



**CYNGOR BWRDEISTREF SIROL  
RHONDDA CYNON TAF  
COUNTY BOROUGH COUNCIL**

**COMMITTEE SUMMONS**

C Hanagan  
Service Director of Democratic Services & Communication  
Rhondda Cynon Taf County Borough Council  
The Pavilions  
Cambrian Park  
Clydach Vale CF40 2XX

Meeting Contact: Mrs Tracy Watson - Senior Democratic and Scrutiny Officer (07747 485567)

**YOU ARE SUMMONED** to a meeting of the **PENSION FUND COMMITTEE** to be held virtually on **TUESDAY, 8TH MARCH, 2022** at **2.00 PM.**

**AGENDA**

**Page  
No's**

**1. DECLARATION OF INTEREST**

To receive disclosures of personal interest from Members in accordance with the Code of Conduct

Note:

1. Members are requested to identify the item number and subject matter that their interest relates to and signify the nature of the personal interest: and
2. Where Members withdraw from a meeting as a consequence of the disclosure of a prejudicial interest they must notify the Chairman when they leave.

**2. MINUTES**

To receive the minutes of the previous meeting of the Pensions Fund Committee held on 13<sup>th</sup> December 2021.

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**3. LEARNING AND DEVELOPMENT**

To receive a presentation from LAPFF on responsible investment and engagement.

**4. TO CONSIDER PASSING THE FOLLOWING RESOLUTION:**

“That the press and public be excluded from the meeting under Section 100A(4) of the Local Government Act (as amended) for the following agenda item of business - Item 5 on the grounds that it involves the likely disclosure of the exempt information as defined in paragraph 14 of Part 4 of the Schedule 12A of the Act”.

**5. LINK SOLUTIONS AND RUSSELL INVESTMENTS**

To receive a presentation from the operator and the fund manager solution provider of the Wales Pension Partnership (WPP).

**6. ANNUAL REVIEW OF FUND GOVERNANCE AND STRATEGY DOCUMENTS**

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**7. DELEGATED FUNCTIONS REPORT**

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**8. RISK REGISTER REVIEW**

**115 - 124**

**9. WALES PENSION PARTNERSHIP - UPDATE**

**125 - 126**

**10. URGENT BUSINESS**

To consider any urgent items as the Chairman feels appropriate.

**Service Director of Democratic Services & Communication**

**Circulation:**

The Chair and Vice-Chair: (County Borough Councillor M Norris and County Borough Councillor M Griffiths respectively)

County Borough Councillors: Councillor L Hooper, Councillor G Hopkins and Councillor E Webster



## **RHONDDA CYNON TAF COUNCIL PENSION FUND COMMITTEE**

Minutes of the meeting of the Pension Fund Committee held virtually on Monday, 13 December 2021 at 2.00 pm

### **County Borough Councillors - Pension Fund Committee Members in attendance:-**

Councillor M Norris (Chair)

Councillor M Griffiths    Councillor E Webster

### **Officers in attendance:-**

Mr B Davies, Director of Finance & Digital Services

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

Mr P Griffiths, Service Director – Finance & Improvement Services

Ms Y Keitch, Senior Accountant Pensions and Treasury Management

Mr T Jenkins, Senior Team Manager Digital, Comms and Governance

Mrs T Watson, Senior Democratic and Scrutiny Officer

### **17 Apologies**

Apologies for absence were received from County Borough Councillors G Caple and L Hooper.

### **18 Declaration of Interest**

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

### **19 Minutes**

It was **RESOLVED** to approve the minutes of the Pension Fund Committee held on the 11 October 2021 as an accurate record of the meeting.

### **20 Delegated Functions Report**

The Director Finance and Digital Services presented the report to members which set out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement. He referred members to the performance of the fund detailed at the table in 4.3 of the report explaining that during the quarter ending 30th September 2021, the overall value of the Fund increased from £4,725 million to £4,744 million with a quarter underperformance relative to the benchmark, albeit a positive return of 0.3% but it did lag the benchmark of 0.7%. The rolling three-year performance remained strong at 11% annualised, compared to a benchmark of 8.1% which was a 2.9% out performance which significantly benefited the fund in terms of excess return over that period, as opposed to passively tracking the index.

He continued that whilst there had been some variable performance in the last quarter it was pleasing to note that all fund managers had performed positively compared to the benchmark over the 3-year period, the only exception being the property manager who had fallen short of their customised benchmark of CPI plus 4.5%. With regard to moving towards the revised asset allocation strategy, step 1 of the revised strategy was complete with the move of 5% of the fund from equities to bonds. Having completed the investment and legal due diligence, £50 million would be transitioned to infrastructure to begin the Fund's exposure to this asset class. The ambition is to move up to 10% to infrastructure but it was noted that this would be over time. He added that it was pleasing to note that journey had begun, and the Fund would continue to work with the WPP in terms of the other options that were available.

The Service Director Pensions, Procurement and Transactional Services continued through the report starting at 5.0 and highlighting at 5.2, the new legislation in relation to the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021, with the regulations taking effect from 30 November 2021. He acknowledged the Service was seeing increasing numbers of members requesting transfer information, however those members that actually transfer their benefits out remain relatively low. The new regulations seek to increase protection for scheme members from pension transfer scams.

Members were advised that there were existing controls in place to help mitigate these scams whereby as an administering authority, the Service ensures that members have sought appropriate/registered financial advice, but it was still ultimately up to the member whether they wished to proceed or not having taken that advice. The new regulations place further responsibilities on the administering authority.

He acknowledged that it was quite a big responsibility for the administering authority to take on this new role but appreciated why it had been introduced, and was one for the Service to monitor but hopefully by applying some of the new measures this would mitigate some of the scams that were targeted against members.

The Chairman felt most people should understand any additional measures that might be put in place to secure their money.

The Service Director Pensions, Procurement and Transactional Services then continued through the remaining sections at 5.0.

The Service Director Pensions, Procurement and Transactional Services put on record at 6.1 there were no items noted for referral back to Committee from the Pension Board meeting of the 15<sup>th</sup> November 2021. He noted at 6.2 the successful appointment of the 'Scheme Member' representative, who had attended the Annual General Meeting and was at present completing the 'Fundamentals Training programme' training. He felt it was fortunate to be able to have appointed somebody with the appropriate background into the role.

The Chairman gave a welcome from the Committee to the new 'Scheme Member' representative and looked forward to seeing her at the joint meeting.

**RESOLVED: Members noted the contents of the report.**

## 21 Learning and Development - Pensions Fund Administration

Members received a presentation on the Pensions Fund Website Rebranding along with an update in terms of the administration strategy and McCloud from the Senior Team Manager Digital, Comms and Governance.

The Chairman thanked the Senior Team Manager Digital, Comms and Governance for the presentation and the update in terms of McCloud and agreed that it was going to be a huge undertaking to sift through and collect the data for the small amount of people that were affected.

A Member congratulated the team on the disability accessibility of the website with the rebranding, noting the compliance with accessibility standards had gone from 31% to 91%. He looked forward to narration software as the next stage.

A Member acknowledged that the McCloud issue was a massive problem that could take years to resolve and asked whether the Council needed to be employing more staff so that it didn't take quite so long.

The Director of Finance & Digital Services provided assurance to the Committee of this work, through the risk register, acknowledged that a specific risk had been introduced in respect of McCloud recognising the scale of the issue the Senior Team Manager Digital, Comms and Governance had set out to the Committee.

A Member noted there was a legal requirement to find the records and information back to 2014 and asked what would happen if that information could not be found by the Fund Employers.

The Service Director – Pensions, Procurement & Transactional Services explained that currently the Scheme Advisory Board for the LGPS was considering those kinds of issues and there was recognition to look nationally too, to get a consistent approach on how to deal with those areas where there were data gaps, hopefully in a prudent way, by developing some consistent assumptions, although he acknowledged there were likely to be data gaps given the retrospective timeline.

**Upon conclusion of the presentation members RESOLVED to note the update.**

## 22 Pension Fund Risk Register

The Service Director Finance and Improvement Services presented the report and referred members to the Risk Register attached at Appendix 1 for their consideration.

He advised members that the Pension Fund Risk Register provided an overview of the arrangements in place to manage the risk to the fund. The Risk Register was then presented to the quarterly meetings of the Investment and Administration Advisory Panel for further review, challenge, and agreement. Following agreement of the updated register, it was published on the Fund Website. The register was also reviewed by the Pension Board, as part of their role in supporting the Fund's overall governance arrangements.

The updated Risk Register contained 38 risks compared to 37 in October with 1 High Risk, 16 Medium Risks and 21 Low Risks. There had been two updates reflected in the register, further to the October committee meeting, which related

to the area of McCloud. This was reflected in the Funding Risk Category to reflect the monitoring arrangements in terms of the remedies and ensuring there was appropriate provision made against the Fund's liabilities and secondly the Operational Risk Category, which was a new Medium Risk recognising the difficulties and the risk associated with the delivery of the McCloud remedies, which colleagues had touched upon previously, with a number of control measures reflected in the Risk Register to set out the mitigating actions being taken.

**RESOLVED: Members noted the contents of the report.**

## **23 Wales Pension Partnership**

The Senior Accountant Pensions and Treasury Management provided an update and progress for Members with regard to the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC). She advised that the last meeting of the JGC was held on the 1<sup>st</sup> December and 3.3 of the report contained the hyperlink to access the agenda.

The Senior Accountant Pensions and Treasury Management then took Members through 3.4 of the report and provided further information in relation to several points. An application had been submitted in respect of the UK Stewardship Code. The launch of the Emerging Markets Sub Fund took place in October 2021 although the RCT pension fund did not have any investments in that Sub Fund.

Committee were provided with an update in terms of the next steps/priorities. Firstly, it was to commence the appointment process for the Scheme Member Representative, and it was believed all constituent authorities had now given their approval and secondly, the development of Private Market Sub-Fund.

From September 2021 to February 2022 work was continuing on Procurement of Private Debt and Infrastructure allocators. The JGC would then approve that appointment at the 23<sup>rd</sup> March 2022 meeting and then from March 2022 to December 2022 those sub funds would be developed, approved and launched.

In terms of other key areas, virtual training sessions continued with the next session scheduled for the 19<sup>th</sup> January 2022 which would include Board and Committee Members.

The Senior Accountant Pensions and Treasury Management noted that several Constituent Authorities had expressed an interest in launching a sustainable equity sub-fund and work was underway to set out and scope this sub-fund and gauge the appetite of investors. Over time the objective of the WPP was for local investment opportunities to be facilitated via the private markets sub-fund and appointed allocators. Initial opportunities continued to be explored in this regard and Members would be aware that the RCT full Council meeting had approved the proposed amendments of the WPP Inter Authority Agreement to reflect current ways of working, requirements for further investment arrangements and to agree the appointment of a non-voting Scheme Member Representative onto the JGC.

Members were advised that the next JGC meeting was scheduled to take place on 23<sup>rd</sup> March 2022.

A Member sought clarification in relation to the application submitted to the UK Stewardship Code.

The Senior Accountant Pensions and Treasury Management explained an application was made to the Financial Report Council (FRC) to be a member of the UK Stewardship Code. This is now a more extensive process requiring the applicant to show evidence of responsible investing and had enlisted Robeco to help with this stage of the voting.

A Member sought further explanation in relation to the development of Private Market Sub funds.

The Senior Accountant Pensions and Treasury Management explained that private market funds were illiquid assets such as infrastructure, to which this Fund had a 10% commitment, but there was no allocation to private credit and private debt. Other Welsh funds had existing allocations to this type of asset class, so the WPP were required to provide a suitable platform for their purposes.

In response to a question, the Senior Accountant Pensions and Treasury Management stated that the investment strategies are determined by the individual pension fund. This Pension Fund has a strategy of investing in equities, bonds, property and now infrastructure, but other pension funds may have more or less risk in their strategies. It was not for other WPP members to influence an individual fund's strategy.

The Chairman clarified that it had been agreed at the beginning that there had to be a vehicle provided for all types of funds currently used by each pension fund, so if some of the pension funds had an investment in private debt then a vehicle would be provided within the WPP, but we do not have to invest in it.

A Member asked if there would be a future report on the sustainability equity sub-fund.

The Senior Accountant Pensions and Treasury Management explained that they were at the initial stages and needed to understand the risk and return metrics and how much each fund would wish to commit to.

The Chairman noted that once it was set up, some of the equities currently held could be transferred into the sustainable fund.

The Director of Finance & Digital Services noted that the Committee would be updated further as the sub fund development progresses.

The Director of Finance & Digital Services elaborated a little on point 3.6, which referenced the objective of WPP over time for local investment opportunities and noted that WPP would be considering such an opportunity at the December meeting and whether to progress with more detailed due diligence. It is clearly for each Fund to determine for themselves whether they would wish to invest in any such opportunity.

The Chairman ended by asking that the Committee be kept informed of progress.

**RESOLVED: Members noted the update.**

**24 PENSION FUND STATEMENT OF ACCOUNTS AND AUDIT WALES REPORT**

The Director Finance and Digital Services presented the report to Members with regard to the approval process for the Pension Fund Accounts.

He advised members that the Pension Fund accounts were approved by full Council on the 24 November 2021 and the outcome of the external audit undertaken by Audit Wales was an unqualified audit opinion.

**RESOLVED: Members noted the contents of the audited financial statements of the Pension Fund for the financial year 2020/21.**

**25 Urgent Business**

None received

**This meeting closed at 3.03 pm**

**CLLR M. NORRIS  
CHAIR.**



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2021-22**

**PENSION FUND COMMITTEE**

**8<sup>th</sup> MARCH 2022**

**REPORT OF: THE DIRECTOR OF  
FINANCE AND DIGITAL SERVICES**

**AGENDA ITEM NO. 6**

**ANNUAL REVIEW OF FUND  
GOVERNANCE AND  
STRATEGY DOCUMENTS**

**Author – Barrie Davies, Director of  
Finance and Digital Services (01443) 424026**

**1.0 PURPOSE OF REPORT**

1.1 This report sets out the Fund Governance and Strategy Documents which fall within the remit of the Committee as detailed in the terms of reference.

**2.0 RECOMMENDATIONS**

2.1 It is recommended that the Committee:

2.1.1 Review and consider any updates required to the Fund Governance and Strategy Documents as attached at Appendix 1 to 5; and

2.1.2 Approve the documents (subject to any required updates).

**3.0 BACKGROUND**

3.1 The agreed terms of reference of the Pension Fund Committee are as set out below.

**Terms of Reference**

The Pension Fund Committee have the following specific roles and functions with regards to the Rhondda Cynon Taf Pension Fund (the 'Fund'), taking account of advice from the Director of Finance and Digital Services (in their capacity as s151 Officer) and the Fund's professional advisers:-

- Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:

- i) Governance – approving the Governance Policy and Compliance Statement for the Fund;
  - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, giving due consideration to the results and impact of the triennial actuarial valuation and interim reports;
  - iii) Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite;
  - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers;
  - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers;
  - vi) Discretions – determining how the various administering authority discretions are operated for the Fund; and
  - vii) Internal Dispute Resolution Procedure – determining how the Scheme Member disputes are administered.
- Monitoring the implementation of these policies and strategies as outlined above on an ongoing basis.
  - Considering the Fund's financial statements as part of the approval process and agreeing the Fund's Annual Report. Receive internal and external audit reports on the same.
  - Receiving ongoing reports from the Director of Finance and Digital Services in relation to their delegated functions.
  - To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.
  - To adhere to the principles set out in the Pensions Regulator Code of Practice and undertake its duties in compliance with the obligations imposed on it.

- To receive regular training to enable Committee Members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.
- Consider any pension compliance matters raised by the Fund's Pension Board.

3.2 This report sets out for the Committee the relevant Governance and Strategy Documents which fall within its remit and details the reporting arrangements for them.

#### **4.0 GOVERNANCE AND STRATEGY DOCUMENTS**

4.1 In line with regulatory requirements, the Fund has a duty to maintain and review (at least annually) a number of Governance and Strategy Documents, many of which need to be in place by the 1<sup>st</sup> April each year.

4.2 Accordingly, many of these have been reviewed by officers initially and considered by the Investment and Administration Advisory Panel and shared with the Pension Board. These are now presented to the Committee for review, comment and approval as appropriate.

4.3 Set out in table 1 below are the relevant documents, as detailed in the terms of reference, and the proposed reporting arrangements to this Committee. Those now reported for consideration by the Committee are shown.

**Table 1 – Strategy and Governance Documents**

<b>ToR Ref</b>	<b>Document</b>	<b>Committee Date</b>	<b>Comments</b>
i)	Governance Policy	8 <sup>th</sup> March 2022	<b>Updated</b> , revised Policy attached at Appendix 1
i)	Compliance Statement	8 <sup>th</sup> March 2022	Attached as Appendix 2
ii)	Funding Strategy Statement	8 <sup>th</sup> March 2022	No change
iii)	Investment Strategy Statement	8 <sup>th</sup> March 2022	<b>Updated</b> , revised Statement attached at Appendix 3
iv)	Myners Compliance Statement	8 <sup>th</sup> March 2022	No change
v)	Stewardship Code	8 <sup>th</sup> March 2022	No Change

vi)	Administration Strategy	8 <sup>th</sup> March 2022	<b>Updated,</b> revised Strategy attached at Appendix 4
vii)	Communications Strategy	8 <sup>th</sup> March 2022	<b>Updated,</b> revised Strategy attached at Appendix 5
viii)	Discretions	8 <sup>th</sup> March 2022	No Change
ix)	Internal Dispute Resolution Procedure	8 <sup>th</sup> March 2022	No Change

## 5.0 **CONCLUSION**

- 5.1 This report sets out, for the Committee, the key Fund Governance and Strategy Documents for review and consideration in line with the Terms of Reference.

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## **APPENDIX 1**

### **RHONDDA CYNON TAF PENSION FUND**

#### **PENSION FUND GOVERNANCE POLICY STATEMENT**

#### **STRUCTURE & ORGANISATION OF THE RCT PENSION FUND**

Updated March 2022

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## 1. Introduction to Pension Fund Governance

Effective Pension Fund governance management is a crucial element of ensuring that the LGPS Scheme (RCT Pension Fund) remains an attractive and affordable employer pension scheme. In doing so, it is essential that an appropriate internal control environment exists that considers and regularly reviews risk, funding and securities, potential conflicts of interest, views of scheme stakeholders, regulatory consultation, change and compliance.

In 2000, the Government commissioned a *Review of Institutional investment in the UK* from Paul Myners, Chairman of the Gartmore Fund Management Group. The resultant report (known as the Myners Report) sets out a number of principles codifying best practice in pension fund management. Our compliance with each of these principles is shown annually in the Pension Fund Report.

Local Authority pension schemes are usually administered by so-called 'upper tier' authorities, i.e. counties, mets, unitaries and London boroughs (although there are two stand-alone pension funds, namely the London Pension Fund Authority and the South Yorkshire Pension Fund Authority). The top level of control is exercised by a Pensions Committee comprising host authority members. In effect, members of the Committee fulfil a quasi trustee function, equivalent to the trustees of a private sector pension fund. The Pension Fund Committee is responsible for the strategic management of the RCT Pension Fund in accordance with its terms of reference, with all operational matters delegated to the Director of Finance and Digital Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer).

Like many specialist local government services, elements of pension fund management are outsourced in order to harness the necessary expertise for what is a complex arena. The role of the Pensions Committee, and of officers, as agents of the Administering Authority is to determine a strategy, and to ensure that the strategy is properly and fully implemented. In effect, this is a procurement exercise, and as such requires skills that are needed in any procurement situation, for example: -

- A clear understanding of what the Fund is aiming to achieve and a strategy for achieving it
- Understanding the market and choices that can be made
- Deciding what needs to be provided in-house and what should be outsourced
- Defining and developing strong specifications for the services to be provided
- Ensuring clear and open competition
- Managing relationships, both with in-house providers and contractors
- Setting rigorous performance measures, and implementing a feedback loop for reporting, evaluating and monitoring contractor performance (whether for services provided in-house or outsourced)



Further to the Lord Hutton review of public service pension, the Public Service Pensions Act 2013 introduced a number of changes to public service pension schemes, including a number of key changes impacting on the governance arrangements of schemes. In line with the Act, each Fund Administering Authority was required to create a local Pension Board by no later than 01<sup>st</sup> April 2015. The Pension Board assists Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manger' in securing compliance and ensuring effective and efficient governance and administration. The RCT Local Pension Board has been established and is made up of two employer representatives and two member representatives; the Board meets quarterly each financial year.

During 2015 the Scheme Advisory Board was formally established, providing a national oversight of LGPS, tasked with the role of identifying opportunities for collaboration, cost savings and efficiencies within the scheme

There are also powers afforded to the Pension Regulator in relation to public sector scheme compliance. A 'Code of Practice' has been produced that sets out the standards of governance and administration for running of public service pension schemes. The RCT Pension Fund ensures its compliance with the requirements of the Code, through its risk control monitoring, and in accordance with the Fund's Reporting Breaches Policy.

