulated all outstanding information (including the Baillie Gifford Stewardship report)
- Page 4 -Opt Out Survey – The Service Director confirmed that there has been no recent update on this matter. He did provide an update on a recent Local Government Association LGPS Governance Conference attended by himself and the Chair of the RCT Pension Board where it was outlined that further work is being undertaken on this. He added that RCT's opt out rates are low.
- Page 5-Teacher's Fund- Pressures highlighted additional work for the Local Government Pension Funds as a result of the McCloud exercise. The issue of bringing in benefits is ongoing
- Page 6 - The impact of the judgment made in the dismissed appeal of

the Virgin Media Ltd v NTL Ltd case in July 2024 – no clarity as yet for the LGPS

- Page 6 -Fair Deal- Pension guidance is being applied for the protection of pension rights
- Page 7- The Service Director advised that the relevant information had been received in respect of the exit calculation which would be concluded by the next meeting of the RCT Pension Board
- Page 7 – An update was provided on the Local Authority decision makers being associated with potential war crimes through their pension investment. (The Service Director to share legal counsel advice on how it deals with foreign affairs).
- Page 8 -It was confirmed that there were no reported breaches in respect of cyber security.
- Page 9- It was confirmed that all RCT correspondence is now marked 'Private and Confidential'

Action Points

- Stewardship report circulated
- Workforce plan to be carried forward to a future meeting
- Mercer Report -YK to provide an annual performance data update
- A copy of the cyber security slides would be circulated

The Board also discussed the Pension Fund Committee and the WPP under item 2.

- Confirmed that the Pension Fund Committee also received the same Cyber Pension report and training
- Presentation to the last Pension Fund Committee by Keith Bray, LAPFF Co-ordinator on the role of LAPFF

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INVESTMENT & ADMINISTRATION ADVISORY PANEL

The Principal Accountant provided an update on investment performance and explained that a presentation from Fidelity Investments (the Fund Manager of the WPP UK Credit Fund) was postponed to the next meeting.

The Principal Accountant advised that the overall value of the Fund increased from £4,70 million (30th June 2024) to £4,779 million (30th September 2024) and stating that that it had been a good quarterly performance with all fund managers performing well.

The Principal Accountant referred to the GCM's proposal of its second vintage which was discussed and the view of the Panel was to invest £100 million in the closed ended offering with £20 million in the UK sleeve.

Baillie Gifford's performance has started to recover (although this could be impacted by the current sanctions implemented by the US on China). The Principal Accountant explained private credit investments and the option was discussed but

it is not an option for the Fund to take at this point in time.

The asset allocation of the Fund by asset class compared to target benchmark at 30th September 2024 and the asset allocation of the Fund by fund managers mandate (including cash) were both noted.

The Principal Accountant explained that the ESG solution was a bespoke policy specifically designed for the WPP investors only. She added that seven out of the eight Welsh Administering Authorities have invested in the bespoke policy.

The Service Director – Pensions, Procurement & Transactional Services updated the Board on the skills and knowledge framework and explained that the same requirements should apply to both Elected Members and Board members.

Two late payments had been identified during the reporting period which the Pension Board agreed do not constitute a material breach and were content that the matter was back on track.

With regards to the request for a new Admission, 'CCR Energy', a company owned by the South-East Wales Corporate Joint Committee, a schedule body in the RCT Fund, it was confirmed that there was no risk to the Fund as a result of the due Diligence process followed by the Section 151 Officer.

Further to the previous update to the Board in respect of TPR Breaches/Late Payments, it was noted that there were no reportable 'cyber' incidents.

An update was provided in respect of the Fund AGM which was held on the 12th November 2024, with 19 Employers represented at the event.

The 2024 RCT Pension Fund Annual Report was published prior to the statutory deadline of the 1st December 2024 and has a different format which, in line with CIPFA requirements, encourages engagement with the inclusion of links. The report is also published to the RCT Fund website. The Pension Board Chair noted that the format is an improvement on previous years.

It was reported that the CPI at September 2024 was 1.7% and forms the basis for pension increase and CARE revaluation.

The RCT Fund continue to actively engage on scheme consultation and in line with WPP discussions. Following the initial Pensions Investment Review 'Call for Evidence in September 2024, a further consultation was launched on the 15th November, LGPS "Fit for the Future", which closed on January 16th, 2025. The Chair confirmed that Board members had received the slides from the WPP regarding Project Snowdon. A discussion ensued regarding the content of the investment pooling and good governance proposals and it was noted that there was a requirement for a Business Plan to be developed by the 31st March 2025 and for the Chief Officer names to be in place and FSA registered by June 2025.