Pension Fund Management can be divided into two main areas:

### **Investment Management**

As noted above, many aspects of investment management are carried out by a range of external specialist services, including:

- **Investment managers** who are responsible for managing the performance of the investment fund on a day-to-day basis. This will include making decisions on what to buy and sell and buying and selling itself, within the context of a broad investment policy laid down by the Administering Authority.
- **Investment advisers** who may assist in setting the broader policy, evaluating fund manager performance and so on.
- **Investment Pooling** - the Fund participates in the Wales Pension Partnership (WPP) which is the collective investment vehicle for the use of the 8 Local Government Pension Scheme (LGPS) funds in Wales.
- **Voting and Engagement Provider** - appointed to assist the WPP in formulating and maintaining a Voting Policy and Engagement Principles that are in keeping with the Welsh Constituent Authorities' membership of the Local Authority Pension Fund Forum. This provider takes responsibility for implementing the Voting Policy across the underlying assets of the WPP.
- **Custodians** whose role is to safeguard the existence of assets and to ensure the Fund has proper title to them.
- **Actuaries** who evaluate overall fund management strategy (including the extent to which the fund is fully funded), fund performance, assess the likely impact of future trends (e.g. investment outlook, death rates etc) and advise on appropriate rates of employers contributions to ensure continued financial health for the scheme. They may also be asked for advice on overall fund management strategy. The Myners review suggested that this should be viewed as a separate service from the actuarial contract, in much the same way that auditors shouldn't give advice that they may later be required to audit.
- **Performance measurers** who analyse fund performance, provide detailed statistical analysis of overall pension fund performance and its components, and report the results to officers and the pension panel as appropriate.

Proper control needs to be exercised over the providers of these specialist services. There should be a comprehensive policy for the fund which includes asset allocation management, for example the fund gearing, (proportion of higher risk investments (equities, property etc) to fixed interest stock (bonds) and broad sector divisions within the major asset classes, (in the case of equities for example, pharmaceuticals,

construction, manufacturing, and geographical diversity, for example UK equities, Far East, United States). Any policy on asset allocation must be in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Investment Regulations, which prescribe maximum limits for investments in any one vehicle. It should also put in place proper arrangements for setting targets for fund performance, monitoring compliance with policy and taking action when necessary if performance is not in line with the targets set. The strategy for managing the fund should also take into account the maturity of the fund; that is the proportion of pensioners to active contributors to the scheme.

### **Fund Administration**

Administering the fund includes putting in place sound financial systems to ensure that contributions are collected and credited to the fund, correct levels of pensions are paid out, transfer values are correctly calculated and paid or received and queries and complaints are dealt with properly. Considerable reliance can be put on core financial controls operated by the Administering Authority through its main financial systems. The payroll system is closely tied in with pension fund administration and reliance should be placed on internal audit cover, if their cover is deemed to be adequate, although this may not be applicable in respect of admitted bodies. The administering authority is likely to be heavily dependent on the quality of information submitted to them and anomalies in data submitted by employers can cause considerable delays in the administration process.

Monitoring by the relevant panel is key, and appropriate performance indicators should be in place and reported on a regular basis. These could give, for example, details of administration costs, compliance with statutory time limits and numbers of complaints received and dealt with. In line with any local government activity, pension funds should be exposed to rigorous WPI reviews.

There are a number of key liaisons that are maintained:

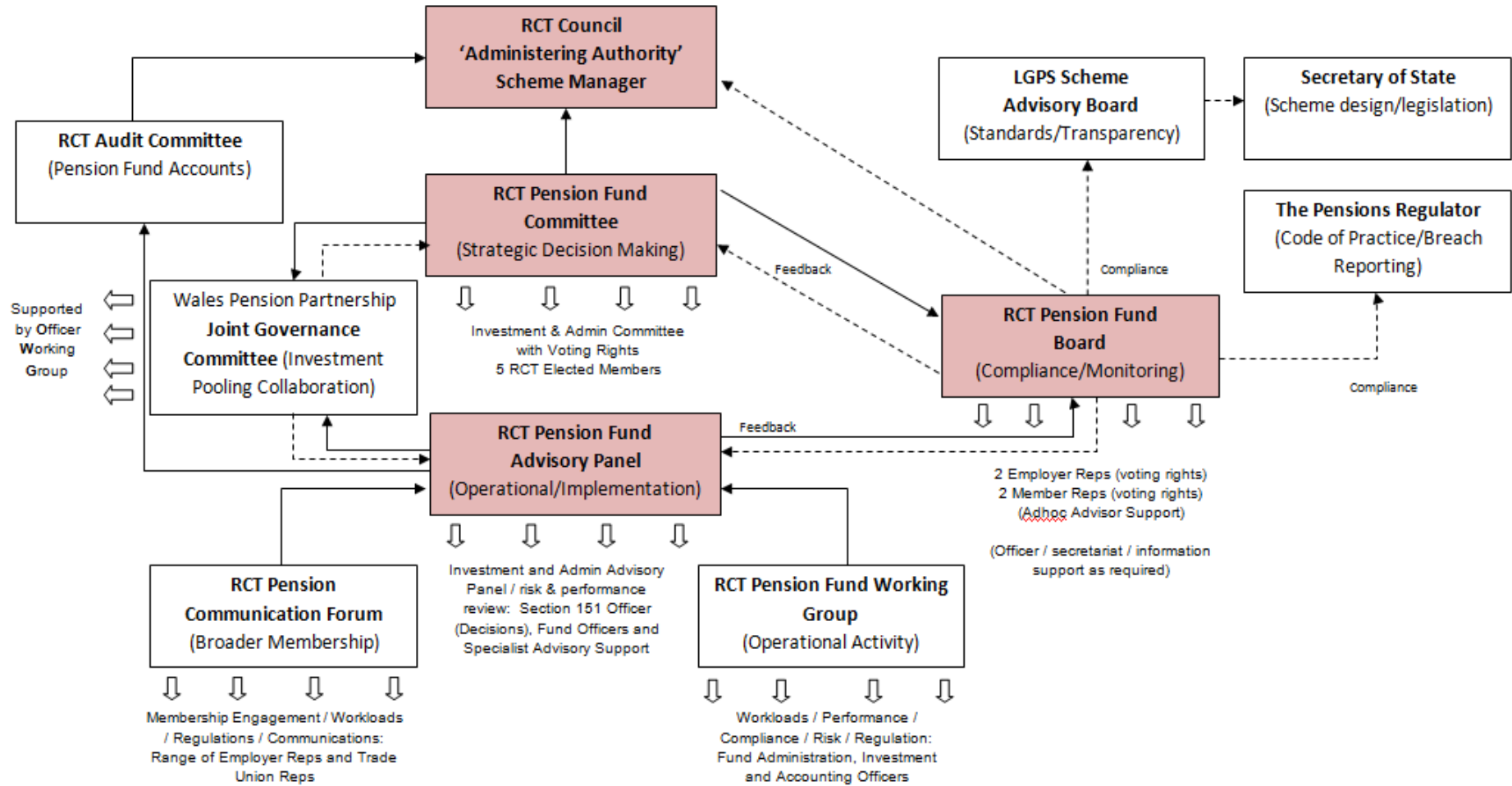
- Scheme Employers (Scheduled / Designated and Admitted Bodies)
- Fund Actuary
- DLUHC / GAD – legislative changes / modelling
- Local Government Association (LGPS)
- LGPS Scheme Advisory Board
- Welsh LGPS Pensions Officer Group
- The Pensions Regulator
- The Pensions Ombudsman

### **Risk Register**

The Fund maintains a risk register to capture and monitor the key risks associated with its activities and the appropriate controls taken to mitigate such risks. This is regularly reviewed and updated within the Fund's governance processes.

2.

**Rhondda Cynon Taf Pension Fund Governance Structure 2021**



### **3. Decision Making & Engagement**

#### **Decision Making**

The Pension Fund Committee is responsible for the strategic management of the RCT Pension Fund in accordance with its terms of reference, with all operational matters delegated to the Director of Finance and Digital Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer).

Pension Committee Chairs or their nominated deputy (elected members), of all eight Welsh Pension Funds represent their Administering Authority on the Wales Pension Partnership Joint Governance Committee.

#### **Employer Engagement**

Currently eight employers have representation on the Communication Forum. In addition, there is an AGM for all employers and one to one meetings are held with larger employers (others on request) on an annual basis.

#### **Scheme Member Engagement**

In addition to officers (active scheme members) in attendance, Trade Unions are represented on the Fund's Communications Forum.

In addition, the Fund's Local Pension Board includes representation on behalf of Employer and Scheme Members.

## 4. RCT Pension Fund Committee

### Composition

The Pension Fund Committee is politically balanced and comprises 5 Elected Members.

### Terms of Reference

The Pension Fund Committee have the following specific roles and functions with regards to the Rhondda Cynon Taf Pension Fund (the 'Fund'), taking account of advice from the Director of Finance and Digital Services (in their capacity as s151 Officer) and the Fund's professional advisers:-

- Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
  - i) Governance – approving the Governance Policy and Compliance Statement for the Fund;
  - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, giving due consideration to the results and impact of the triennial actuarial valuation and interim reports;
  - iii) Investment strategy - approving the Fund's investment strategy, Investment Strategy Statement and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite;
  - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers;
  - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers;
  - vi) Discretions – determining how the various administering authority discretions are operated for the Fund; and
  - vii) Internal Dispute Resolution Procedure – determining how the Scheme Member disputes are administered.
- Monitoring the implementation of these policies and strategies as outlined above on an ongoing basis.
- Considering the Fund's financial statements as part of the approval process and agreeing the Fund's Annual Report. Receive internal and external audit reports on the same.
- Receiving ongoing reports from the Director of Finance and Digital Services in relation to their delegated functions.

- To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.
- To adhere to the principles set out in the Pensions Regulator Code of Practice and undertake its duties in compliance with the obligations imposed on it.
- To receive regular training to enable Committee Members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.
- Consider any pension compliance matters raised by the Fund's Pension Board.

### **Secretarial Function**

Organisation of meetings and preparation of agenda and minutes is carried out by Committee Services. Meeting papers and agenda are circulated in advance of the meeting and published.

### **Frequency of Meetings**

Quarterly

## 5. Pension Board

### Composition

- Two Employer Representatives (one Chair)
- One Member Representative (Pensioner)
- One Member Representative (Active/Deferred)
- Support Officers/Advisors required as and when

### Terms of Reference

To assist Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manger' in -

- Securing compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Ensuring the effective and efficient governance and administration of the LGPS by the Scheme Manager

### Secretarial Function

Organisation of meetings and preparation of agenda and minutes is carried out by the Senior Democratic Services Officer (Legal & Democratic Services). Meeting papers and agenda are circulated in advance of the meeting and minutes are published online.

### Frequency of Meetings

Quarterly



## 6. Investment & Administration Advisory Panel

### Composition

The Panel comprises of representatives of the Administering Authority as follows: -

- The Section 151 Officer – Chair
- The Deputy Section 151 Officer
- The Service Director Pensions, Procurement & Transactional Services
- The Service Director – Finance Services
- The Principal Accountant, Treasury and Pension Fund Investments
- The Senior Accountant, Treasury and Pension Fund Investments
- Two independent Advisors to the Pension Fund

### Terms of Reference

The Director of Finance and Digital Services (in their capacity as s151 officer) supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support, has delegated responsibility for all day to day operational matters.

The Panel advises on all aspects of the Pension Fund. It produces the annual report to Committee and is subject to Audit scrutiny. Areas upon which it gives advice are: -

- Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.
- Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- Agreeing the terms and payment of bulk transfers into and out of the Fund.
- Agreeing Fund business plans and monitoring progress against them.
- Maintain the Fund's Knowledge and Skills Policy for all Pension Fund Committee Members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
- Formulating responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- Ensuring the Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Legislation, Her Majesty's

Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.

- Ensuring robust risk management arrangements are in place.
- Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Fund.
- Monitor investment performance.
- Work with the Fund Actuary to determine the level of employer contributions required from each employer within the Fund, and ensure such contributions are received.

### **Secretarial Function**

The Pension Fund Accountant carries out preparation of the agenda and minutes, and organisation of meetings. Meeting papers and agenda are circulated at least 1 week in advance of the meeting.

### **Frequency of meetings**

The Panel meets quarterly.

## 7. Wales Pension Partnership Joint Governance Committee

### Composition

Pension Committee Chairs or their nominated deputy (elected members), of all eight Welsh Pension Funds (Administering Authorities).

### Terms of Reference

To progress the Wales Investment Pooling Collaboration in accordance with the Inter-Authority Agreement :-

- Making recommendations to the Administering Authorities on the termination of the Operator Contract before the conclusion of the fixed term contract, where the performance of the Operator is considered unacceptable.
- Ensuring that there are an appropriate range of sub-funds available in order to allow the Welsh Funds to meet their strategic investment aims. Following representation from any, some or all of the Administering Authorities the Joint Governance Committee may request the Operator to set up a sub-fund in a particular asset class. The Joint Governance Committee must be mindful at all times of the need to balance the requirement to provide a particular sub-fund with the benefits of holding aggregated assets.
- Monitoring the performance of the Operator against the agreed set of key performance indicators.
- Reporting on the performance of the Investment Pool, its costs and other activities, but not limited to, the Administering Authorities, government, the Scheme Advisory Board and the general public.
- From time to time, to review the appropriateness of the existing structures, including the number and make-up of sub-funds and to make recommendations to the Administering Authorities as to the respective merits of procuring Operator services by means of a third party or through ownership by the Administering Authorities of the Operator
- Liaising with the Operator, in such areas as the Operator seeks the preferences and views of the Joint Governance Committee, on the appointment of suppliers, for example manager preferences or the appointment of depositories
- Liaising with the Administering Authorities on the appropriate range of sub-funds to be provided in the Investment Pool
- From time to time reviewing policies in respect of ethical, social and governance matters and voting rights and where appropriate make recommendations to the Administering Authorities as to any changes deemed necessary
- Applying any processes or policies that are assigned to it within the Inter-Authority Agreement

- Recommend a high level plan for initial transition of assets to the pool and further asset transitions in the event, for example, of new sub-funds being created or manager changes within sub-funds
- Ensuring that the 'Officer Working Group' acts within its remit as set out in the Inter-Authority Agreement
- Providing any analysis or commentary on annual accounts to the Administering Authorities
- Monitoring the implementation and effectiveness of policies and initiating reviews of these where required
- Delivery and ongoing monitoring against the Pooling Collaboration objectives, Business Plan and budgets
- Approving responses from the Pooling Collaboration in relation to consultations or other matters considered appropriate
- Seeking advice from professional and authorised and regulated advisers where necessary
- Agreeing the Business Plan to be put forward to the Administering Authorities for approval
- Report to the Administering Authorities quarterly (and at any other time when the Joint Governance Committee considers it to be necessary) on the matters within their remit including but not limited to the performance of the Operator, the structure of the funds and the ongoing monitoring of the Business Plan
- Agreeing criteria for the evaluation of bids or tenders for any procurement (other than the first appointment of the Operator) to be put forward for the approval of the Administering Authorities

### **Secretarial Function**

Organisation of meetings and preparation of agenda and minutes is carried out by the nominated host Council. Meeting papers and agenda are circulated in advance of the meeting and published.

### **Frequency of Meetings**

Quarterly (minimum)

## 8. Pension Fund Working Group

### Composition

- The Deputy Section 151 Officer (Chair)
- The Service Director Pensions, Procurement & Transactional Services
- The Pensions Service Manager
- The Principal Accountant, Treasury and Pension Fund Investments
- The Service Director – Finance Services
- The Senior Accountant, Treasury and Pension Fund Investments
- The Senior Team Manager (Pensions)
- Other officers as required

### Terms of reference

Reports to Investment and Administration Advisory Panel

- To discuss and propose to the Section 151 Officer the agenda for the Panel meeting
- To discuss and propose responses to consultation papers
- To discuss, review and propose any changes to the Fund's governance arrangements
- To discuss and deal with day to day administration, investment and accountancy issues
- To receive and discuss reports from the Pension Fund Actuary, Auditor and other bodies, and to report to the Panel as necessary
- To review and monitor performance management arrangements
- To review the RCT Pension Fund Risk Register
- To conduct an annual performance evaluation for the external Advisors to the pension fund
- To discuss staffing and training issues
- Any other Pension Fund matter

### Secretarial Function

Organisation of meetings and preparation of agenda and minutes is carried out by the Pension Fund Accountant. Meeting papers and agenda are circulated in advance of the meeting.

### Frequency of Meetings

The Group normally meets monthly with a meeting to take place before each meeting of the Investment and Administration Advisory Panel. Ad-hoc meetings may also be arranged with the agreement of the Section 151 Officer or Deputy.

## **9. Pension Fund Communication Forum**

### **Composition**

- The Deputy Section 151 Officer (Chair)
- The Service Director Pensions, Procurement & Transactional Services
- Principal Accountant, Treasury and Pension Fund Investments
- The Senior Team Manager (Pensions)
- 8 Employer representatives
- 2 Trades Union Officials

### **Terms of Reference**

- To consider and discuss key investment, administration and communication issues in relation to the pension fund
- To receive feedback on investment and administration issues
- To consider all aspects of Scheme communication and to make recommendations to the Panel
- To prepare and report to the pension fund employers' AGM

### **Secretarial Function**

Organisation of meetings and preparation of agenda and minutes is carried out by the Senior Team Manager (Pensions). Meeting papers and agenda are circulated in advance of the meeting.

### **Frequency of Meetings**

Quarterly

## 10. Pension Fund Discretions Panel

This sub-group considers individual cases where the exercise of the Authority's discretion in its role as Administering Authority is required. All 3 officers must be in attendance and deputies as indicated in parentheses act as substitutes when required.

### Composition

- The Service Director Pensions, Procurement & Transactional Services (Chair)
- The Service Director – Finance Services
- The Pensions Service Manager

### Terms of Reference

- To consider and recommend to the Section 151 Officer the exercising of the Authority's discretion on individual cases, as required
- To report decisions to the Pension Fund Working Group

### Secretarial Function

Organisation of meetings and preparation of minutes is carried out by a member of the Pensions Section. Meeting papers are circulated 1 week in advance of the meeting.

### Frequency of meetings

Meetings are held on an ad-hoc basis, as required.

## 11. Internal Dispute Resolution Procedure

### **Purpose of a Dispute Resolution System**

The Government's stated policy intention is that an occupational pension scheme's internal dispute resolution procedure should serve as a filter, to ensure that easily resolved complaints and simple misunderstandings are not referred to the Pensions Ombudsman. Appeal numbers, case types, stage and outcome (including those that are referred to the Ombudsman) are reported and monitored as parts of the Fund's governance processes.

### **The Local Government Scheme**

The Internal Dispute Resolution Procedure (IDRP) as laid down by the Local Government Pension Scheme Regulations, consists of two stages.

#### Stage 1

The appropriate administering authority must decide any question concerning service or employment, crediting of additional pension or the amount of benefit (or return of contributions) that a person may be entitled to. Any other matter is to be dealt with by the Scheme's employer in the first instance. The decision should be made and notified to the person, in writing, as soon as is practicably possible.

#### Stage 2

Each Scheme employer and the administering authority must appoint an adjudicator to consider appeals to a first decision. A person has six months from the date of notification of a Stage 1 decision in which to apply to the adjudicator if they disagree with the outcome. The adjudicator has two months from receipt of the appeal application in which to notify the applicant, the scheme employer and, if the Scheme employer is not an administering authority, to the appropriate administering authority.

If the dispute is not resolved at this stage it can be referred to the Administering Authority for re-consideration and no-one who was involved in the making of a decision at stage 1 should be involved at this stage.

The full procedure is laid out in The Local Government Pension Scheme Regulations 2013.



## Rhondda Cynon Taf Pension Fund

### STAGE ONE

#### **Administering Authority Appeals Panel**

The Administering Authority Appeals Panel deals with appeals against a decision of the administering authority.

The panel makes decisions and all 2 officers must be in attendance for a decision to be made. Where nominated officers are not available, appropriate deputies attend meetings. The Pensions Service Manager is responsible for presenting individual cases to the panel but is not involved in the decision making process.

The Pensions Service Manager is a member of the pensions section with responsibility for the administration of appeals and complaints.

#### **Composition of the Panel**

- The Section 151 Officer (Chair)
- The Service Director Pensions, Procurement & Transactional Services
- The Pensions Service Manager

#### **Terms of Reference**

To consider and decide on stage one appeals under the Internal Dispute Resolution Procedures against decisions taken by the Administering Authority.

#### **Secretarial Function**

Organisation of meetings and preparation of papers is carried out by the Pensions Service Manager. Meeting papers are circulated at least one week in advance of the meeting. Meeting papers include correspondent received from all parties and a summary of the case, prepared by the Pensions Service Manager.

Minutes are taken by the Pensions Service Manager who is also responsible for informing the appellant of the decision and setting out the reasons for that decision.

#### **Frequency of Meetings**

Meetings are held on an ad-hoc basis, as required.

## STAGE TWO

The administering authority's adjudicator deals with stage two appeals for the Rhondda Cynon Taf Pension Fund. This is in accordance with The Ministry of Housing, Communities & Local Government guidance.

In the event of a second stage appeal, all papers and correspondence are passed to the adjudicator by the relevant employer or where the stage one appeal was against Rhondda Cynon Taf as Administering Authority, by the Pensions Service Manager.

The matter will be given fresh consideration in an in-depth and formal way. Full account will be taken of the facts and any evidence submitted.

In reconsidering the decision, the Monitoring Officer will: -

- Check that the regulations were applied correctly
- Check that sound, impartial procedures were used to reach the decision, in particular where the dispute concerns the exercise of a discretion by a scheme employer or by the administering authority.

Independent advice may be sought from the fund actuary, pensions lawyer or other professional adviser if necessary but the final decision will be made by the Monitoring Officer, in keeping with the regulations.

## 12. Training

Members of the Pensions Committee, Investment and Administration Advisory Panel and the RCT Pension Board receive regular training and updates, which includes:

- Seminars and Courses
- Conferences
- Meetings with the Fund Actuary
- Meetings with External Fund Managers
- Meetings with the Employers Organisation
- Specialist presentations
- LGA / Pension Regulator / Scheme Advisory Board circulars
- Wales Pension Partnership events

Training and awareness sessions are undertaken and recorded in a 'Knowledge and Skills' Training Log.

## 13. Monitoring and Review

The Policy Statement shall be reviewed annually at the March meeting of the Investment and Administration Advisory Panel, subject to any significant legislative changes requiring earlier review. The annual review of all key Fund Governance Documents is reported into the March joint meeting of the Fund's Pension Committee and Pension Board.

The annual review will consist of consideration of the effectiveness of the structure and processes generally.

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## APPENDIX 2

### RHONDDA CYNON TAF PENSION FUND

# PENSION FUND COMPLIANCE STATEMENT

Updated March 2022



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## 1. Part II/A Structure

- a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
- b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
- d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				✓
b)				✓
c)				✓
d)				✓

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The Local Pension Board has two member representatives who represent all categories of members, i.e. active, deferred and pensioner and two Employer representatives

## 2. Part II/B Representation

- a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
- i. employing authorities (including non-scheme employers, e.g. admitted bodies);
  - ii. scheme members (including deferred and pensioner scheme members),
  - iii. independent professional observers, and
  - iv. expert advisors (on an ad-hoc basis).
- b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				✓
b)				✓

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The Local Pension Board has two member representatives who represent all categories of members, i.e. active, deferred and pensioner and two Employer representatives



### 3. Part II/C Selection and Role of Lay Members

- a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				✓

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The role of each committee is set out in the Governance Policy Statement. Continuous training and awareness sessions are provided to Committee, Board and Panel Members, as documented in the Fund's 'Knowledge and Skills Framework' Training log.

A separate 'Knowledge and Skills Framework' Training log is maintained for Pension Committee and the Investment and Administration Advisory Panel, with a similar requirement maintained in respect of the Local Pension Board members.

#### 4. Part II/D Voting

- a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				✓

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

Voting rights are extended to the Pension Fund Committee which is politically balanced, and is responsible for the strategic management of the Fund. All operational functions are delegated to the Director of Finance and Digital Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer).

All Pension Board members are deemed to have equal voting rights with the Chair having the casting vote if a majority decision cannot be reached

## 5. Part II/E Training, Facility Time and Expenses

- a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
- b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				✓
b)				✓

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

Policy on training and expenses are covered by the relevant authority policies. Appropriate LGA 'Trustee Training' is provided to all new Committee, Board and Panel Members.

A training plan is maintained for key pension personnel, together with a 'Knowledge and Skills Framework'.

A separate Knowledge and Skills Framework and Training Plan is maintained for RCT Local Pension Board members.

The Local Pension Board Terms of Reference outlines the policy on reimbursement of expenses for member representatives.

## 6. Part II/F Meetings

- a) That an administering authority’s main committee or committees meet at least quarterly.
- b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
- c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				✓
b)				✓
c)				✓

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

AGM is held annually (virtual meeting in 2020) where questions can be addressed to members of the main committee,  
 Communication Forum is held quarterly with representatives from Scheme Employers (including Admitted Bodies), Unions and Scheme Members.  
 RCT Local Pension Board is made up of two employer and two member representatives. The member representatives represent all categories of members, i.e. active, deferred and pensioner.  
 RCT Pension Committee meet quarterly.  
 Wales Pensions Partnership (WPP) Joint Governance Committee meet at least quarterly.  
 WPP Pension Board Chair engagement days are held with officers of the WPP twice yearly. Minutes are shared and discussed with the RCT Pension Board.

**7. Part II/G Access**

- a) That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				✓

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

All members of the Investment and Administration Advisory Panel have equal access to all papers for meetings.  
 Communication Forum minutes / documentation is circulated to all other ‘Employers’ not in attendance.  
 All members of the RCT Local Pension Board have equal access to all papers for meetings.  
 All members of the RCT Pension Committee have equal access to all papers for meetings.  
 WPP Joint Governance Committee meeting papers and minutes are circulated to the Fund’s Pension Committee and Pension Board.

## 8. Part II/H Scope

- a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				✓

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The Pension Fund Governance Policy Statement sets out the governance structure, which includes a Discretions Panel that deals with matters concerning the exercise of discretions. Additionally, the Pension Fund Working Group review the wider pension scheme issues.

## 9. Part II/I – Publicity

- a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				✓

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The Pension Fund Governance Policy Statement is on the Fund web-site or can be provided in hard copy if requested. ‘Employer’ Stakeholders are formally invited to participate in the Communications Forum meetings. The Local Pension Board has two member representatives who represent all categories of members, i.e. active, deferred and pensioner. Pension Committee representation and minutes are published on the RCT website. Pension Board representation and minutes are published on the RCT Fund website. WPP Joint Governance Committee minutes and relevant governance documents are published on the host authority website.

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**RHONDDA CYNON TAF PENSION FUND**

**INVESTMENT STRATEGY STATEMENT**

**1. Overall Responsibility**

Rhondda Cynon Taf County Borough Council is the designated statutory body responsible for administering the Rhondda Cynon Taf Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. The Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The Council has created a politically balanced Pension Fund Committee consisting of elected members to oversee the Council's responsibility with regard to the administration of the Pension Fund. This Committee is responsible for the strategic management of the Pension Fund.

The Council has appointed the Director of Finance and Digital Services as the officer with Section 151 responsibilities to exercise delegated powers to make decisions in respect of operational matters of the Pension Fund investments and administration. An Investment and Administration Advisory Panel has been formed to support him in this capacity. This is made up of:

- Service Director – Finance and Improvement Services
- Service Director – Pensions, Procurement and Transactional Services
- Service Director – Finance Services
- Principal Accountant, Treasury and Pension Fund Investments
- Senior Accountant, Treasury and Pension Fund Investments
- Independent Advisors

Both the Committee and the Panel meets quarterly. The Council is not strictly a trustee (technically, this is the Department for Levelling Up, Housing and Communities (DLUHC)) but acts in a quasi - trustee role.

In accordance with the requirements of the Public Service Pensions Act 2013, a Pension Board has been established in order to assist Rhondda Cynon Taf County Borough Council, as "Scheme Manager" with achieving effective and efficient governance and administration of the Rhondda Cynon Taf Pension Fund.

The role of the Pension Board as defined by sections 5(1) and 5(2) of the Public Service Pensions Act 2013, is to assist Rhondda Cynon Taf County Borough Council Administering Authority as Scheme Manager to: -

- Secure compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
- Secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Ensure the effective and efficient governance and administration of the LGPS by the Scheme Manager.

The Pension Board will provide oversight of the above matters and accordingly it is not a decision making body in relation to the management of the Fund itself.

Full details of governance arrangements can be found on the following link:  
[Governance Policy](#)

## **2. Primary Objective**

The Fund's objective is to provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined basis in accordance with LGPS regulations.

## **3. Funding Objectives**

Rhondda Cynon Taf County Borough Council should manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that an appropriate level of contribution is agreed by the Authority to meet the cost of future benefits arising.

The Funding Strategy Statement and the Investment Strategy Statement are intrinsically linked and together aim to deliver stable contribution rates for employers.

The investment objective is to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, minimising long term cost.

The Fund's objective is to achieve a return on Fund assets that is sufficient, over the long-term, to meet the funding objectives on an ongoing basis.

The Director of Finance and Digital Services supported by the Investment and Administration Advisory Panel will ensure that one or more Investment Managers are appointed who are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to manage the assets of the Fund. Contracts / mandates are in place giving instructions to the Managers as to how the investment portfolio is to be managed.

The Pension Fund Committee having taken account of advice from the Director of Finance and Digital Services may give specific directions as to the strategic asset allocations and will ensure the suitability of assets in relation to the needs of the Fund. The Investment Managers (each of which will have a benchmark and target to reflect their mandate) will be given full discretion over the choice of individual

stocks and will be expected to maintain a diversified portfolio within the restrictions specified in each mandate.

#### **4. Diversification Policy : *Requirement to invest fund money in a wide variety of investments***

The Fund invests in a range of asset classes to help reduce overall portfolio risk. This will ensure that if a single asset class is not performing well, this underperformance is balanced by other better performing assets at that time. The portfolio is also diversified to reduce volatility in performance.

The Fund is diversified into the following asset classes:

- Equities
- UK Gilts
- Corporate Bonds
- Property
- Cash

The Fund commissioned an Asset / Liability review in 2020, the fundamental aim of which was to position the Fund's investments in order to:-

- Reduce risk
- Maintain (as far possible) return expectations
- Minimise long term costs
- Increase diversification
- Optimise the transitioning of assets into the Pool
- Introduce Infrastructure (align to Pool aspiration)

thus ensuring the Pension Fund is being invested in the most efficient way.

Aon was appointed to give their view on the risk/return of the Pensions Fund's current investment strategy. Following on from this they were requested to comment and recommend alternatives that could deliver the Fund's long term objectives.

Using a computerised model approach, simulations were undertaken for different portfolio asset strategies. The model estimated the probability of achieving a variety of funding outcomes over different time periods given the current asset allocation strategy. The majority allocation to equities in the portfolio gave a potentially high return, but was also the most significant contributor to overall risk.

Alternative asset allocation strategies were reviewed as a potential means of increasing diversification and reducing risk. Options were reviewed by the Panel, Committee and Board. It was noted that the Rhondda Cynon Taf Pension Fund was not particularly high risk compared to other LGPS funds and that some of the potential alternatives resulted in entering into asset classes that were expensive and difficult markets to enter.

The Committee concluded that the Fund should move toward the following asset allocation strategy with steps set out to achieve the desired allocation.

Asset Class	Pension Fund's current allocation	<b>Step 1</b> Reduction in Equites, increase in Govn and Corp Bonds	<b>Step 2</b> Reduction in Equites for infrastructure investment	<b>Step 3</b> Reduction in equites for additional infrastructure investment
Total Equities	69%	64%	59%	54%
Infrastructure	0	0	5%	10%
Property	7%	7%	7%	7%
Government Bonds (UK)	9%	12%	12%	12%
Corporate Bonds (UK)	14%	15%	15%	15%
Cash	1%	2%	2%	2%

This strategy is subject to review following the results of the 2022 Fund Valuation.

Following the above, the target and maximum percentages of total value of all investments that we will invest in particular investments or asset classes was as follows:

<b>Asset Class</b>	<b>Target % of Fund</b>	<b>Max. % of Fund</b>
Equities	58%	75%
Fixed Interest (Bonds)	15%	35%
Absolute Return Bonds	10%	15%
Property	10%	15%
Infrastructure	5%	10%
Cash	2%	5%

The above target forms the basis of a customised benchmark which the Fund's performance is monitored against. The customised benchmark moves in line with market volatility. The asset allocation of the portfolio is not rebalanced on a routine basis but is reviewed annually to ensure the target return is not adversely impacted.

We may not permit more than 5% of the total value of all investments of fund money in entities that are connected with the Authority in line with Section 212 of the LG and Public Involvement in Health Act 2007.

In assessing the diversification policy, the Fund will consult with Independent Advisors.

##### **5. Asset Allocation Policy : Assessment of the suitability of particular investments and types of investments**

Investments are selected with their suitability to meet the Fund's overall objective of meeting pension obligations as they fall due. The level of return required is informed by the triennial actuarial valuation.

In the long term, low volatility assets such as gilt-edged investments behave in a similar manner to pension liabilities and would therefore “match” the attributes of pension obligations. However the requirement to achieve a longer term higher rate of return is, on average, achieved by other classes of assets such as stocks or property.

The current portfolio has been constructed with actuarial and independent advisor advice to achieve a specified level of return within risk parameters.

A management agreement is in place for each Investment Manager which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions as determined by the Pension Fund Committee.

The following demonstrates the allocation of the Fund as at March 2021 :-

	% of Fund Invested
Equities	26.5
Pooled Fund	
WPP Global Equities	41.6
WPP UK Credit	12.3
Other Pooled Funds	
Passive UK Gilts	8.3
Passive Equities	4.4
Pooled Property	6.3
Cash & Deposits	0.6

The Pension Fund Committee has agreed not to invest in private equity at the present time.

The Pension Fund Committee has agreed to stock lend in line with the following principles :

- Appropriate collateralisation and indemnification;
- A level of stock is held back to maintain ability to vote;
- The ability to call back stock to vote on specific issues.

The Asset Allocation Strategy is reviewed annually by the Investment and Administration Advisory Panel to ensure that returns, risk and volatility are managed and consistent with overall investment strategy.

**6. Policy On Risk : *Approach to risk, including the ways in which risks are measured and managed***

The Fund maintains a Risk Register that is agreed by the Investment and Administration Advisory Panel and reported to the Pension Board and Pension Committee on a quarterly basis. The risk register examines funding, investment,

operational, governance and regulation issues, ranks risks in terms of likelihood and impact and details mitigation measures.

## **Investment Risk**

This covers items such as the performance of financial markets and the Fund's Investment Managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk
- currency risk
- macroeconomic risks

The adoption of an asset allocation benchmark and the monitoring of performance relative to a performance target constrains the investment managers from deviating significantly from the intended approach, while permitting flexibility to manage the Fund in such a way to enhance returns.

The overall investment objective is to maximise investment returns and to minimise employer contributions over the long term within agreed risk tolerances.

The requirement is to move towards 100% funding over a period of time. The funding level is calculated triennially, following an actuarial review.

The Fund's assets are managed on an active basis (except the Global Passive Equity mandate and the Passive UK Gilt mandate) and are expected to outperform their benchmarks over the long term. In this way the investment performance achieved by the Fund is expected to exceed the rate of return assumed by the Actuary within the valuation.

The Fund's Investment Managers have been given weighted average benchmarks and targets to reflect their mandates. Both asset allocation and stock selection is monitored. The current targets for each mandate are as follows:-

<b>Portfolio</b>	<b>Portfolio Benchmark Index</b>	<b>Portfolio Target</b>
Traditional equity manager	UK - FTSE All Share US – FTSE All World Europe – FTSE All World Europe Far East – FTSE All World Developed Asia Other Intl – MSCI Emerging Index	Composite Index +1% pa over rolling 3 year period
Global passive equity manager	FTSE A W All World	Index
Global high alpha managers	MSCI All Countries World Index	Index + 2% over rolling 3 year period
Passive UK Gilt	FTSE UK Conventional Gilts All Stocks	Index
UK Credit	ICE BofA ML Eur-Sterling	Index plus 0.65%
Property Manager	CPI plus 4.5%	

Review of the Investment Managers is ongoing based on the quarterly and annual performance data supplied to the Panel by external performance management agencies.

The appointment of more than one Investment Manager introduces diversification of manager risk as discussed above.

Each Investment Manager is expected to maintain a diversified portfolio of investments and adhere to restrictions imposed within their agreement.

Investment Managers also have investment restrictions as follows:

	Max. 10% in any one single hold'g	Max. of 10% held in cash	Max. of 5% held in cash	No single overs's equity exceed 5% of total value of fund	Max. holding of 25% in trust scheme	Max 25% in Emerging Markets
Baillie Gifford Traditional Equities	X	X		X	X	
WPP Global Growth Fund	X	X			X	
WPP Global Opportunities Fund	X				X	X
WPP UK Credit	No limits as pooled funds					
BlackRock Passive Equities	No limits as pooled funds					
BlackRock Passive UK Gilts	No limits as pooled funds					
CBRE Property	X		X			

The Committee agreed that the Fund's Fixed Interest investments be transitioned into the WPP and would be managed on an active basis for UK Corporate Bonds and passively for UK Gilts. The transition took place during the first half of 2020.

The performance of both markets and Investment Managers is reviewed regularly by the Investment and Administration Advisory Panel, which has the appropriate skills and training required to undertake this task. The Panel is also supported by Independent Advisors providing advice to enable the Panel to robustly fulfil its functions.

### Environmental, Social and Governance risks

The Fund believes that environmental, social and governance (ESG) factors should be taken into account on an ongoing basis and are an integral part of the Fund's responsibilities as a long-term sustainable investor.

The Fund is committed to carbon transition and to the parallel process of reducing fossil fuel exposure.

Fund engagement with investee companies is crucial in relation to improving standards of corporate governance, which over the long term is expected to enhance investment returns.



## **7. Approach to pooling investment, including the use of collective investment vehicles and shared services.**

The Wales Pension Partnership (WPP) has appointed Link Fund Solutions Ltd (Link) to establish and run a collective investment vehicle for the sole use of the LGPS funds in Wales. This will enable the pooling of assets across a range of asset classes.

Link have established and will run an Authorised Contractual Scheme (a tax efficient UK collective investment vehicle) on behalf of the WPP. The ACS will have sub-funds in a range of asset classes that will meet the needs of the LGPS funds in Wales, to allow them to execute their differing asset allocation strategies.

With the support of Russell Investments, and in consultation with the eight individual LGPS Funds, Link have begun the process of appointing a number of Investment Managers. Each LGPS Fund in the pool will retain full control over strategic asset allocation decisions. Northern Trust will have custodian duties.

By using fewer Investment Managers with larger mandates, it is expected that the WPP will deliver fee savings, one of the primary aims of Government policy. A summary of the pooling objectives of the WPP are:

- Generate consistent net of fee excess returns.
- Diversify manager risk.
- Reduce average manager fees.
- Achieve tax efficiency by reclaiming withholding tax on dividends (for non-UK equity sub-funds).
- Equitably share the costs of transitioning into sub-funds.

Progress continues to be made by the Wales Pension Partnership (WPP) in the establishment of appropriate sub funds to satisfy the investment objectives across the Welsh Funds. The first two sub funds for the collective investing of assets was launched during January 2019 and related to Global High Alpha Equities. The sub fund for UK and European Equities was launched during September 2019. The third phase related to Fixed Interest with five sub funds being launched – Global gilts, global corporates, UK corporates, multi asset credit and absolute return bonds. The fourth sub fund relates to emerging market equities and will be launched December quarter 2021

## **8. How social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.**

The overriding principle of the Fund's investment policy is to obtain the best possible financial return using the full range of investments authorised under the Local Government Pension Scheme regulations.

Although the pursuit of a financial return is our predominant concern, where possible, the Fund is committed to include Responsible Investment factors (environmental, social and corporate governance factors) into the investment process. These non-financial factors are considered to the extent that they are not detrimental to the Fund's investment returns. The incorporation of these factors into Investment Managers' stock selection decisions should serve to enhance the process, rather than restrict choice in any way. The Fund does not negatively screen stocks from the investment universe available to Managers.

The Fund requires its Investment Managers to integrate all material financial and non-financial factors, into the decision-making process for all investments. Furthermore, it expects its managers to proactively engage, influence and promote good corporate governance in the companies and markets to which the Fund is exposed. The Fund's Investment Managers provide updates on their activities in this regard.

All of the Fund's Investment Managers are signed up to the United Nations Principles of Responsible Investment (UNPRI) which encourages asset owners and asset managers to incorporate environmental, social and governance (ESG) issues into investment analysis and decision making, be active owners, seek disclosure of ESG issues and promote the principles within the industry.

The six principles are:

- We will incorporate Environmental, Social and Governance issues into investment analysis and decision-making processes;
- We will be active owners and incorporate Environmental, Social and Governance issues into our ownership policies and practices;
- We will seek appropriate disclosures on Environmental, Social and Governance issues by the entities in which we invest;
- We will promote acceptance and implementation of the Principles within the investment industry;
- We will work together to enhance our effectiveness in implementing the Principles; and
- We will each report on our activities and progress towards implementing the Principles.

The Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

The Fund recognises the focus and financial risks associated with climate change, fossil fuels and carbon management. The Fund remains committed to an orderly carbon transition and has set out its approach in Appendix A to this Investment Strategy Statement.

The Fund is also committed to adhering to the principles of the Stewardship Code.

## **9. Exercise of Voting Rights attached to investments.**

Long term investment interests are enhanced by the highest standards of corporate governance and corporate responsibility. Poor governance can negatively impact shareholder value.

This Fund recognises the importance of stewardship and engagement via the equity fund managers is exercised to exert a positive influence on companies.

The Wales Pension Partnership has employed a voting and engagement provider to exercise its voting rights to promote good corporate governance and social and environment responsibility. A proportion of stock is held back from stock lending activities to facilitate this. The Provider supplies quarterly voting activity reports.

The Equity Fund Manager employed outside the WPP is expected to exercise their voting rights. The Fund has agreed a voting template which incorporates best practice governance guidelines. An independent voting agency is employed to monitor and compare the voting records of the manager against this template. The manager provides quarterly voting activity reports.

## **10. Myners Principles of Good Investment Guidance.**

The Fund assesses and reviews its own compliance with the Myners Principles annually. The Fund has assessed itself to be fully compliant with the principles below:

- Principle 1. Effective Decision Making
- Principle 2. Clear Objectives
- Principle 3. Risk and liabilities
- Principle 4. Performance assessment
- Principle 5. Responsible ownership
- Principle 6. Transparency and reporting

**Rhondda Cynon Taf Pension Fund – Responsible Investment and Carbon Investment Principles**

The Rhondda Cynon Taf Pension Fund is an open, defined-benefit pension fund as part of the national Local Government Pension Scheme (LGPS).