It was confirmed that the changes to the Death grants paid by the LGPS would mean that death grants paid by the LGPS would form part of a member's estate for inheritance tax purposes. The change is planned to take effect from the 6th April 2027 and the Board discussed and noted the significant additional administrative burden on the team. It was agreed that in terms of the risk register, it could be added at a later stage as an 'operational risk'.

There were no concerns to note in relation to the Pension Regulator Annual Return.

The Service Director provided an update on the work that was underway ahead of the 2025 Valuation with an early data validation exercise to be completed together with the Fund Actuary. He advised that discussions had taken place on refreshing the Funding Strategy Statement in consideration of the new guidelines. Verbal confirmation from the Actuary to date confirm no areas of concerns for RCT. It was noted that any back dated pay awards will result in extra work for the Pensions Team.

The Board noted that the 'My Pension Online' portal is to be upgraded following removal of support for the current version. The transition will involve the automatic transfer of existing members across to the new platform.

The Service Director advised in respect of Iconnect monthly data uploads, that RCT and South Wales Fire and Rescue are still in discussion.

The Board acknowledged the Member Self-Serve numbers are positive and moving in the right direction. In respect of Employers Transfers, all the data has been received from the South-East Wales Corporate Joint Committee and members have been contacted. The Board noted that the long-standing transfer relating to Newport Vision Products has concluded.

The Board received an update on the Bonds and noted the outcome of the cessation of the Valleys to Coast Housing participation in the Fund.

The Service Director referred to the key service standards and advised that a volume of activity and additional project work, is proving challenging for the team and impacting on some transfer delays (although not regarded as breaches). The Board noted the volume and compliance of cases over the period and the total number of membership telephone calls answered by the pensions helpdesk, as set out in the table, and commented on the valuable service provided by the Pensions Helpdesk (as well as the mailbox being monitored daily).

Board members were advised of the on-going development of team members, including the recruitment of three new apprentices for this year's annual apprenticeship programme who will be working towards the Level 3 NVQ Business Administration Training. The Service Director advised that the recruitment and retention of specialist and technical officers is a challenge nationally and spoke of the benefits of 'growing your own talent'.

Board members noted the update in respect of the Pensions Ombudsman which has issued guidance setting out top tips for avoiding complaints. The number of complaints received by the Fund is overall very low.

Wales Pension Partnership

The Principal Accountant provided an update on the WPP under the following headings:

- Value of pooled assets as at 30th September 2024
- Oversight advisor procurement
- Voting and Engagement procurement
- Non-pooled assets update

The Board was advised of the successful appointment of the new provider which was undertaken using the National Framework for Investment Management Consultancy services lot 3.

The Board noted the 'business as usual' message from the Section 151 Officer for both RCT and the WPP as there are still issues to progress.

The Board noted that there were no new investments following the asset liability review.

Socially Responsible Investments

The Principal Accountant provided an update on the following:

- The Fund currently invests in BlackRock Low Carbon Equity Fund. The value of this investment as at 30th September 2024 is £288 million.
- The Fund invests in the WPP Sustainable Equity Fund. The value of this investment as at 30th September 2024 is £116.4 million.
- The Fund invests in a local windfarm project through the WPP. The value of this investment as at 30th September 2024 is £3.4 million
- The Fund has a commitment to the BlackRock Renewable Infrastructure product. The value of this investment as at 30th September 2024 is £25.6 million.

26 RISK MONITORING

The Board considered the current risks associated with the RCT Pension Fund and suggested inserting 'Wider engagement through LAPFF membership' in response to the risk under the Investment category as set out in the Risk Register.

The Board also requested that an update be provided on progress of the All Wales Security Forum (WARP) to a subsequent meeting.

(See earlier Minute 25 regarding inheritance tax changes)

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

27 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 the WPP training and the joint Pension Fund Committee/RCT Pension Board meeting to be held in March 2025 and the subsequent meeting of the RCT Pension Board to be held at the end of April/beginning of May.

28 **KEY PROJECTS UPDATE**

The Board received an update on the following items:

- Pensions Regulator General Code 'Gap Analysis'
- McCloud (club transfers guide and calculator)
- Pension Dashboard Programme (connection guide published)

Regulator General Code 'Gap Analysis'

The Pension Services Manager provided an overview of the Pensions Regulator General Code 'Gap Analysis'. The Board noted the progress of the analysis, how the five sections are presented, how each module has been divided and presented and set out with corresponding narrative, e.g. the Governing Body section includes reference to the Pension Board, Pension Fund Committee and the Panel. Hyperlinks to demonstrate supporting evidence are to be added.