The nature of the Fund and scheme design means that payment of pensions will extend over the very long term. In considering the Fund's investment strategy, the Fund seeks to operate

- a long term, sustainable strategy;
- one which does not rely upon the pursuit of short term returns;
- a well-structured asset and fund manager investment allocation which targets long term socially responsible, sustainable investment performance.

The Fund deploys a relatively uncomplicated investment structure which seeks to provide a return on investments which is above the level of pension liabilities and which seeks to achieve 100% funding over the long term.

As a long term investor, the Fund must be comprehensive in the consideration and mitigation of risks that the portfolio faces and investments are diversified across a number of asset types.

Rhondda Cynon Taf Pension Fund recognises the investment implications of climate change and carbon emissions.

The Fund is committed to an orderly carbon transition and believes active engagement with investee companies, rather than disinvestment, is the preferred option to bring about change whilst managing overall investment risk issues. In this regard, the Fund requires its Investment Managers to engage with investee companies and seek to ensure that their business objectives are aligned to reducing carbon exposure.

We do however also recognise that there may be instances where disinvestment is an appropriate course of action and have identified principles to guide us in this regard.

This document outlines out how the Fund will approach this divestment, how the risks and other considerations associated with such a commitment will be managed and how the divestment over time will be incorporated into the asset allocation strategy for the Fund.

The overall approach of the Fund to incorporating wider environmental social and governance issues (ESG) is set out in more detail within the Investment Strategy Statement.

## **Principles**

### **1. Responsible Investor**

We are of a firm view that as responsible owners we have a voice and an ability to influence strategic change within investee companies and that this can be more powerful than disinvesting alone.

### **2. Asset allocation**

We will incorporate all ESG factors into our asset allocation and investment strategy considerations.

### **3. Investment Managers**

We will ensure that all our investment managers are signed up to the United Nations Principles of Responsible Investment (UNPRI), that they engage effectively and are transparent in telling us how they are making a difference. Where investee companies are not aligning themselves to reduce long-term carbon exposure then we will disinvest, in an orderly way.

The Fund demands that all its Investment Managers properly consider climate related and other environmental social and governance risks in decision making within their respective portfolios.

As and when investment managers and asset allocations require amending, the risk of fossil fuel exposure will be incorporated into any due diligence regarding risk and reward decision making.

The Fund's passive equity mandate is managed through a low carbon product

### **4. Stakeholder engagement**

The Fund's primary purpose is to be able to pay for pension liabilities over the long term. There are national arrangements in place to reduce pension benefits if the LGPS is unable to sustain itself through loss of value or growth in liabilities. We therefore have a duty to ensure that the future pension entitlements of members are not compromised.

However, we do hold the view of "a world worth living in" as one of our guiding principles.

### **5. Long Term and alignment to global goals**

As an open fund, we are long term investors and must not be overly influenced by short term factors and influences.

### **6. Working Together**

We will collaborate with other Welsh Funds through the Wales Pension Partnership and seek to align our long term goals with our partners. It is important that the Fund works with our partners to share knowledge and best practice as well as utilising collective

assets to push for the most effective and efficient implementation of reduced fossil fuel strategies. We will also work with other funds nationally through our membership of the LAPFF to encourage companies to adopt the highest standards with regard to fossil fuel and energy efficiency.

## **7. Risk Mitigation**

Investment Managers must consider ESG and Climate Change / Carbon Exposure in their investment decisions, specifically with regard to risk mitigation and be clear on any negative implications.

## **8. Transparency**

We will understand the Fund's exposure to Carbon through a systemic approach, engaging with experts to thoroughly and robustly baseline our position and monitor going forward.

## **APPENDIX 4**

RHONDDA CYNON TAF PENSION FUND

### **PENSION FUND ADMINISTRATION STRATEGY**

updated March 2022

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## 1. Introduction

The Local Government Pension Scheme (LGPS) (Administration) Regulations 2013 encourages Pension Fund Administering Authorities to introduce an Administration Strategy in order to demonstrate intent and commitment to improving the administrative processes within the LGPS Fund. These regulations are quite specific regarding the disclosure of information and performance statistics as part of this process but provide less guidance in terms of strategy.

This strategy has been developed to build on the existing Service Level Agreements (SLA) and recognises that both Fund Employers and the Rhondda Cynon Taf Pension Fund Administering Authority have a shared role in delivering an efficient and effective Pension Fund to the membership, recognising that such improvements can only be achieved in partnership.

The aims and objectives of this administration strategy document are to assist continuous improvement in Scheme administration functions, and ensure that the principles of the Pension Regulators 'Code of Practice' are consistently applied. This is achieved by introducing a framework to improve and monitor data flow, provide clear lines of communication and make roles and responsibilities transparent as well as meeting disclosure requirements.

The Administration Authority is responsible for the administration of the Local Government Pension Scheme on behalf of the Employers that currently participate in the Rhondda Cynon Taf Pension Fund. These Employers meet the eligibility criteria of the scheme, either as Scheduled, Designated or Admitted Bodies.

This document outlines the policies and performance standards that have been identified through proactive benchmarking, that are necessary to providing a cost effective and high quality pension administration service in partnership with the Rhondda Cynon Taf Fund Employers.

## 2. Regulatory Framework

### **Pension Administration Strategy**

**Commencement Date: 01 April 2014 (as updated March 2022)**

Regulation 59(1) of the LGPS (Administration) Regulations 2013 (see *Appendix 1*) enables a Local Government Pension Scheme Administering Authority to prepare and maintain an 'Administration Strategy'.

Related legislation includes:

Local Government Pension Scheme Regulations 2013

Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014

Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007;

Local Government Pension Scheme (Transitional Provisions) Regulations 2008;

Local Government Pension Scheme (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000;

Occupational Pension Schemes (Disclosure of Information) Regulations 1996.

and amendments to the aforementioned regulations.

**This document has been presented, considered and ratified by the Section 151 Officer (Investment & Administration Advisory Panel) in February 2022.**

### 3. Liaison & Communication

Rhondda Cynon Taf Pension Fund is committed to providing a comprehensive communication and information service to participating employers, members and prospective members of the pension scheme. The delivery of high quality service provision depends on the mutual co-operation of the Administering Authority and Fund Employers.

To achieve this aim, each Employing Authority will designate a named individual to act as a **Pensions Liaison Officer**, as the main contact with regard to any aspect of administering the Local Government Pension Scheme (LGPS).

The Pensions Liaison Officer's responsibilities are listed in **Appendix 2**.

Regular contact is maintained between the Administering Authority and Fund Employers by using a multi-channel approach which consists of:

#### **Employers Annual General Meeting**

An annual meeting is held for Employers chaired by the Director of Finance and Digital Services, who has overall responsibility for the Pension Fund. Key speakers range from the Actuary, Investment Managers to Industry specialists, with an update on the administration of the scheme.

#### **Employer Communications Forum**

Held quarterly, this meeting covers administration and investment issues. The Forum includes a limited number of employer representatives selected periodically and includes Scheduled, Designated and Admitted bodies as well as employee representatives. The Forum provides a representative link to the Investment and Administration Advisory Panel.

#### **Local Pension Board**

Held quarterly, this meeting covers administration and investment issues. The Board includes representation for all stakeholder groups, Employer, Pensioner, Active/Deferred Members. The Board assists Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manger' in -

- Securing compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Ensuring the effective and efficient governance and administration of the LGPS by the Scheme Manager

Minutes of the Local Pension Board meetings are published to the Fund website, [www.rctpensions.org.uk](http://www.rctpensions.org.uk)

## Pension Fund Committee

The Pension Fund Committee was established in May 2016 and considers and agrees Fund strategic decisions in accordance with its terms of reference.

Minutes of the Pension Fund Committee are published to the Council website, [www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Committees/PensionsFundCommittee](http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Committees/PensionsFundCommittee)

The Wales Pension Partnership Joint Governance Committee oversees the pooling of the investments of the eight Local Government Pension Scheme funds in Wales. The Governance Committee comprises one elected member nominated from each of the Constituent Authorities.

Minutes of the Committee are published on the host authority website at <http://democracy.carmarthenshire.gov.wales/mgCommitteeDetails>

## Pension Fund Annual Report

The Annual Report illustrates levels of performance against key benchmarks and work volumes as well as summarising achievements against the Pension Fund's key objectives for the year.

## Website

The Administering Authority provides a dedicated, standalone website for Rhondda Cynon Taf Pension Fund members. This website offers self service options via My Pension On-line to the Fund's active, deferred and pensioner members.

## Contacts Database

A global circulation list is maintained of key email addresses, such as pension contacts, finance managers and key personnel. This means we can communicate with the relevant party quickly and efficiently.

For example, we use this medium to communicate any issues that are currently under debate. This includes changes to regulations that impact on fund employers and their employees.

## Meetings with Individual Employers

Regular meetings are held with larger employers and on request for small\medium sized organisations. These meetings are designed to address specific issues relating to the particular employer such as the performance of both the Employer and Administering Authority.

Any difficulties experienced by either party in relation to service delivery will provide both parties with the opportunity to address any issues. The Pension Fund is committed to the delivery of a quality administration service. Service Standards are set out under **Section 4**.

### **Practitioner Training**

The Administering Authority provides specific staff development training workshops where resources allow, and these include:

- Process Overview
- Admin Completion
- VER \ Early retirements and pension strain
- End of Year Processes
- Valuation

## **4. Standards of Service**

### **Employing Authority Responsibilities**

**The main duties of the Employer as set out in the regulations are:**

- 4.1** To determine who is eligible to become a member of the Scheme and the date from which membership of the Scheme commences in line with Local Government Pension Scheme Regulations 2013 and statutory Auto-enrolment regulations
- 4.2** For periods of membership before 1st April 2014 to determine whether that person was employed in a full time, part time, variable time or casual capacity. If the employee was part time the Employing Authority must also determine the proportion which the employees' contractual hours bear to the hours of a comparable full time employee.
- 4.3** To determine an employee's pay for the purposes of setting the appropriate contribution rate with pre-set contribution bands.
- 4.4** To determine full time equivalent pay for the purposes of calculating benefits due from the Scheme for membership prior to 1st April 2014 and to determine CARE pensionable pay for the purposes of calculating benefits due from the Scheme for membership post 1st April 2014.
- 4.5** To issue contracts of employment to individuals, confirming or otherwise, their eligibility to join the Scheme. Fund Employers should state in their contract that members have 12 months from the date of joining to undertake any transfer of pension rights into the LGPS.
- 4.6** To provide to each new member of the LGPS, and existing members who are commencing a further job, a Welcome Pack which asks for details of other periods of membership of the LGPS and other public service pensions. To include New Starters on the monthly I-connect interface.
- 4.7** On the cessation of membership of the Scheme to determine the reason for leaving and entitlement to benefit and notify the Pension Fund and the Scheme member of the decision at the earliest opportunity.

- 4.8 To supply timely and accurate information to the Pension Fund to ensure the correct calculation of benefits payable from the Scheme
- 4.9 To deduct from a member's pay and pay over to the In House AVC provider the contributions within the statutory deadlines indicated in **Section 5**.
- 4.10 The Employer is responsible for exercising the discretionary powers given to Employing Authorities by the regulations. These regulations also require the employer to publish its policy in respect of these key discretions.
- 4.11 To accompany any statement issued to an employee relating to any decision made about the Scheme, with a notice drawing the employee's attention to their right of appeal under the LGPS.
- 4.12 In the event of a potential Ill health retirement, the Employer should arrange an appointment with an approved Independent Registered Medical Practitioner for the Scheme member in accordance with regulatory requirements. The Employer should submit the certificate to the Pension Fund.
- 4.13 It is incumbent on the Employer to keep a record of their Tier 3 Ill health retirements, particularly with regard to the 18 month review ensuring they meet their legislative responsibilities.
- 4.14 The Employer shall repay to the Scheme member any incorrectly deducted employee's contributions including, where more than one month has elapsed between the date the incorrect contributions were deducted and the date they were returned, interest on any such contributions which had not by then been paid over to the Pension Fund.
- 4.15 The Employer must provide monthly information to the Fund by electronic interface using I-Connect. The interface includes membership movements and monthly pay and contributions information. Each monthly submission must be followed up with the corresponding payment of contributions and remittance.
- 4.16 The Employer must provide reconciled year-end information to 31 March each year, in an approved format, balancing the amounts paid to the Fund during the year with the total contributions uploaded to their scheme members during the year via I-Connect. This should be provided no later than 30/04/YY and signed by an authorised officer.
- 4.17 The Employer is responsible for complying with the requirements for funding early retirement as set out by the Administering Authority. Where such requirements are not complied with, the Pension Fund will not pay any benefits to the member concerned until such time as they are complied with.

- 4.18** The Employer shall, within **14 working days** of receipt of an invoice, pay the Pension Fund interest on payments due from the Employer which is overdue by more than one month (see *Appendix 1*).
- 4.19** The Employer will provide information as appropriate to alert the Pension Fund to any impending major workload resulting from circumstances such as proposed redundancy exercises. Any volume requests over and above 10 estimates will need to be agreed in advance as they constitute a bulk exercise and the Pension Fund will need to receive as much notice as possible to help ensure delivery within agreed timescales. These timescales will need to be agreed separately.
- 4.20** Where a member leaves the Scheme and full contributions have not been deducted for whatever reason the Employer shall immediately make payment of outstanding member's and employer's contributions to the Pension Fund.
- 4.21** To ensure compliance with Data Protection Act 1998, (General Data Protection Regulation (Regulation (EU) 2016/679) as effective from 28<sup>th</sup> May 2018), the Employer will protect from improper disclosure of information sent to the Pension Fund.

**TABLE 1**  
**Specific Employer Service Standards to help ensure an efficient and effective Service is achieved:**

<b>Form</b>	<b>Standard</b>	<b>Timescale</b>
Welcome Pack	Ensure that a new starter has received a 'Welcome Pack' within <b>1 month</b> of becoming a scheme member.	1 month
NI4	Where a material change in circumstances occurs, unless change is notified by I-connect, the appropriate form (NI4) should be forwarded to the Pension Fund within <b>10 working days</b> .	10 working days
Leave of Absence	Where a member has been granted a period of authorised unpaid leave the employer must provide the employee, when they return to work, with details of the Assumed Pensionable Pay during the period of leave and confirm which section of the scheme they are in. The member then has the choice to buy back the "lost" pension by paying an Additional Pension Contribution (APC). The cost of the APC should be calculated by the member using the online calculator which can be found on <a href="http://www.lgpsmember.org">www.lgpsmember.org</a> . If the member opts not to buy back the pension the employer must notify the Administering Authority of the break in service. There are no time limits placed on the member to purchase an APC however the cost will increase as the member gets older.	APC application to be sent to Administering Authority as soon as practicable after member has made their decision

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Maternity	Pension contributions are payable during a period of ordinary paid maternity leave. For any periods of additional unpaid maternity leave the Employer must inform the member on their return to work of the Assumed Pensionable Pay for the period of unpaid maternity leave and confirmation of which section of the scheme they are in. The member then has the choice to buy back the "lost" pension by paying an Additional Pension Contribution (APC). The cost of the APC should be calculated by the member using the online calculator which can be found on <a href="http://www.lgpsmember.org">www.lgpsmember.org</a> . The Employer should issue forms to member to establish whether the member wishes to pay contributions in respect of the unpaid maternity leave or whether they wish this period to be treated as break in service.	APC application to be sent to Administering Authority as soon as practicable after member has made their decision
CPINFO GPR EOY YY/YY Data Query	A written response to any general service enquiry including year end, raised in writing or by E-mail, within <b>15 working days</b> of receipt. Where the Employer considers a request to be of a particularly complex nature, requiring more time, the Pension Fund shall be informed of the likely timescale for completion.	15 working days
NI2 (Termination Form)	The Employer must submit a notification that an employee has left the Scheme by providing the appropriate leaver forms (NI2) within <b>10 working days</b> of the employee leaving the Scheme.  Where a member leaves with an entitlement to immediate payment of pension benefits the NI2 form where possible shall be provided before the member retires and in any event within <b>5 working days</b> of the member's retirement.  Where a member dies in service the Pension Fund shall be notified within <b>5 working days</b> of the death of the member	10 working days  5 working days  5 working days
N/a	The Employer shall distribute any information provided by the Pension Fund for their membership and/or potential membership within <b>10 working days</b> of its receipt.	10 working days



## Administering Authority Responsibilities

The main duties of an Administering Authority as set out in the regulations are:

- 4.22** Rhondda Cynon Taf Pension Fund will accept the Employer's decision regarding the appropriate rate of contribution as published by the Department for Levelling Up, Housing and Communities (DLUCH) contribution bands.
- 4.23** To decide how any previous service or employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.
- 4.24** To notify each member regarding the counting of service.
- 4.25** To maintain a record for each member which contains all the information necessary to produce an accurate benefit calculation where the Employer has provided useable and accurate information via I-connect.
- 4.26** To calculate and pay the appropriate benefits, based on details in the record and termination date and pay details provided by the Employer when an employee ceases employment, or membership of the Scheme for whatever reason.
- 4.27** To supply beneficiaries with details of their entitlements.
- 4.28** The Administering Authority will provide an Estimate following a request from the Employer following the receipt of a fully completed (Estimate Request) form within 5 working days. A second estimate will only be provided if there has been a material change of more than £500 to pensionable pay or over a 3 month change to the leaving date.
- 4.29** To increase pensions periodically in accordance with the provisions of Pensions Increase Acts and Orders. To increase members CARE benefits annually in accordance with the published Treasury Order
- 4.30** To pay benefits to appropriate beneficiaries only and to take steps to reduce the possibility of fraud taking place.
- 4.31** To maintain a 'specified person' for the purposes of the Scheme Internal Dispute Resolution Procedure (IDRP).
- 4.32** To ensure that 'timely' information is issued in the form of newsletters, booklets and other materials to satisfy the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996. This will include the annual production of a:
- Pension Fund Report
  - Pensioners Newsletter

- 4.33** Provide information and support on the scheme and its administration in the form of:
- Dedicated Contact
  - Guidance Notes
  - Global Bulletins
  - Staff Development Training
  - Website / Member Self-Service
  - Helpdesk
- 4.34** Appoint a Fund Actuary for the purposes of the triennial valuation of the Pension Fund and provide periodical actuarial advice when required.
- 4.35** Appoint all necessary advisors to enable the appointed person to perform the duties required by the Scheme’s Internal Dispute Resolution Procedure.
- 4.36** To co-ordinate and liaise with the Fund Actuary on behalf of the Employers with regard to the triennial valuation of the Rhondda Cynon Taf Pension Fund.
- 4.37** The Administering Authority is responsible for exercising its discretionary powers in relation to the published Administering Authority Discretions.
- 4.38** To ensure compliance with Data Protection Act 1998 (General Data Protection Regulation (Regulation (EU) 2016/679) as effective from 28<sup>th</sup> May 2018), Rhondda Cynon Taf Pension Fund will protect from improper disclosure of information. Information held will be processed by the Pension Fund in accordance with the administering the scheme. The Fund will maintain and publish its Privacy Notice.
- 4.39** The Administering Authority will liaise with the Actuary and other Pension Funds in respect of Transfer Values (including any bulk transfer arrangements) on behalf of the Employer.
- 4.40** The Administering Authority will liaise/respond to the Department for Levelling Up, Housing and Communities (DLUCH) , the Scheme Advisory Board (SAB), the Pensions Regulator (TPR) and the Government Actuary’s Department (GAD) in-line with specified deadlines on behalf of the Rhondda Cynon Taf Fund.
- 4.41** Monitor Common and Conditional Data Scores in line with The Pensions Regulators Code of Practice – Governance and Administration of Public Service Pension Schemes

**TABLE 2**  
**Specific Admin Authority Service Standards to help ensure an efficient and effective Service is achieved:**

Topic	Standard	Timescale
Transfers In	The Pension Fund will calculate the estimated benefits that a transfer value will buy for a member and issue an illustration within <b>10 working days</b> of receiving all the necessary information. Every member is entitled to one quote per transfer, any subsequent requests will be charged to the member at £116 plus V.A.T.	10 working days
Refunds	The Pension Fund will pay refunds within <b>10 working days</b> of receiving the formal request for payment provided all the relevant information has been supplied by the Employer.	10 working days
Early leavers	Early leavers will receive details of their preserved benefits within <b>10 working days</b> of receiving all the information required from the Employer.	10 working days
Divorce	In the event of a divorce or dissolution of a Civil Partnership, Scheme members (or their appointed solicitor) may request a Cash Equivalent Value of the member's pension rights and this will be provided within <b>10 working days</b> . Any other costs for supplying information or complying with a court order will be recovered from the member or their ex-spouse or ex-civil partner in accordance with the Pension Fund's Schedule of Charges.	10 working days
Benefit Statements	We will issue Annual Benefit Statements to each active and deferred members.	Annually (by 31st August)
Benefit estimates	The Pension Fund will use its discretion in the provision of estimated benefits where a member has been issued with an Annual Benefit Statement. Members will be directed to My Pension On-line in the first instance. Where an estimate of benefits is being issued, the Pension Fund will provide an illustration within <b>10 working days</b> of receiving a fully completed request form.	10 working days
VER Benefit estimates	Employer VER\Early Retirement requests for estimates will be provided within <b>5 working days</b> of receiving a fully completed Estimate Request. Any volume requests over and above 10 estimates will need to be agreed in advance.	5 working days

## Rhondda Cynon Taf Pension Fund – Administration Strategy

Maximising Benefits	Any member wishing to pay extra contributions to purchase Additional Pension Contributions (APC's) within the LGPS will receive an estimate within <b>10 working days (only if not able to calculate themselves using the LGPS 2014 on-line calculator)</b> .	10 working days
Transfer Out	For members wishing to transfer their benefits from the Local Government Pension Scheme (LGPS), the Pension Fund will issue an illustration within <b>10 working days</b> of receiving all the necessary information. This illustration will be guaranteed for three months. Members are entitled to receive one quote per transfer per year, the Pension Section reserves the right to make a charge of £116 plus VAT for any additional quotations requested.	10 working days
Retirement	At retirement the Pension Fund will send details of the benefits payable and pay the tax-free cash lump-sum within <b>5 working days</b> of receiving all the information required from the employer and the return of a fully completed Pre Retirement Pack from the member.	5 working days
Death	On the death of a member, the Pension Fund will provide details of the benefits payable within <b>7 working days</b> of receiving all of the information required. The Pension Fund will pay the lump-sum death grant within <b>5 working days</b> of receiving Grant of Probate (or other appropriate documentation).	7 working days  5 working days
Triennial Valuation	The Pension Fund will meet the timescales agreed with the Actuary to ensure that new contributions rates are delivered at the earliest opportunity.	12 months from Valuation date

### Unsatisfactory Performance

Both parties will endeavour to resolve any unsatisfactory performance issues identified at the earliest opportunity; however, in the event that repetitive unsatisfactory performance issues remain unaddressed, the following action is required:

- A formal report will be made to the Fund’s Investment and Administration Advisory Panel detailing the unsatisfactory performance of either the Administering Authority or Employer (where costs may be recoverable as indicated in Table 3 below)

<b>Cost Recovery</b>	<b>TABLE 3</b>
<p>Where disproportional costs have been incurred to the detriment of other Employers within the Fund as a direct result of an Employer’s repeated lack of compliance, Rhondda Cynon Taf Pension Fund will seek to recover these additional costs from the respective Employer:</p> <p>These circumstances are (but are not limited to):</p> <ul style="list-style-type: none"><li>❑ Persistent failure to provide relevant and timely information to the Administering Authority, Scheme Member or other interested party in accordance with the agreed service standards (as set out in Section 4, Table 1) and the Scheme expectations;</li><li>❑ Additional cost incurred in providing ‘Employer specific’ specialist third party advice in administering the Scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.</li><li>❑ Instances where the performance of the Employing Authority has directly contributed to fines being levied against the Administering Authority by the Pension Regulator (see Section 5), Pensions Ombudsman, HMRC or other regulatory body.</li><li>❑ Failure to deduct and make payments on behalf of the employee and employer within agreed timelines to the Pension Fund.</li></ul>	
<p><b>Notice</b></p> <p>Where the Administering Authority determines cost recovery is appropriate, written notice will be given to the Employing Authority, containing:</p> <ul style="list-style-type: none"><li>❑ The reason in their opinion that the Employing Authority’s poor performance resulted in the additional cost;</li><li>❑ The amount and basis of additional cost incurred;</li><li>❑ The provision within the Administration Strategy relevant to the decision given.</li></ul>	

## **5. Financial Implications**

### **Service Costs**

**5.1** The costs of administration are directly charged to the Pension Fund and the Administering Authority is responsible for ensuring that value for money is achieved at all times. Where additional costs are incurred for work which is not common to all Employers, or which cannot be regarded as a cost of administration, the Employer may be required to directly reimburse those costs.

**5.2** Employers will be required to pay for administrative expenses in relation to the investigation and implementation of a Deferred Debt Agreement (DDA) or other measure under Regulation 64. Employers will be informed if additional administration charges are likely. Professional fees will be recharged to the Employer in all cases, regardless of whether an arrangement is subsequently entered into.

### **Funding Contributions by Participating Employers**

**5.3** The Employer's contribution rate is not fixed. Fund Employers are required to pay as much as is necessary to ensure that the proportion of the Fund relating to their organisation is sufficient to meet their liabilities. The Rhondda Cynon Taf Pension Fund is valued every three years by the Fund's Actuary. The Actuary examines the Fund's assets and liabilities and assesses the Employer's contribution rate and deficit contribution if applicable, which will apply for the next three years.

### **Payment Arrangements**

**5.4** It is the responsibility of the Employer to ensure that both employee and employer contributions are deducted at the correct rate. This includes any contributions that are due on leave of absence with reduced or no pay and any additional contributions the Pension Fund instruct the Employer to collect. The amounts paid over to the Pension Fund must reflect those contributions deducted.

**5.5** Contributions (including any deficit payments) should be paid to the Pension Fund on a monthly basis and all such payments should be accompanied by a breakdown of payments, certified correct by an authorised officer, detailing the period for which the contributions were due, and showing the total pensionable pay for members in the main section of the scheme and the employees contributions deducted, the total pensionable pay for members in the 50/50 section and the employees contributions deducted, the total employer contributions for the period in question.

**5.6** All contributions (including Additional Regular Contributions (ARC) and Additional Pension Contributions (APC)) should be credited to the Pension Fund without delay and within the statutory maximum limit of before the 19th of the month following that in which they were deducted in accordance with the requirements of the Pensions Act 1995. The Pension Regulator may be notified if contributions are not received within this time in accordance with

the Fund's Breach Policy. If contributions are overdue by more than one month the employer will be required to pay interest in accordance with the Regulations, **See Appendix 1.**

- 5.7** The Employer will ensure that it pays all Additional Voluntary Contributions (AVC) deductions from its employees to the In House AVC provider according to the published schedule and no later than the 19<sup>th</sup> of the month following the deduction.
- 5.8** The In House AVC provider will highlight a breach to the Administering Authority in the first instance and the Pension Regulator notified in accordance with the Pensions Act 1995. In the event of a regulatory fine, this fine will be recharged to the Fund Employer.

## **6. Notifiable Events**

- 6.1** Employers should ensure that they engage with the Fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities, 'notifiable events'. These include, but are not limited to, the following:
- A decision which will restrict the employer's active membership in the Fund in future, or lead to a significant reduction in LGPS pensionable pay
  - Any restructuring or other event which could materially affect the employer's membership, including a decision to cease business
  - A change in the employer's legal status or constitution which may jeopardise its participation in the Fund
  - If the employer has been judged to have been involved in wrongful trading
  - If any senior personnel, e.g. directors, owners or senior officers have been convicted for an offence involving dishonesty, particularly where related to the employer's business
  - Where the employer has, or expects to be, in breach of its banking covenant
  - Details of any improvement notice (or equivalent) served by the appropriate regulator, e.g. Education Funding and Skills Agency, Office for Students, Charity Commission, Regulator for Social Housing etc, or S114 notice for local authorities
- 6.2** Employers should provide this information in advance of the event occurring (where possible) and as soon as practicable thereafter.



## 7. Associated Policies

Administering Authorities must ensure that existing solid governance arrangements are maintained and developed to help support the decision making process.

The Governance arrangements for the Rhondda Cynon Taf Pension Fund are summarised and clarified in a number of key documents that relate to the effective stewardship of the Fund.

An overarching **Governance Statement of Compliance** that indicates the Fund's position against the Government's best practice standards.

A **Governance Policy Statement** which provides an overview of the management structure, decision making and employer engagement within the scheme.

We are committed to providing a comprehensive communication and information service to participating employers and members of the pension scheme and the services we provide can be found in our **Communications Policy Statement**.

The **Investment Strategy Statement** which shows, in detail how we manage the Fund's investments.

The **Funding Strategy Statement** which provides a summary of how we will fund our pension liabilities and policy on 'Employer Exits'.

The Fund also maintains a **Risk Register**, which assists the monitoring of potential risks and associated actions of mitigation.

All of these documents can be found under the Library/Governance section of our pension website, or alternatively, please contact our helpdesk for a copy.



## 8. Management & Review

### Nominated Representative

- 8.1 An Employer shall nominate a person who will be responsible for pension matters, and who will act as the Administering Authority's primary contact with the Employer. This individual is identified as the Pensions Liaison Officer and their key responsibilities are listed in **Appendix 2**.

They must notify the Pension Fund immediately if there are material changes to authorised signatories or other key contacts within the Employing Authority.

### Authorised Signatories

- 8.2 All documents and/or instructions received from an Employer must be signed by an 'Authorised Officer' whose name and specimen signature is recorded in **Appendix 3** of this document. Authorised Officers are responsible for all information passed to the Administering Authority. Only information, which has been signed by a recognised authorised officer, will be actioned by the Pension Fund.

Any proposed change to either the 'Pensions Liaison Officer' or to the list of 'Authorised Signatories' must be notified to the Administering Authority who will supply the Employer with the necessary documentation for completion.

It is the responsibility of the Employer to ensure that the 'Pensions Liaison Officer', and the list of 'authorised signatories' are correct and to notify the Administering Authority of changes to either, immediately.

### Review

- 8.3 The Pension Administration Strategy will be kept under review by Rhondda Cynon Taf Pension Fund.

Rhondda Cynon Taf Pension Fund will constantly seek to improve communications between itself and Employing Authorities.

Employers may make suggestions to improve the Pension Administration Strategy for consideration by Rhondda Cynon Taf Pension Fund at any time.

Rhondda Cynon Taf Pension Fund will revise the Pension Administration Strategy following consultation with appropriate parties. The revised Pension Administration Strategy will then be published and circulated to Rhondda Cynon Taf Pension Fund's Employing Authorities and to the Secretary of State.

Employers are welcome to discuss any aspect of the Pension Administration Strategy with the Pension Fund at any time. Employers are welcome to visit the Pension Fund at any time, subject to notice.

## 9. Appendices

### Appendix 1 Regulations related to this document

#### Local Government Pension Scheme Regulations 2013

##### Regulation 59 Pension administration strategy.

(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters,  
or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs

arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority, after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme Employer.

### **Local Government Pension Scheme Regulations 2013**

#### **Regulation 70 Additional costs arising from Scheme employer's level of performance.**

(1) This regulation applies where, in the opinion of the appropriate administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraph (a), or (b).

## **Local Government Pension Scheme Regulations 2013**

### **Regulation 71 Interest on late payments by Scheme employers**

(1) An administering authority may require a Scheme employer or former Scheme employer from which any payment is due under regulations 67 to 70 (employers' contributions or payments) is overdue to pay interest on that amount.

(2) The date on which any amount due under regulations 67 (employers contributions), 68 (employers further payments, 70 (additional costs arising from Scheme employers level of performance) is overdue is one month from the date specified by the administering authority for payment.

(3) The date on which any amount due under regulation 69 (payment by Scheme employers to administering authorities) (other than any extra charge payable under regulation 68 and referred to in regulation 69(1)(b))) is overdue is the day after the date when that payment is due.

(4) Interest payable under this regulation must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.

## Appendix 2 Pension Liaison Responsibilities

### Key responsibilities of a Pension Liaison Officer include:

- To act as the primary contact in communicating LGPS information to appropriate staff within the Employing Authority, this includes;
  - Human Resources
  - Payroll
  - Finance
  - Scheme members (where appropriate)

Ensure monthly I-connect submission are made to the Fund

- Ensure that standards of service are maintained.
- To identify any pension training needs and to liaise with the Pension Fund's Senior Team Manager on meeting these needs.
- To notify the Fund immediately if there are material changes to authorised signatories or other key contacts within the Employing Authority.
- Discharge the Employing Authority's duties and responsibilities in relation to the existing governance arrangements and the regulatory framework and other relevant legislation. This includes employer policies and discretionary decisions.
- To assist and liaise with the Fund on promoting the benefits of Scheme membership to new and existing members. This may include;
  - Induction Workshops
  - Mid Life Planning
  - Pre retirement
  - Promotion of In House Additional Voluntary Contributions (AVC)
- Distribute Pension Fund literature to Scheme members including scheme guides, factsheets, newsletters and other communication materials with a specific regard of ensuring that new starters receive the appropriate LGPS information, including statutory deadlines for transfers.

**Appendix 3 Specimen Authorised Signatories Form**

<b>Authorised Signatories on behalf of:</b> <b>Employer name:</b> <b>Employer address:</b>			
<b>Designated Pension Liaison Officer:</b>			
Name	Title	Contact Details	Signature
The officers listed below are authorised to request estimates of retirement benefits on behalf of the above named employer.			
Name	Title	Contact Details	Signature
<b>Signature:</b>		<b>Date:</b>	
<b>Employing Authority Officer:</b>		<b>Official Stamp:</b>	

## 10. Contact Information

<b>Queries</b>		
<b>Employer related</b>	<b>Tim Jenkins</b>	<b>01443 680646</b>
<b>Financial</b>	<b>Catherine Black</b>	<b>01443 680319</b>
<b>Retirement\Benefit</b>	<b>Gemma Penning</b>	<b>01443 680357</b>
<b>Member maintenance</b>	<b>Kayleigh Jenkins</b>	<b>01443 680614</b>

<b>Contact Details</b>	
<b>Helpdesk:</b>	<b>01443 680611</b>
<b>Fax:</b>	<b>01443 680717</b>
<b>Email:</b>	<b>pensions@rhondda-cynon-taff.gov.uk</b>
<b>Website:</b>	<b>www.rctpensions.org.uk</b>
<b>Mail / Visit:</b>	<b>Pensions Section, Bronwydd, Porth, Rhondda, CF39 9DL.</b>





## **APPENDIX 5**

# **RHONDDA CYNON TAF PENSION FUND**

## **PENSION FUND COMMUNICATIONS POLICY STATEMENT**

**updated March 2022**

## Introduction to Pension Fund Communication

Rhondda Cynon Taf Pension Fund is committed to providing a comprehensive communication and information service to participating employers, members and prospective members of the Pension Scheme. A dedicated Communications Team deals with all aspects of Scheme communication including administration and investments.

In order to minimise cost and ensure consistent scheme information is issued across Wales, the Fund activity contributes to the All Wales Communications Group. This enables the facility to share areas of good practice and produce All Wales member literature.

Services provided by the RCT Fund include:

- **Pensions Help Line**  
Our Help-Desk deals with all pensions related enquiries. Help desk hours are from 9am to 5pm Monday to Friday
- **Password Access System**  
This enables us to provide callers with information over the telephone.
- **Website**  
The Pension Fund has a comprehensive website, designed in an easy to use format making it very accessible to all interested parties. The website address is promoted widely and the site contains Fund specific information as well as that relating to the Local Government Pension Scheme. There is a facility to download forms and documents along with links to other key sites. The site also has links to other relevant websites.

The website is compliant with Web Content Accessibility Guidelines

<http://www.rctpensions.org.uk>

Key pension fund governance documents are available on the website.

- **E-Mail**  
The Pensions Section has a dedicated e-mail address and we have a system in place that provides a direct link to and from our members' records. This facility allows us to e-mail information produced by the Pensions Administration Software direct to members and employers..
- **Scheme Literature**  
A comprehensive and up to date range of bilingual Scheme literature is freely available to members, non-members and employers. Copies can also be downloaded from the Pension Fund website.

## Communicating with Scheme Members

In addition, the following services are provided specifically for Scheme members. Wherever possible documents are produced on an All Wales basis in partnership with representatives from all of the Welsh Pension Funds. The Fund is constantly looking to improve the way we communicate with members and is moving to more digital communication wherever possible.

- **Newsletters**  
A newsletter is distributed to all Scheme members keeping them abreast of any topical issues as and when they occur. An annual newsletter is also produced specifically for pensioners. These are provided in a back-to-back bilingual format.
- **My Pension On-Line**  
We have introduced a secure self-service facility which allows our members to view their pension record, update personal details and run estimates of pension benefits payable at selected retirement dates. Pensioner members can view payslip and P60 information. The service is also used to issue documents to members, for example Annual Benefit Statements, and members can upload sensitive documents that are required by the Fund.
- **Standards of Service Questionnaire**  
This is issued to a cross section of active members and pensioners following task completion in order to obtain member feedback.
- **Annual Benefit Statement**  
Statements are up-loaded to My Pension On-line or forwarded directly to the home address of members who are contributing to the Fund at the financial year-end.
- **Work Flow**  
Written correspondence is logged and scanned to members' records daily. Time taken to respond is monitored and measured against targets, which are reviewed regularly.
- **Presentations and Road shows**  
The Communications Team provides these as required.
- **Home Visits**  
In cases of serious ill health, a representative of the Pension Section will attend a home visit in conjunction with relevant Human Resource representatives if appropriate.
- **Pension Payslips**  
Only 3 payslips are issued annually to our Pensioners as routine, this ensures that members are appropriately informed of pension increase impact and reduces the operating costs of 12 monthly notices. (Note: All monthly payment history is viewable through the member self-service 'My Pension On-Line' facility).

## Communicating with Prospective Scheme Members

- **General Welcome**

A Scheme Guide is available to potential scheme members which outlines the benefits of the LGPS

- **Website**

Our website provides prospective members with clear reasons as to why they should be in the scheme as well as providing information which allows a person to make an informed choice and then signposts how to join the scheme.

- **Helpdesk**

For individuals who choose to withdraw from the scheme, our Helpdesk personnel are trained to probe the reasons for withdrawal and they have a specific “script” which lists the benefits that the individual may be losing. This is to ensure the person is making an informed decision and is aware of the choices available.

## Communicating with Scheme Employers

Regular contact is maintained between the Pension Section and the Pension Fund employers:

- **Contacts Database**

A global circulation list is maintained of key e-mail addresses, such as pension contacts, finance managers and personnel contacts. This means we can communicate with the relevant party quickly and efficiently. For example, we use this medium to communicate any issues that are currently under debate. This includes changes to the regulations that impact upon the employer and their employees.

- **Annual General Meeting**

An annual meeting is held for employers chaired by the Director of Finance and Digital Services, who has delegated operational responsibility for the Pension Fund. An Administration and Investment update is provided with guest speakers invited to talk about topical issues. Key speakers will/have included representatives from the Scheme Actuary, The Pensions Regulator, Investment experts or the Department for Levelling Up, Housing and Communities (DLUHC).

- **Pension Fund Communication Forum**

Held quarterly, this meeting covers administration and investment issues. The Forum includes employee and employer representatives and provides a representative link to the Investment and Administration Panel.

- **Meetings with Individual Employers**

Held on an annual basis for larger employers, these meetings are designed to discuss issues relevant to a particular employer such as the performance of both the employer and the administering authority.

- **Administration Strategy**

This strategy has been developed to build on the existing Service Level Agreements (SLA) and recognises that both Fund Employers and the Rhondda Cynon Taf Pension Fund Administering Authority have a shared role in delivering an efficient and effective Pension Fund to the membership. Individual employer annual meetings form part of the monitoring process.

- **Pension Fund Training**

The Pension Section provides standard training workshops and specific bespoke training can be arranged via the Senior Team Manager.

### Pensions Fund Communications - Contact Details

**Helpdesk:** 01443 680611

**Email:** [pensions@rctcbc.gov.uk](mailto:pensions@rctcbc.gov.uk)

**Website:** [www.rctpensions.org.uk](http://www.rctpensions.org.uk)

**Write:** Pensions Section, Oldway House, Porth, CF39 9ST

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## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### MUNICIPAL YEAR 2021-22

**PENSION FUND COMMITTEE**  
**8<sup>th</sup> MARCH 2022**

**REPORT OF: THE DIRECTOR OF FINANCE  
AND DIGITAL SERVICES**

<b>AGENDA ITEM NO 7</b>
<b>DELEGATED FUNCTIONS – UPDATE REPORT</b>

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#### **1.0 PURPOSE OF REPORT**

- 1.1 This report sets out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Director of Finance and Digital Services.

#### **2.0 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee:
- 2.1.1 Note the issues being addressed; and
- 2.1.2 Consider whether they wish to receive further detail on any issues.

#### **3.0 BACKGROUND**

- 3.1 The Director of Finance and Digital Services (in their capacity as S151 officer) supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support, has delegated responsibility for all day-to-day operational matters.
- 3.2 The Panel advises on all aspects of the Pension Fund. It produces the annual report to Committee and is subject to Audit scrutiny. Areas upon which it gives advice are: -
- Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator and independent professional advisers.

- Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
  - Agreeing the terms and payment of bulk transfers into and out of the Fund.
  - Agreeing Fund business plans and monitoring progress against them.
  - Maintain the Fund's Knowledge and Skills Policy for all Pension Fund Committee Members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
  - Formulating responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
  - Ensuring the Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Legislation, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
  - Ensuring robust risk management arrangements are in place.
  - Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Fund.
  - Monitor investment performance.
  - Work with the Fund Actuary to determine the level of employer contributions required from each employer within the Fund and ensure such contributions are received.
- 3.3 The Investment and Administration Advisory Panel meets on a quarterly basis, the most recent meeting taking place on the 28<sup>th</sup> February 2022.

#### **4.0 INVESTMENT PERFORMANCE**

- 4.1 There is a quarterly reporting cycle for pension fund investment performance, with exception reporting agreed with fund managers where there are particular concerns. The most recent Panel Meeting considered investment performance to the end of December 2021.
- 4.2 During the quarter ended 31<sup>st</sup> December 2021, the overall value of the Fund increased from £4,744 million to £4,819 million.