The Board noted there is no set deadline but an ongoing process.

The Chair sought confirmation that the analysis would be completed by the end of March. The Pension Service Manager confirmed that target for completion was end of March and that the 'Gap Analysis' spreadsheet would be shared with the Board at the next meeting for their review.

The Board recognised the positive work that's been undertaken to underpin and evidence the Fund's own control environment against the Regulator General Code 'Gap Analysis'.

McCloud (club transfers guide and calculator)

An update was provided in respect of McCloud with approximately 25,000 service lines updated (across 18,830 total members). A total of 113 cases have been identified where benefits have an underpin applied. Some cases identified as part of 'business as usual' cases and some need to be re-calculated.

The Board noted the progress with over 20,000 Annual Benefit Statements to be issued by the Regulatory deadline of August 2025 where the underpin figures need to be included for the first time. Still waiting legislative guidance and/or system updates from the software provider Heywood to process some scenarios.

Pension Dashboard Programme (connection guide published)

The Pension Services Manager provided an update on the Pensions National Dashboards Programme (PDP). Having onboarded with Heywood and with the portal in place the team are testing the 'matching criteria'. The Board noted the work underway and requested an update on progress at the subsequent Pension Board meeting.

29 **LEGISLATIVE AND ADMINISTRATIVE ISSUES**

The Board were provided with an update on the following:

- Latest consultation 'Fit for the future'
- LGPS Code of Transparency data system
- Funding Strategy Statement (FSS) guidance
- Separation of accounts (Audit delays)
- UK Stewardship Code consultation
- Staff Transfer guidance (GAD)
- LGPS Qualifications

The Board noted that the LGPS Code of Transparency data system was subject to development and noted the updates in respect of the other matters.

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ANY OTHER BUSINESS

Cashflow Analysis

The Board received an update on the Cashflow Analysis 2023-2024/2032-2034 (and as previously circulated).

Following consideration of the update and the AON cashflow figures, the Board noted the update and requested that the document be re circulated to include the cashflow assumptions from AON with all the assumptions built in.

RCT Pension Board

The Board discussed the expectations and engagement of the RCT Pension Board and its responsibility in respect of scheme members. The membership issues under discussion were noted and it was agreed that the Service Director Pensions, Procurement & Transactional Services would feedback the comments of the Board.

The Chair shared an update on the following matters arising from the recent LGPS bulletins (256-259), many of which had been discussed earlier in the meeting:

Bulletin 259

- Inheritance Tax on pensions liability reporting and tax. Response to consultation. Is this a risk if it proceeds as planned as pension fund administrators are not tax experts.
 - McCloud – Recalculating pension debits for McCloud
 - Pension Dashboard – Draft reporting standards published updated to November 2024.
 - Hot topics identified through industrial engagement
 - TPR published updated guidance December 2024
 - Consultation on the Audit system in England – not relevant to Wales
 - Fit for the Future – On the RCT Pension Board agenda
 - Funding Strategy Statement (June 2025) Process oversight is a function of the Pension Board. Practically this could mean sharing the consultation engagement plan with the Board.
 - Assist with the development and review of FSS
 - Review compliance of scheme employers
- Assist with the development and review communications in respect of the

FSS

- There is associated climate scenario analysis guidance
- Letter from the Chair of SAB to CEO's and Chairs of Pension Committee regarding the provision of appropriate resources for effective pension service delivery
- GAD Blog on pension admin
 - Increasing complexity of pension administration
 - Technical debt due to underinvestment in technology (AI)
 - Talent shortcomings including recruitment issues

Bulletin 258

- Extension of fair deal to FE Colleges – when transfer to outsourced employer retain access to LGPS if already in
- Usual coverage of McCloud and Dashboards (large section on Scotland issues) Club transfers
- LGPS Transparency code on data as understood primarily an administrative exchange of data/KPI's etc

Bulletin 257

- Inheritance tax covered in bulletin 259
- Virgin Media case – amendments made to pension scheme rules regarding section 9(2B) rights are void unless the scheme actuary confirm them as still making contracting out adequacy test. Private sector case Treasury believe doesn't apply to public sector-further updates to follow.
- Error in TPS transfer outs quotations but replacement issued for members protected under McCloud.
- Fiduciary duty update

Bulletin 256

- New Pension Advisor – source of technical advice to LGPS admin authorities/employers. Specialist advice to government departments.
- TPR to contact authorities re data quality and dashboards checking on right processes and controls with appropriate challenge
- Submission of annual report reminder

Meeting closed at 1.25PM

**Professor H Coombs
Chairman.**