- 4.3 A summary of performance relative to the Fund specific benchmark is shown below.

### Total Portfolio

	2019				2020				2021				3yr
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fund	7.9	5.0	1.9	2.6	-11.4	16.6	3.5	9.5	1.6	5.4	0.3	1.6	<b>14.8</b>
B'mark	7.0	4.1	3.1	0.7	-10.6	12.5	1.6	6.5	1.1	5.1	0.7	4.2	<b>12.0</b>
Relative	0.9	0.9	-1.2	1.9	-0.8	4.1	1.9	3.0	0.5	0.3	-0.4	-2.6	<b>2.8</b>

- 4.4 As shown, the rolling 3 year performance of the Fund is 14.8% positive as compared to a benchmark of 12.0%. For the last quarter (i.e. quarter 4), UK Credit, CBRE and BlackRock Passive Equity outperformed their benchmarks; BlackRock passive gilts performed in line with benchmark; and Baillie Gifford, Global Growth and Global Opportunities underperformed their benchmarks. Baillie Gifford global core equity portfolio outperformed their rolling 3 year rolling benchmark achieving a return of 22.2% against a benchmark of 13.1%.
- 4.5 The February 2022 Panel included a review of fund managers' performance. Presentations were received from Link and Russell Investments (the operator and fund manager solution provider of the WPP), Veritas, (one of the underlying fund managers of the WPP Global Growth Fund) and BlackRock on global infrastructure investment.
- 4.6 The asset allocation of the Fund-by-Fund manager and mandate as at 31<sup>st</sup> December (which includes cash) is shown in the table below.

Baillie Gifford Traditional	Global Equities	22%
Link – Global Opportunities Fund	Global High Alpha Equities	8%
Link – Global Growth Fund	Global High Alpha Equities	34%
Link – UK Credit Fund	UK Credit	13%
BlackRock	Passive Global Equities	5%
Blackrock	Passive UK Gilts	11%
CBRE	UK Property	7%
Internal	Cash	0%

- 4.7 As Members will be aware the March 2021 meeting of the Committee agreed to the revised asset allocation strategy for the Fund and the steps to be taken to move toward the preferred strategy together with the current allocation as show in the table below.

Asset Class	Current Allocation	Step 1	Step 2	Step 3
Total Equities	69%	64%	59%	54%
Infrastructure	0	0	5%	10%
Property	7%	7%	7%	7%
Government Bonds (UK)	12%	12%	12%	12%
Corporate Bonds (UK)	12%	15%	15%	15%
Cash	0%	2%	2%	2%
Absolute Return (10 years pa)		5.3%	5.5%	5.6%
Volatility (10 years pa)		13.3%	12.7%	12.3%

- 4.8 Step 1 of the revised asset allocation strategy has been completed. Baillie Gifford's mandate was reduced by £225 million increasing the allocation in UK Government Bonds by £180 million (9<sup>th</sup> June 2021) and the UK Credit by £45 million (7<sup>th</sup> July 2021).
- 4.9 With regard to infrastructure, it is proposed that the Fund invests over a number of years in order to secure and optimise opportunities across the different time periods (and vintage years). Our initial exposure is in progress, with the first capital call notice having taken place on 24<sup>th</sup> January 2022.

## **5.0 ADMINISTRATION UPDATE**

- 5.1 Recent amendments to the Public Service Pensions and Judicial Officers Bill, has expanded the McCloud remedy eligibility in the LGPS. This now means that LGPS members on or before 31<sup>st</sup> March 2012, who were compulsory transferred to private sector funds will receive enhanced benefits. This extended scope will inevitably add further complexity and data collection requirements.
- 5.2 On 2 November 2021, HM Treasury (HMT) formally introduced the Finance (No.2) Bill 2021-22 to Parliament. The Bill proposes a number of provisions that will affect the LGPS:
- an increase in the 'Normal Minimum Pension Age' (NMPA) to age 57 from 6 April 2028. In 2014 the Government announced that the minimum age at which most members would be permitted to draw their pension benefits would rise from 55 to 57 with effect from April 2028. This mirrors the increase timeline of the state pension age rising to 67. The Bill also proposes a framework of protection, introducing a new Protected Pension Age (PPA) for anyone who, on or before 3 November 2021, is or becomes a member of a scheme whose rules as

at 11<sup>th</sup> February 2021 gave them an unqualified right to take their benefits between 55 and 57.

- provides HMT with the power to make regulations to address tax impacts that arise as a result of implementing the McCloud remedy. Provisions made under this section may be retrospective and may be specific for different member types. The changes will have effect from 6<sup>th</sup> April 2022 or later.
- 5.3 The Pensions Act 2014 requires the government to periodically review future increases to State Pension Age (SPA), at intervals of no more than six years. The second such review has been launched and must be published by 7<sup>th</sup> May 2023. The first review in 2017, recommended that the increase from 67 to 68 take place from 2037-39, seven years earlier than the current legislative timetable. Since 2014 the normal retirement age in the LGPS has been linked to SPA, so any change to this will impact when members are able to receive payment of their benefits as well as the overall costs of the scheme.
- 5.4 It is anticipated that there will be further governance requirements for LGPS Pension Funds during 2022-23. The Department of Levelling Up, Housing and Communities (DLUHC) will progress recommendations from the Good Governance project and The Pensions Regulator's (TPR) Single Code of Practice Code is likely to be launched from October 2022.
- 5.5 Planning for the 2022 valuation exercise is underway, as we progress the preparatory work together with the Fund Actuary. Some of the specific items discussed include the underlying assumptions, employer covenant analysis, longevity impact and data validation and cleansing. Whilst strong investment returns have pushed up the overall funding level, the impact of lower economic growth and the inflation outlook will put pressure on future investment return requirements. The Valuation will set new employer contribution rates for the three years beginning 1<sup>st</sup> April 2023 and is likely to lead to a range of experiences reflective of our employer diversity.
- 5.6 The Scheme Advisory Board (SAB) no longer require death statistical information from Administering Bodies. The statistics continue to be collated by the Fund and the table below provides an update and comparison on death numbers:

Month	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
January	94	83	61	-
February		98	52	-
March		64	60	-
April		50	129	39
May		41	66	51
June		35	66	46
July		41	65	43
August		39	38	46

September		56	54	55
October		48	59	84
November		62	66	61
December		56	55	43

- 5.7 Member Self-Serve (MSS) is available bilingually and continues to be promoted and registrations of Active, Deferred, Pensioner and Dependant members are shown below (as at February 2022).

	<u>Member Numbers</u>	<u>MSS Registrations</u>	<u>Current Percentage Take-up</u>	<u>Percentage Reported Previously</u>
Actives	24,017	10,702	44.56%	44.37%
Deferred	28,747	9,432	32.81%	32.41%
Pensioners	18,159	4,678	25.76%	24.97%
Dependants	2,864	154	5.38%	5.35%

- 5.8 The Service's eight 'Key Performance Service Standards' are regularly monitored by the Panel and Pension Board. At the time of writing, a number of Performance Service Standards were behind target for the year-to-date, this being primarily due to continued high service demands, and, as part of the on-going development of the service, work is being prioritised to support new team members to further enhance capacity (including face-to-face training and development). In order to increase our capacity into 2022/23 to meet the project challenges of the Valuation, McCloud, Pensions Dashboard, Governance, all alongside business as usual, it is essential that our current focus on team development and training remains a priority.
- 5.9 The Fund, the Scheme Advisory Board and the LGA continue to monitor the performance of its Additional Voluntary Contributions partner and dialogue is on-going in respect of areas of concern.
- 5.10 Treasury has confirmed that LGPS pensions in payment will be increased from 11<sup>th</sup> April 2022 by 3.1%, in line with the September 2021 CPI inflation rate. Our pensioner membership will be informed of the increase within the annual newsletter.
- 5.11 The number of 'Internal Dispute Resolution Procedure' Appeals in progress continues to be extremely low, with no obvious trends or concerns to report. In line with the Fund's Breaches Policy considerations, there were a small number of late payments identified, however on review, these did not constitute any formal breach. The Pensions Ombudsman has recently issued guidance setting out "top tips" for avoiding complaints. The guidance provides information about complaints received by the Ombudsman and things that pension funds can do to avoid these issues.

## **6.0 PENSION BOARD**

- 6.1 The Pension Board last met virtually on 31<sup>st</sup> January 2022. There were no items noted for referral back to Committee.
- 6.2 On 30<sup>th</sup> November 2021 changes came into effect introducing new legal restrictions on an individual's right to a transfer. These changes remove an individual's automatic right to a transfer and provide a number of steps that funds must put in place in respect of any transfer taking effect on or after 30<sup>th</sup> November 2021. In support of the Fund's governance and compliance arrangements, the Board were provided with an update of the revised measures.
- 6.3 Pension Board Members have continued to support their skills and knowledge requirement, through their attendance at relevant online events.

## **7.0 OTHER ISSUES**

- 7.1 The Panel reviewed the skills and knowledge framework and noted the updates.
- 7.2 The Risk Register was considered and updates noted. A review of the Risk Register is being dealt with elsewhere in this agenda.
- 7.3 Attached at Appendix 1 is the latest LAPFF quarterly engagement report for the period October to December 2021.

## **8.0 CONCLUSION**

- 8.1 This report sets out, for the Committee, the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Director of Finance and Digital Services.

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**Quarterly  
Engagement  
Report**

October-December  
2021



**Rio Tinto, BHP,  
Anglo American,  
Roche, National  
Grid, LAPFF  
Conference**



# LAPFF CONFERENCE 2021



**“We heard many fantastic presentations on a wide range of topics at the LAPFF Annual Conference this year. What struck me was the systemic nature of many of these problems. Systemic problems take a long time to fix, but LAPFF is in it for the long haul.”**

CLlr Doug McMurdo:



LAPFF held its 2021 conference in Bournemouth from 8–10 December. There was an opportunity to attend both in-person and online this year in light of Covid developments. Maintaining the in-person presence whilst allowing for a hybrid experience of speakers dialling in and attendees watching online allowed the whole event to run smoothly and provided a good experience.

The conference provided for a wide variety of interesting speakers and events. Across the three days, invited speakers presented on issues from COP26 to accountancy, a just transition to Covid. It was a privilege to introduce guest speakers from Brazil who described the harrowing impacts of the tailings dams collapses on their lives and communities. Broadcaster David Olusoga provided a gripping account of the untold stories of black British history.



## HUMAN RIGHTS



# Mining and Human Rights Report

**Objective:** Over the last couple of years, LAPFF has engaged intensively with mining companies on their human rights practices. The engagement has focused on the participation of affected stakeholders in mining company activities and decision-making. Based on these engagements with mining companies and affected stakeholders, LAPFF aimed to produce a report on its views regarding mining companies and human rights.

**Achieved:** LAPFF engaged business and human rights expert, Professor Robert McCorquodale, to lead on drafting the report. As sections of the report were drafted, they went to the LAPFF Executive and Business meetings for approval.

Although the reports were written

from an investor perspective, they have been presented through a human rights lens. As such, the first report covered the basics of the international human rights law framework. The second report followed with an explanation of how this framework applies to the mining sector, with examples of how human rights can be violated by mining companies and case studies based on human rights-related litigation in the mining sector. The third report presented LAPFF's views on engagements with top holdings – Anglo American, BHP, Glencore, Rio Tinto, and Vale – including how LAPFF understands these companies to be engaging with affected stakeholders.

**In Progress:** The last two reports will go to the first LAPFF Executive and

Business meetings in January 2022. The fourth report sets out examples of where LAPFF believes that the five companies mentioned have not met their human rights responsibilities. The fifth report contains a conclusion and recommendations for LAPFF members and other investors, for companies, and for public officials.

These five reports have also been consolidated into a single draft report that LAPFF has circulated for comment to the five companies addressed and to affected communities whose accounts have been included in the report. After comments have been received, they will be assessed and integrated as appropriate before the report is released publicly.

## MINING



Vale's tailings dam in Brumadinho

### MINING COMPANY ESG UPDATES

**Objective:** LAPFF engages with mining companies on all environmental, social, and governance (ESG) areas, not just human rights. Therefore, LAPFF participated in ESG updates from Vale, Rio Tinto and Anglo American, both to ensure it had updated information for the mining and human rights paper and to track updates on areas such as climate planning and health and safety.

**Achieved:** All companies covered climate and human rights as primary topics of discussion. Industry-wide, there continues to be work to align with the global standard on tailings dam safety and make mining safer and more sustainable generally. The companies also discussed their climate plans, particularly in anticipation of greater interest in the 'say on climate' votes, an initiative for which LAPFF has provided significant support.

LAPFF was particularly keen to hear Anglo American's discussion around the company's decision to divest from the Cerrejon joint venture. Both Anglo American and BHP have now indicated that they are withdrawing from this thermal coal project, leaving Glencore as the sole owner.

The withdrawal raises significant ques-

tions about how companies can best pull out of coal without leaving these assets in the hands of other companies or entities that might choose to continue operating the assets rather than winding them down. To this end, LAPFF also participated in a Climate Action 100+ (CA100+) collaborative call with Anglo American. The discussion covered the company's commitment to carbon neutrality in its operations and initiatives to reduce emissions through its value chain.

Vale continued to refer to cultural and operational changes stemming from its Brumadinho tailings dam collapse. However, the company representatives again failed to address the Mariana tailings dam collapse outside of Vale's relationship to the Renova Foundation, the joint venture between BHP and Vale established to undertake compensation and reparations in relation to Mariana, and a general reference to Samarco operations re-starting. It was explained that the company's upstream tailings dams will not be de-characterised until 2035 at the earliest, although company officials stressed that safety measures would be taken at these dams in the meantime.

**In Progress:** LAPFF is continuing to engage with mining companies on all aspects of their ESG work, in particular climate and human rights. There will

likely be focus on specific aspects of company operations, such as joint ventures, and on say on climate votes. Affected community engagements have also pointed to concerns about just transition considerations, so this area will also likely feature more prominently in LAPFF's work, especially because it was felt that the companies did not speak to this issue adequately.

### BHP

**Objective:** Never having met BHP CEO, Mike Henry, LAPFF Chair Cllr Doug McMurdo wanted a meeting to discuss BHP's imminent unification process and the on-going human rights concerns related to the Samarco tailings dam collapse in Brazil and the joint venture Resolution Copper project with Rio Tinto in Arizona.

**Achieved:** LAPFF detected some progress in relation to BHP's approach to community engagement. Prior to BHP's 2021 AGM, LAPFF had not heard any company representatives refer to the need for free, prior and informed consent (FPIC) in relation to any of BHP's projects. However, BHP Chair, Ken Mackenzie, and Mr Henry have been clear since the October 2021 AGM that they expect FPIC to be met



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in relation to their Resolution Copper project before that project can proceed. LAPFF also shared its experience of engaging with Brazilian communities affected by the Samarco tailings dam collapse and found Mr Henry receptive to this feedback.

LAPFF also issued a voting alert opposing BHP's climate plan, which was put to a vote this year in line with the 'say on climate' initiative. While LAPFF was pleased to see BHP put its plan to a vote, LAPFF's view is that the plan had significant shortcomings. For example, there was a fear that the company could rely too heavily on unproven technologies such as carbon capture and storage (CCS) in the plan. The plan also appeared to contradict BHP's assertion that the company will benefit from a very quick transition to a green economy. The plan could have moved the company much further much more quickly but did not.

**In Progress:** LAPFF will continue to engage with BHP in relation to both Resolution Copper and Samarco. Cllr McMurdo also asked BHP if it would put annual say on climate resolutions to a vote. Although BHP has committed to say on climate votes every three years, LAPFF will continue to engage with BHP on its climate developments more frequently.

### Renova Silent in Wake of Engagement Request

**Objective:** Communities in Brazil affected by the Mariana and Brumadinho tailings dam failures have long said that one of the big obstacles to obtaining appropriate reparations and compensation is the Renova Foundation. Renova is a foundation established by BHP, Vale, and Brazilian authorities solely to provide reparations and compensations to victims of the dam collapse at Mariana. Therefore, Cllr McMurdo has had a couple of meetings with Renova CEO, Andre de Freitas, to discuss this issue, and he sought another meeting.

**Achieved:** To date, Mr de Freitas has been very responsive and willing to discuss Renova's progress and challenges. However, there appear to have been only three houses built in the last year (up to 10 from seven houses) and Mr de Freitas has not yet responded to LAPFF's latest request to meet.

**In Progress:** Although many affected community members are keen for Renova to be disbanded and replaced with a more effective entity, LAPFF will continue to engage with the organisation to push for faster progress.

### ArcelorMittal

**Objective:** To provide an updated assessment of ArcelorMittal's progress against the second iteration of the Climate Action 100+ benchmark and flag up areas that the company could improve in terms of metrics and disclosure.

**Achieved:** A formal letter was sent from LAPFF and other lead investors in the CA100+ initiative, setting out the approach to the 2022 and 2023 proxy season moving towards the 2023/24 reporting cycle deadline for target companies to have achieved alignment to the goals of the initiative. A reply from the chair, Lakshmi Mittal, confirmed that they are collaborating with the Science Based Target Initiative (SBTI) on a new Paris aligned methodology for the steel sector working towards a net-zero by 2050 target. The only indicator not met was a 2025 carbon emissions target, as much of the 2030 group target will be weighted towards the second half of the decade.

**In Progress:** A meeting in December sought for publication of a more granular report on lobbying with a trade association overview as well as information on the shareholder consultation for a transition plan to be put to the 2022 AGM.

### BP

**Objective:** To discuss detailed aspects of the company's energy transition plan and if a 'Say on Climate' is planned for the 2022 AGM.

**Achieved:** Company representatives provided more background to the company's plan which includes a reduction of production of 40% over 10 years and a goal of 50GW of renewable generating capacity by 2050. BP already operates the UK's largest public network of EV charging points and plans to install more in existing petrol stations. The company has installed some of the first charging stations in India and is working with large fleets in China. On a 'say on climate'

resolution, this is being considered for 2022. It was noted they had achieved at least 'partial' scoring on all elements of the CA100+ benchmark.

**In Progress:** A further meeting with the LAPFF chair is planned for early 2022.

### Standard Chartered

**Objective:** A meeting was held with Standard Chartered chair, José Viñals, to determine how the bank is progressing working with clients to reduce carbon emissions and align with the bank's net zero by 2050 policy. Member concerns had been relayed to the chair about the bank's funding of Adaro, a major coal supplier which Standard Chartered's own analysis shows its activities to be aligned with an increase of 5-6°C in global warming.

**Achieved:** The company issued a roadmap for its progress to net zero in October which included 2030 targets to reduce financed emissions for thermal coal mining and oil and gas power, as well as plans to mobilise US\$300 billion in green and transition finance by 2030. There was further engagement in November, which confirmed an absolute target for coal, and that no investments would support any project expanding capacity.

**In Progress:** We have remained in touch with NGO contacts who have considered filing a resolution to the 2022 AGM asking for commitments not yet evident in the company's current transition plans. The company confirmed it will put a Say on Climate/Transition plan to the vote at the 2022 AGM.

### Lyondell Basell

**Objective:** As part of collaborative engagement with CA100+ investors, a meeting was held with company representatives to discuss analysis of progress against the second iteration of the CA100+ benchmark. The aim was to identify if any short-term actions were possible to improve the score and what further commitments could be provided.

**Achieved:** company representatives confirmed that any further updates would not be until the publication of the sustainability report in April 2022. In

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the first iteration of the benchmark, six indicators were not met and four were only ‘partially’ met. Encouragement was given for more disclosure in relation to lobbying activities.

**In Progress:** Topics of Paris Aligned accounting and audit disclosure and a related ‘underpin’ for remuneration were raised, with further discussions in 2022 proposed.

### National Grid

**Objective:** Correspondence was sent on behalf of the CA100+ initiative with an updated assessment of progress against the second CA100+ benchmark. The letter identified short-term priority actions to improve the benchmark score and a commitment for fully aligned disclosure with the benchmark by the end of 2023.

**Achieved:** The company gave further detail of net zero alignment with International Energy Agency’s (IEA) 2035 date for all relevant electricity emissions, noting the assumption of a zero-carbon power grid by 2035.

**In Progress:** A meeting in December covered disclosure on lobbying activities and further discussion on Paris Aligned accounting and audit disclosure.

### Barratt Developments

**Objective:** The property sector is a major contributor to carbon emissions. A large chunk of these emissions come from buildings when in use but building materials and the building process itself generate greenhouse gas. As a result, the sector is facing higher environmental standards from government. It also means that housebuilding is a sector which LAPFF wants to continue to engage, especially the largest housebuilders such as Barratt Developments.

**Achieved:** Cllr Doug McMurdo secured a meeting with the chair of Barratt Developments. LAPFF gained assurances about plans Barratts are making towards achieving net zero for homes and for their operations. The engagement discussed how they were going to meet the government’s future homes standard and work being undertaken with their supply chain. The discussion also covered



achieving the transition to net zero in a just way as well as the company’s exposure to concerns around leasehold contracts.

**In Progress:** LAPFF will continue to engage with Barratts and other housebuilders to ensure targets they have set are being met.

### Pharmaceutical Company Engagements

**Objective:** LAPFF wrote to five pharmaceutical companies for engagement meetings to discuss whether Covid has forced them to change their business models or business strategies. While the companies were generally receptive, only Roche came back to offer a meeting.

**Achieved:** In addition to meeting Roche, LAPFF was able to meet with Johnson & Johnson through a collaborative investor discussion. It is clear that the companies have treated Covid as a test of their existing business models and strategies. At this point, there appear to have been more operational changes, such as how staff work together online and determining the right balance of working from home and working from offices, than there have been business model or strategy changes. There might be further developments to consider in respect of business model and strategy before companies can decide whether they are well-placed with their existing structures or whether they need to make adjustments in the longer-term.

**In Progress:** LAPFF will write again in the new year to the companies that have not yet granted meetings. Timing is critical

as all of the companies are contributing in one way or another to the pandemic response, so company representatives might be more or less available depending on when Covid waves hit and when certain drugs are released in response.

### Chipotle

**Objective:** LAPFF has been in dialogue with Chipotle since 2019 regarding the company’s approach to water stewardship and managing the water stress within its value chain. When the dialogue was first initiated the company was committed to the shared objective of mitigating water related risks and committed to measuring water usage as well as any water sources significantly affected by water withdrawal moving forwards. As of 2021, Chipotle is yet to conduct a water risk assessment for its full value chain.

**Achieved:** In response to the lack of progress, LAPFF worked with the Greater Manchester Pension Fund to file a resolution to request that Chipotle provide an assessment to identify, in light of the growing pressures on water supply quality and quantity posed by climate change, its total water risk exposure, and policies and practices to reduce this risk and prepare for water supply uncertainties associated with climate change.

**In Progress:** LAPFF maintains dialogue with Chipotle and on this issue will continue to work constructively with the company to ensure it is taking the necessary steps to manage water risk effectively.

# COMPANY ENGAGEMENT

## COLLABORATIVE ENGAGEMENTS COLLABORATIVE INVESTOR MEETINGS

### Say on Climate

In October, the LAPFF chair, together with TCI Fund Management and Sarasin and Partners, wrote to the FTSE All-share to ask that boards set out their strategy to manage the transition to a net zero emissions business and to provide annual provision for shareholders to vote on such plans. The letter was not sent to investment trusts and those companies that had already made a commitment to an annual vote for shareholders.

As at end December, 64 responses had been received, from brief acknowledgements of receipt, to lengthy iterations of strategies for transition. A good number of companies noted it would be subject to discussion by the board, and other companies in engagement meetings have noted they will be reviewing the proposition.

### The Asia Collaborative Engagement Platform for Energy Transition

Collaborative engagement, working with Asia Research and Engagement (ARE) and the Asia Transition Platform, has continued with some of Asia's largest listed financial institutions and buyers and producers of fossil fuels. During the quarter, LAPFF executive members Cllr Caron and Sian Kunert engaged with Sumitomo Mitsui Financial Group (SMFG) and Mizuho respectively. At Mizuho, bank representatives were asked for more details on sustainability experience and expertise of board members, as well as an insight into a time-line for the phase out of coal power financing. At SMFG, discussions also covered mechanisms to ensure sustainability experience on the Board as well as target setting and referencing the International Energy Agency Net Zero scenario.

### Collaborative letters on Paris-aligned accounts

Following-up on correspondence with companies in November 2020, LAPFF has joined in further communications with

companies, led by Sarasin & Partners and in conjunction with other investors to share feedback on climate-related financial disclosures in the most recent set of company financial accounts.

Correspondence aimed to encourage the companies to address outstanding concerns in audited accounts issued in 2022. Copies were also provided to the lead audit partner to emphasise the expectation that they alert shareholders where the accounts are not consistent with a 1.5°C outcome.

### Powering Past Coal Alliance

As a partner to the Powering Past Coal Alliance, LAPFF supported a statement made on 4 November, which was the COP26 'Energy Day'. This statement, signed by countries, regions, corporates and investors supported the shared vision of accelerating a transition away from unabated coal power generation. It recognised the imperative to urgently scale-up the deployment of clean power to accelerate the energy transition as well as promoting the idea that this transition should be 'just and inclusive'.

### Major investors demand ambitious methane regulations in the U.S.

Through its membership of CERES, LAPFF joined a group of international investors calling for action to cut methane emissions in the US. Methane is a potent greenhouse gas, twenty five times more powerful than carbon dioxide in its heating impact. More than half of global methane emissions stem from human activities in three sectors: fossil fuels (35 per cent of human-caused emissions) waste (20 per cent) and agriculture (40 per cent).

### The Institutional Investors Group on Climate Change (IIGCC)

LAPFF continues to participate in regular calls with IIGCC and its investor members, receiving and providing updates on EU constituents of the CA100+ initiative. Results of the CA100+ benchmarking process are being discussed with companies with the review period culminating at the end of December. Sector meetings are helpful in providing

peer best practice examples as 'pointers' for other companies in the sector.

### Investor Alliance on Human Rights

The Investor Alliance on Human Rights (IAHR) circulated an investor letter calling for the UK and the EU to implement mandatory human rights and environmental due diligence (mHREDD). It followed with another letter asking that stakeholder engagement be placed at the heart of this legislation. LAPFF signed onto both letters.

### Conflict Minerals Investor Letter

Stewart Investors initiated a collaborative investor letter on conflict minerals in semi-conductor supply chains requesting that a number of companies improve labour and environmental standards through their supply chain practices. A total of 160 investors with collective assets under management of US\$6.59 trillion signed onto the letter. The letter went to 29 companies in the semi-conductor supply chain, and investors are waiting for a more complete set of responses before deciding if and how to take the engagement forward.

### Investors for Opioid and Pharmaceutical Accountability (IOPA)

LAPFF has continued to support IOPA, which continually engages with US pharmaceutical companies and retail pharmacies, encouraging better levels of corporate governance. IOPA has been looking at its potential campaigns for 2022 and LAPFF will aim to engage and support where it can.

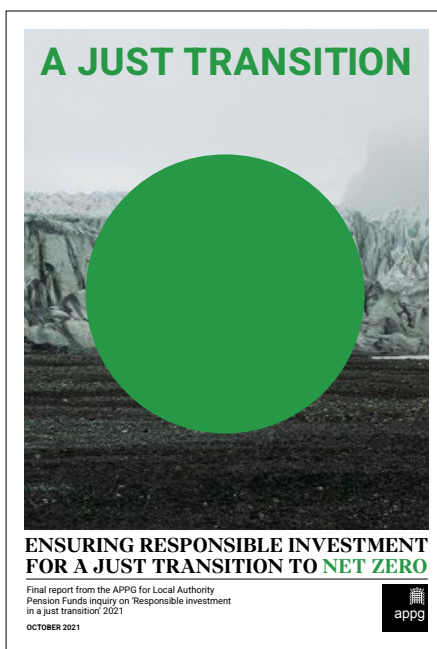
## POLICY ENGAGEMENT

### APPG Just Transition Inquiry

The LAPFF-supported All-Party Parliamentary Group (APPG) for local authority pension funds' report into a just transition was successfully launched this quarter. The APPG had undertaken an inquiry during 2021 examining the role investors can play, with the support of government, in ensuring the transition to net zero considers the social implications



# COMPANY ENGAGEMENT



for employees, consumers, communities and supply chains. The APPG, chaired by Clive Betts MP, heard evidence from LAPFF members, investors, companies, trade unions and from the Climate Change Committee.

The inquiry found that just transition presented investors with financial risks. The consensus view from the inquiry was that if the transition to net zero is seen as unfair and unjust there would be public resistance and a lack of co-operation. As such, failing to consider the uneven impact of climate action on people and places risks support for decarbonising the economy. That in turn would create economy wide and company specific risks for investors.

The final report covered actions investors can take individually and collectively, including having a commitment on the issue in policy documents, understanding the risks and opportunities through quantitative metrics and qualitative evidence from affected stakeholders, importance of setting expectations and engaging companies on them, how capital allocation can help mitigate the risks and maximise the opportunities, and how funds can report impact. The report also set out what governments could do to support investors, such as having a clear and comprehensive just transition commitment, requiring greater company disclosure, identifying and supporting investment opportunities, and establishing a just transition commission.

The launch of the report included

presentations from the pensions minister, Guy Opperman MP, Rachel McEwen from SSE and LAPFF chair, Cllr Doug McMurdo. The report was well received gaining media coverage and with SSE publicly supporting the report. A copy of the report can be found on the LAPFF website.

## City of London’s Taskforce on Socio Economic Diversity

LAPFF Vice Chair, John Gray, was appointed to the Taskforce’s Advisory Board this year and in this quarter, attended an in person event to discuss a number of issues that both the advisory board and working groups are looking to overcome. Questions of whether mandatory reporting by government or regulators were asked, and what role sector bodies can play. The role of membership bodies seeking to progress change in this area were discussed as well as what members of the taskforce believed would convince senior leadership to improve socio-economic diversity. LAPFF’s work on diversity will continue in 2022 and will incorporate aspects of socio-economic diversity alongside other aspects.

## COLLABORATIVE COMMUNITY MEETINGS

### Brazilian community members

It has now been over six years since the Samarco tailings dam collapse in

Mariana, Brazil. LAPFF issued a press release on 5 November to remember the anniversary of the tragedy. As the anniversary fell during COP 26, the press release focused on the need for a just transition to a zero carbon economy. The press release followed a webinar with a representative of the affected communities and a meeting with the Brazilian prosecutor working on this case.

Subsequently, Cllr McMurdo met with four members of the affected Mariana communities to discuss their current situation. Unfortunately, little progress has been made in respect of either housing or other reparations. The community members continued to express despair about their respective situations and the slow progress being made by the Renova Foundation.

One representative of the Mariana communities and one representative from Brumadinho also presented at the LAPFF Conference. It was notable that both representatives were clear about not being anti-mining; the communities just want mining to be sustainable and respectful of their human rights. The need for a just transition by the mining industry was also raised during this conference session.

### Arizona community members

Cllr McMurdo also met with Roger Featherstone (pictured below) of the Arizona Mining Reform Coalition. Roger has met consistently with LAPFF over the



# ENGAGEMENT

last few years and has raised concerns not only about the cultural heritage impacts of the BHP-Rio Tinto Resolution Copper project but also about the water impacts. LAPFF heard again that there has been no real assessment of the projects impact on water resources by the companies, but the impact could be huge. Roger also raised the question of whether a new mine is needed to access the copper reserves in the area. He noted that BHP has shut down a number of mines in the area before the reserves had been depleted, and in particular the San Manuel mine.



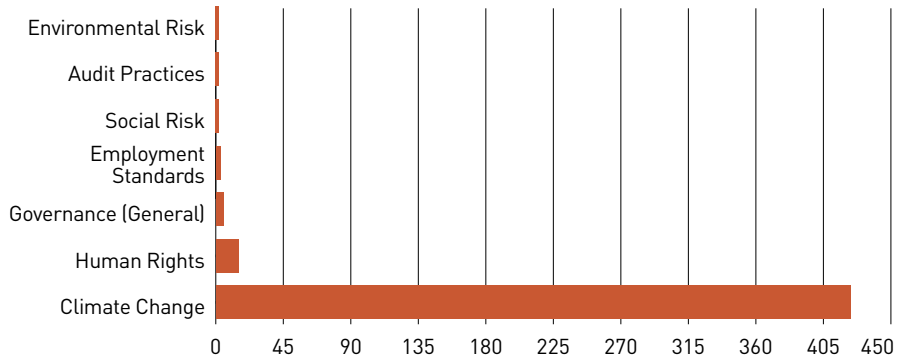
## Resolution Copper: Water and Financial Materiality

On the back of the conversation with Roger Featherstone, LAPFF held a webinar with Roger and Henry C Munoz, a retired BHP miner in the area. Both Roger and Henry spoke about the anticipated impacts of Resolution Copper on the water and ecosystem of the surrounding areas. This webinar is available for viewing by LAPFF members on the member section of the LAPFF website.

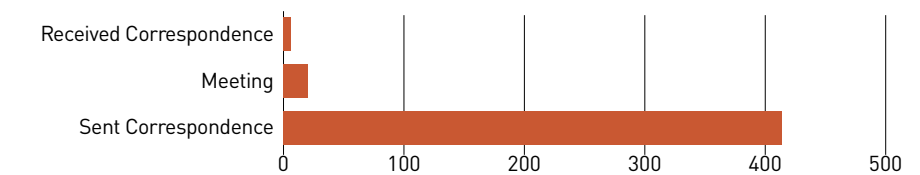
# ENGAGEMENT DATA

During the quarter, there was correspondence with the FTSE all-share (excluding investment trusts) pressing for an annual 'Say on Climate' vote

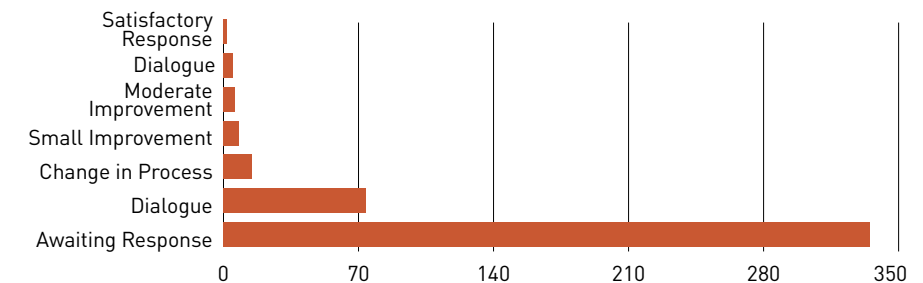
### ENGAGEMENT TOPICS



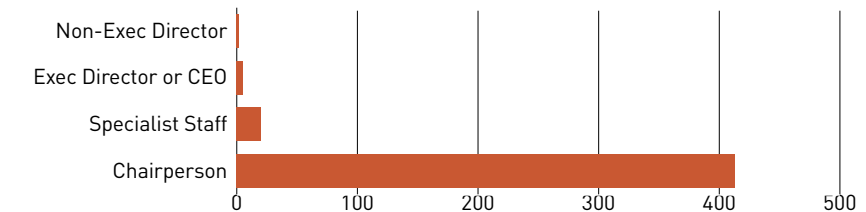
### ACTIVITY



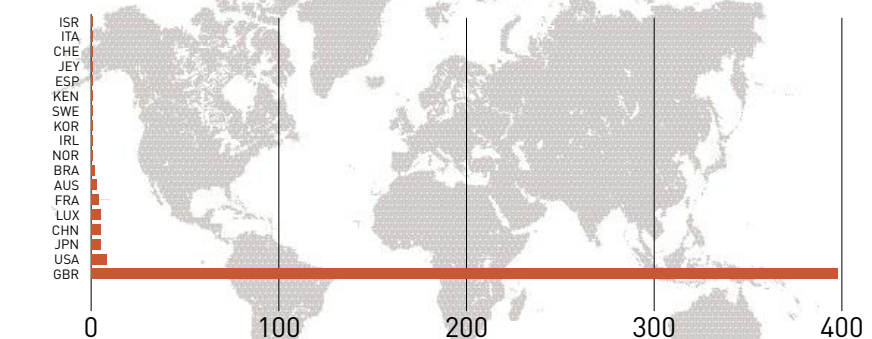
### MEETING ENGAGEMENT OUTCOMES



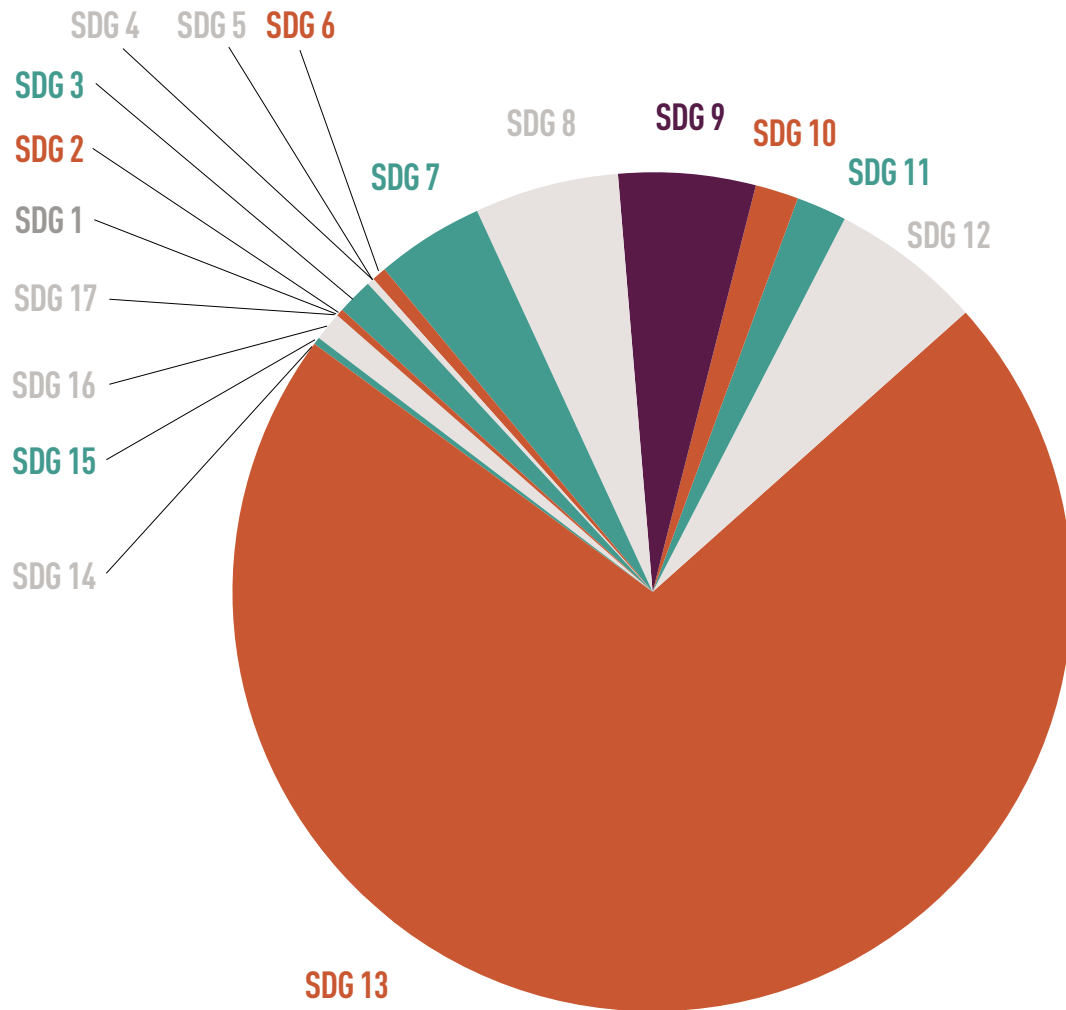
### POSITION ENGAGED



### COMPANY DOMICILES



# ENGAGEMENT DATA



## LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	1
<b>SDG 2: Zero Hunger</b>	<b>1</b>
<b>SDG 3: Good Health and Well-Being</b>	<b>9</b>
SDG 4: Quality Education	2
SDG 5: Gender Equality	0
<b>SDG 6: Clean Water and Sanitation</b>	<b>2</b>
<b>SDG 7: Affordable and Clean Energy</b>	<b>26</b>
SDG 8: Decent Work and Economic Growth	33
<b>SDG 9: Industry, Innovation, and Infrastructure</b>	<b>31</b>
<b>SDG 10: Reduced Inequalities</b>	<b>10</b>
<b>SDG 11: Sustainable Cities and Communities</b>	<b>12</b>
SDG12: Responsible Production and Consumption	34
<b>SDG 13: Climate Action</b>	<b>425</b>
SDG 14: Life Below Water	0
<b>SDG 15: Life on Land</b>	<b>2</b>
SDG 16: Peace, Justice, and Strong Institutions	6
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0



## MEDIA COVERAGE

### CLIMATE

European pension players turn to Asia to drive climate 'breakthroughs'

<https://www.ipe.com/news/european-pension-players-turn-to-asia-to-drive-climate-breakthroughs/10055439.article>

Allow a vote on your climate plan, local govt pensions tell UK companies

<https://www.reuters.com/business/environment/allow-vote-your-climate-plan-local-govt-pensions-tell-uk-companies-2021-10-07/>

<https://timesofindia.indiatimes.com/world/uk/allow-a-vote-on-your-climate-plan-local-govt-pensions-tell-uk-companies/articleshow/86838700.cms>

<https://www.todayonline.com/world/allow-vote-your-climate-plan-local-govt-pensions-tell-uk-companies>

London CIV launches passive equity Paris-aligned fund

<https://www.pensions-expert.com/Investment/London-CIV-launches-passive-equity-Paris-aligned-fund>

<https://www.room151.co.uk/blogs/lgps-cop26-the-expected-the-needed-and-the-opportunities/>

### BHP VOTE

BHP faces knife-edge vote on climate change plan

<https://www.ft.com/content/c7c1c225-9178-4fd5-8db1-4a86450d8f3d>

Mood lukewarm on BHP climate change plan ahead of AGM

<https://www.nasdaq.com/articles/mood-lukewarm-on-bhp-climate-change-plan-ahead-of-agm-2021-10-14>

BHP's London investors endorse climate change plan

<https://www.reuters.com/business/environment/mood-lukewarm-bhp-climate-change-plan-ahead-agm-2021-10-14/>

BHP gets Australian shareholder support for climate plan

<https://www.reuters.com/article/bhp-group-au-agm-idCNL1N2S20EQ>

### JUST TRANSITION

MPs urge pension schemes to cushion economic effects of UK's net zero plan

<https://www.theguardian.com/environment/2021/oct/20/mps-urge-pension-schemes-cushion-economic-effects-uk-net-zero-plan>

LGPS must consider net-zero impact to avoid social downturn, MPs say

<https://www.pensions-expert.com/Investment/LGPS-must-consider-net-zero-impact-to-avoid-social-downturn-MPs-say?ct=true>

### ISRAEL-PALESTINE

LGPS urged to divest from 'Israeli settlement economy'

<https://www.pensions-expert.com/DB-Derisking/LGPS-urged-to-divest-from-Israeli-settlement-economy>

## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund  
Barking and Dagenham Pension Fund  
Barnet Pension Fund  
Bedfordshire Pension Fund  
Berkshire Pension Fund  
Bexley (London Borough of)  
Brent (London Borough of)  
Bromley Pension Fund  
Cambridgeshire Pension Fund  
Camden Pension Fund  
Cardiff & Glamorgan Pension Fund  
Cheshire Pension Fund  
City of London Corporation Pension Fund  
Clwyd Pension Fund (Flintshire CC)  
Cornwall Pension Fund  
Croydon Pension Fund  
Cumbria Pension Fund  
Derbyshire Pension Fund  
Devon Pension Fund  
Dorset Pension Fund  
Durham Pension Fund  
Dyfed Pension Fund  
Ealing Pension Fund  
East Riding Pension Fund

East Sussex Pension Fund  
Enfield Pension Fund  
Environment Agency Pension Fund  
Essex Pension Fund  
Falkirk Pension Fund  
Gloucestershire Pension Fund  
Greater Gwent Pension Fund  
Greater Manchester Pension Fund  
Greenwich Pension Fund  
Gwynedd Pension Fund  
Hackney Pension Fund  
Hammersmith and Fulham Pension Fund  
Haringey Pension Fund  
Harrow Pension Fund  
Havering Pension Fund  
Hertfordshire Pension Fund  
Hounslow Pension Fund  
Isle of Wight Pension Fund  
Islington Pension Fund  
Kingston upon Thames Pension Fund  
Lambeth Pension Fund  
Lancashire County Pension Fund  
Leicestershire Pension Fund  
Lewisham Pension Fund

Lincolnshire Pension Fund  
London Pension Fund Authority  
Lothian Pension Fund  
Merseyside Pension Fund  
Merton Pension Fund  
Newham Pension Fund  
Norfolk Pension Fund  
North East Scotland Pension Fund  
North Yorkshire Pension Fund  
Northamptonshire Pension Fund  
Nottinghamshire Pension Fund  
Oxfordshire Pension Fund  
Powys Pension Fund  
Redbridge Pension Fund  
Rhondda Cynon Taf Pension Fund  
Shropshire Pension Fund  
Somerset Pension Fund  
South Yorkshire Pension Authority  
Southwark Pension Fund  
Staffordshire Pension Fund  
Strathclyde Pension Fund  
Suffolk Pension Fund  
Surrey Pension Fund  
Sutton Pension Fund

Swansea Pension Fund  
Teesside Pension Fund  
Tower Hamlets Pension Fund  
Tyne and Wear Pension Fund  
Waltham Forest Pension Fund  
Wandsworth Borough Council Pension Fund  
Warwickshire Pension Fund  
West Midlands Pension Fund  
West Yorkshire Pension Fund  
Westminster Pension Fund  
Wiltshire Pension Fund  
Worcestershire Pension Fund

#### Pool Company Members

Border to Coast Pensions Partnership  
Brunel Pensions Partnership  
LGPS Central  
Local Pensions Partnership  
London CIV  
Northern LGPS  
Wales Pension Partnership

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## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### MUNICIPAL YEAR 2021-22

#### **PENSION FUND COMMITTEE**

**8<sup>TH</sup> MARCH 2022**

**REPORT OF: THE DIRECTOR OF  
FINANCE AND DIGITAL SERVICES**

<b>AGENDA ITEM NO. 8</b>
<b>PENSION FUND RISK REGISTER – RISK REGISTER OVERVIEW</b>

**Author – Barrie Davies, Director of  
Finance and Digital Services (01443) 424026**

#### **1.0 PURPOSE OF REPORT**

1.1 To provide the Committee with details of the arrangements in place to manage risk within the Pension Fund.

#### **2.0 RECOMMENDATIONS**

2.1 It is recommended that the Committee:

2.1.1 Note the arrangements in place for the management of risk within the fund; and

2.1.2 Review the Risk Register (Appendix 1) and consider whether they wish to receive further detail on any issues.

#### **3.0 BACKGROUND**

3.1 The terms of reference of the Pension Fund Committee sets out its responsibilities with regard to risk management, namely:

- *To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.*

3.2 The Director of Finance and Digital Services (in their capacity as S151 officer) supported by the Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support, has delegated responsibility for all day to day operational matters, which includes ensuring that robust risk management arrangements are in place.

#### **4.0 RISK MANAGEMENT**

- 4.1 With regard to Risk Management, the Fund maintains a Risk Register which is reviewed and updated, as necessary and appropriate, on a quarterly basis.
- 4.2 The Risk Register is reviewed in detail and operationally by the Pension Fund Working Group, where recommended updates are made to reflect changes in risks. This is then presented to the quarterly meetings of the Investment and Administration Advisory Panel for further review, challenge and agreement.
- 4.3 Following the agreement of the updated register, it is published on the Fund Website.
- 4.4 The register is also reviewed by the Pension Board, as part of their role in supporting the Fund's overall governance arrangements.
- 4.5 The risk register, dated March 2022, is attached as Appendix 1 for review and consideration by the Committee

#### **5.0 CONCLUSION**

- 5.1 This report sets out, for the Committee, the arrangements in place for the management of risk by the Pension Fund.

\*\*\*\*\*

**Summary of Pension Fund Risks**

**Introduction**

The purpose of this document is to assess the risk associated with the RCT Pension Fund and to outline the control measures in place.

**Key to scoring**

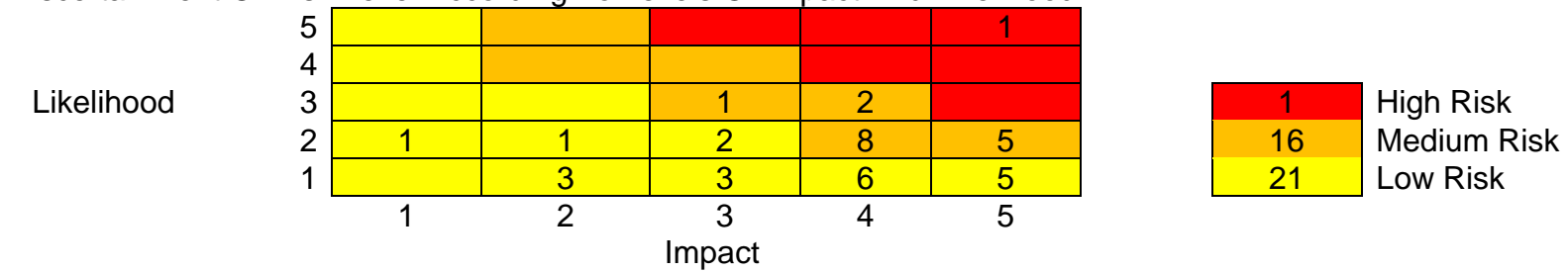
Likelihood Assessment Matrix:

Factor	Score	Indicators
Almost certain	5	99% likely to happen or has happened on a regular basis over the last 12 months
Very likely	4	75% likely to happen or has happened at least once or twice in the last 12 months
Likely	3	50% likely to happen or has happened once or twice in the last 24 months
Unlikely	2	20% likely to happen or has happened once or twice in the last 5 years
Highly unlikely	1	5% likely to happen or hasn't happened within the last 5 years

Impact Assessment Matrix:

Risk	Score
Major	5
High	4
Moderate	3
Minor	2
Trivial	1

Ascertainment Of Risk Level According To Levels Of Impact And Likelihood:



**Overarching Fund Objective – to ensure Fund assets are sufficient to meet Fund liabilities in the short, medium and long term**

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating March 2022 qtr
Funding	Long term investment strategy unable to meet the objective of funding liabilities.	5	2	10	MR	<ul style="list-style-type: none"> <li>Monitoring of deficit, reporting on the funding levels produced by the actuaries.</li> <li>Monitoring of the adopted asset / liability model.</li> <li>Monitoring the remedies of the McCloud case and ensuring appropriate provision is made against the Fund's liabilities.</li> </ul>	
	Sub-optimal asset allocation throughout the portfolio.	4	2	8	MR	<ul style="list-style-type: none"> <li>The investment strategy is reviewed and adopted by the Pension Fund Committee.</li> <li>Regular review of the asset allocation strategy by the Committee (with advice from the Advisory Panel), covering both the fund strategy and the asset allocation.</li> <li>Post 2019 valuation review completed and implementation in progress.</li> </ul>	
	Actuarial assumptions are not met. e.g. discount rate, life expectancy assumptions.	4	3	12	MR	<ul style="list-style-type: none"> <li>Agree and set prudent assumptions in conjunction with the appointed Fund Actuary, based on past trends, forecasts, longevity modelling.</li> <li>Adhere to triennial valuations.</li> <li>Monitor performance against assumptions, consider Interim Valuations where necessary.</li> <li>Monthly monitoring of Pension Fund investment valuation given the uncertainty in markets due to Covid-19.</li> <li>Receive regular Actuarial Funding updates.</li> </ul>	
	Increases in Employer contributions.	4	2	8	MR	<ul style="list-style-type: none"> <li>Participate in LGPS Scheme design consultation.</li> <li>Engage with Employers during and between Valuation cycles, particularly during times of organisational change e.g. downsizing, outsourcing.</li> <li>Ensure adequate securities / guarantees are in place where possible and that consequential risk is fully communicated to relevant parties.</li> </ul>	
	Potential for 'Cashflow Negativity'	4	2	8	MR	<ul style="list-style-type: none"> <li>Regularly monitor cashflow impact position as contributions reduce.</li> <li>Ensure sufficient income generation/liquid assets are available.</li> <li>Regularly review Asset Strategy and adjust as necessary.</li> </ul>	

	Detrimental changes to the maturity of fund membership. As the scheme matures the ratio of pensioner / deferred pensioner to active employees increases.	4	2	8	MR	<ul style="list-style-type: none"> <li>Monitor carefully through the valuation cycle. Ensure the investment strategy reflects current and forecast Fund maturity.</li> <li>Actively participate in pension consultation, giving due consideration to any proposals that may have a disproportional impact on scheme 'opt out' rates.</li> </ul>	
Investments	Financial Market suppressed by economic climate, national / global austerity measures and Geo-political instability.	5	5	25	HR	<ul style="list-style-type: none"> <li>Long-term funding plan with a diverse range of asset classes and Fund Manager styles.</li> <li>Panel clearly understand the impact of market conditions on asset classes and fund manager performance.</li> <li>Panel monitor and scrutinise performance, market conditions and forecasts.</li> <li>Continue to monitor the potential implications of Brexit.</li> <li>Material economic and financial risk of infectious disease.</li> </ul>	Amended impact and likelihood scoring given the current situation in Ukraine
	Custody arrangements may not be sufficient to safeguard pension fund assets.	4	2	8	MR	<ul style="list-style-type: none"> <li>An agreement is in place between the custodian and Pension Fund.</li> <li>Monthly reconciliations are carried out to check external custodian records.</li> <li>Funds held in the name of the Pension Fund or the WPP, not the Fund Manager nor the Custodian.</li> </ul>	
	Investment returns fail to meet agreed targets.	4	2	8	MR	<ul style="list-style-type: none"> <li>Regular monitoring of investment returns.</li> <li>Advisory Panel review and challenge of fund manager performance against their benchmarks and targets.</li> <li>Use advisors to support the monitoring and challenge of fund managers.</li> <li>Where performance issues arise, put more targeted review and challenge arrangements in place.</li> </ul>	
	Adverse impact of the transition of the Pension Fund's assets into the Wales Pension Partnership pooling	4	2	8	MR	<ul style="list-style-type: none"> <li>Effective governance arrangements of the Joint Governance Committee and Officer Working Group.</li> <li>Key role undertaken by the Joint Governance Committee at transition process.</li> <li>Ensure operator establishes a tax efficient UK collective investment vehicle.</li> <li>Ensure the appropriate 'wrappers' for the investments in illiquid assets.</li> </ul>	

	Investments are not carried out by the fund manager in accordance with instructions given by the Pension Fund.	3	2	6	LR	<ul style="list-style-type: none"> <li>Investment assets and transactions are monitored in-house via the Euraplan Shareholder II system.</li> <li>Investment management fees are monitored on a quarterly basis.</li> <li>Investment malpractices are reported to the FCA.</li> </ul>	
	Pension fund investments may not be accurately valued.	4	1	4	LR	<ul style="list-style-type: none"> <li>Investments are valued using correct prices obtained by fund managers from independent third party agencies.</li> </ul>	
	Fund managers may not have the appropriate control framework in place to protect pension fund assets.	4	1	4	LR	<ul style="list-style-type: none"> <li>Agreements are in place between fund managers and the Pension Fund.</li> <li>Portfolios are managed in accordance with the investment objectives.</li> <li>Monthly reconciliations are carried out to check portfolios against administering authority records.</li> <li>Third parties provide the Pension Fund with an annual internal control report, which provides assurance.</li> <li>FCA regulated.</li> <li>Fund managers have robust arrangements in place to manage mandates at difficult and volatile times.</li> </ul>	
	Fund manager mandate restrictions and benchmarks constrain returns.	3	1	3	LR	<ul style="list-style-type: none"> <li>Obtain advice from advisors.</li> <li>Obtain advice from performance measurement company.</li> </ul>	
Governance	Introduction of new pooling arrangements by central government	5	2	10	MR	<ul style="list-style-type: none"> <li>Joint Governance Committee and Officer Working Group has been formally constituted.</li> <li>Establishment of sub groups of the WPP for specialisation.</li> <li>Wales Pension Partnership's CIV proposal approved by FCA on 24<sup>th</sup> July 2018, further submissions approved to allow for the development of additional sub funds.</li> <li>Participation on consultation papers.</li> <li>Engagement with local pension boards.</li> <li>Creation of sub funds continues to be effectively progressed.</li> <li>Pension Board Engagement days held to update Pension Board Chairs and provide feedback.</li> <li>Development of appropriate business plans, policies and procedures.</li> </ul>	



Failure to comply with LGPS Governance Regulation / Pension Regulator Code of Practice.	5	1	5	LR	<ul style="list-style-type: none"> <li>• Fund Governance Compliance Statement is reviewed and published annually.</li> <li>• The Fund's 'Pension Board' became effective from 1st April 2015.</li> <li>• The Fund has a breaches policy.</li> <li>• Review the Investment Strategy Statement annually in accordance with MHCLG (now Department for Levelling Up, Housing and Communities) guidance.</li> <li>• Benchmark against regulator on code of practice.</li> <li>• Submit Annual Pension Scheme Regulator Return on time.</li> <li>• Good governance review currently being considered by MHCLG (now Department for Levelling Up, Housing and Communities).</li> </ul>
Members, officers and advisors do not have the right knowledge or skills.	4	1	4	LR	<ul style="list-style-type: none"> <li>• The Pension Fund has adopted the CIPFA knowledge and skills framework.</li> <li>• The Pension Fund Skills and Knowledge framework is reviewed at each Investment and Administration Panel, Pension Committee and Pension Board.</li> <li>• The Pension Fund subscribes to relevant professional bodies, e.g. LAPFF.</li> </ul>
Loss of reputation.	2	2	4	LR	<ul style="list-style-type: none"> <li>• The Fund holds Annual General Meetings, Communication Forums, seminars and training.</li> <li>• The Fund has a dynamic website responding to stakeholder requirements.</li> <li>• Knowledgeable and professional staff.</li> <li>• Meetings are held regularly with the Fund's employer authorities.</li> <li>• Benefit statements are sent out annually to members by 31<sup>st</sup> August.</li> <li>• Monitoring the policy on voting decisions and the impact should UK shareholder lose voting rights in EU companies.</li> <li>• Annual reports are produced by 1<sup>st</sup> December.</li> <li>• The Fund's Responsible Investment Policy is contained within the Investment Strategy Statement and available on the Pension Fund website <a href="http://www.rctpensions.org.uk/En/GovernanceandInvestments/Investments">http://www.rctpensions.org.uk/En/GovernanceandInvestments/Investments</a></li> <li>• The Pension Fund's passive equities are invested in a low carbon product.</li> <li>• External Audit and Governance and Audit Committee.</li> </ul>
Conflicts of Interest arise.	3	1	3	LR	<ul style="list-style-type: none"> <li>• Declarations to be made by Advisory Panel Members, Pension Board Members and Pension Committee Members.</li> <li>• Director of Legal Services maintains a Register of Interests.</li> <li>• Fund Governance Policy.</li> <li>• Employer / Member Engagement – Communication Policy.</li> <li>• Transparency – published audited accounts, Valuation, Annual Report, etc.</li> </ul>
Failure to comply with the Myners Statement of Investment Principles.	2	1	2	LR	<ul style="list-style-type: none"> <li>• The Statement is reviewed annually by the Advisory Panel and approved by the Pension Committee.</li> </ul>

Operational	Loss of key staff / expertise.	4	3	12	MR	<ul style="list-style-type: none"> <li>• Job descriptions and person specifications.</li> <li>• Dynamic training program.</li> <li>• Workforce planning arrangements in place.</li> <li>• All staff are currently working from home during Covid-19.</li> </ul>	
	Compliance with data quality regulation and best practice.	5	2	10	MR	<ul style="list-style-type: none"> <li>• Data Improvement Plan in place.</li> <li>• Good relationships / communication with Employers.</li> <li>• Ensure timely notification by Fund Employers of new starters, changes and leavers.</li> <li>• Issue annual benefit statements to scheme members for review.</li> <li>• Breaches policy in place.</li> <li>• Mandatory rollout of I-connect, monthly data submissions.</li> <li>• Monthly Data Screening.</li> <li>• Common and Scheme Specific Data reviews / scoring.</li> <li>• Scheme Member Self Serve validation available.</li> <li>• Fund participation in the National 'Tell us Once Service'.</li> <li>• TPR Annual Scheme Return and data score.</li> <li>• Membership data is hosted in the UK.</li> </ul>	
	Inability to implement the 'McCloud' remedies within expected timelines	5	2	10	MR	<ul style="list-style-type: none"> <li>• Project Team established.</li> <li>• Investment in team resources.</li> <li>• Data retrospection solutions discussed and agreed through the Fund's Employer Comms Forum.</li> <li>• Monitor and contribute to remedy draft regulations when available.</li> <li>• Early engagement with Pensions Software Supplier.</li> <li>• Sharing best practice through the various LGPS forums.</li> </ul>	
	Cyber security breach of the Fund's pension system and personal data contained.	5	2	10	MR	<ul style="list-style-type: none"> <li>• Third Party supplier – cyber reliance controls.</li> <li>• Controls and environment maintained and regularly reviewed in line with Council's standards. Internal controls include, appropriate password and access conventions, firewalls, virus and malware protection, data encryption requirements.</li> <li>• Annual control review or more frequent depending on environment / service changes.</li> <li>• Designated Information Management Officer, with Security Incident reporting protocol.</li> <li>• Cyber Essential Accreditation.</li> <li>• Public Service Network (PSN) Accreditation.</li> <li>• Information &amp; Security Board.</li> <li>• All Wales Security Forum (WARP).</li> <li>• Cyber Security Principles for Pension Schemes' (Self Assessment).</li> <li>• Cyber Security Risk Assessment undertaken during Covid-19.</li> </ul>	
	Confidential / commercially sensitive data is leaked, stolen or misplaced	5	1	5	LR	<ul style="list-style-type: none"> <li>• The Pension Fund will clearly mark any confidential / commercially sensitive data that it shares.</li> </ul>	

Failure to meet Service Standards.	3	3	9	MR	<ul style="list-style-type: none"> <li>Pension Fund Administration Strategy.</li> <li>Workforce planning, realign to meet one off demands, skills and training review.</li> <li>Appropriate systems and technology.</li> <li>Regular monitoring by Fund governance groups.</li> </ul>	
Failure to implement scheme changes.	4	2	8	MR	<ul style="list-style-type: none"> <li>Regular updates are received, reviewed and acted upon in a timely manner.</li> <li>Ensure software is adapted appropriately.</li> <li>Membership of relevant pensions professional bodies.</li> <li>Implementation of McCloud remedies</li> </ul>	
Employer ceases to participate in Fund / Admitted bodies go into administration.	3	2	6	LR	<ul style="list-style-type: none"> <li>Employer covenants or bonds.</li> <li>Regular review of covenants.</li> </ul>	
Failure to hold and share personal data in accordance with the General Data Protection Regulation (effective 28 <sup>th</sup> May 2018).	5	1	5	LR	<ul style="list-style-type: none"> <li>Administering Authority Information Management Security policies.</li> <li>All Scheme Member correspondence securely imaged.</li> <li>Appropriate Data Protection Registration.</li> <li>Third Party Data Sharing agreements in place</li> <li>Fund Privacy Notice published.</li> <li>Employer Memorandum of Understanding implemented.</li> <li>Mandatory training undertaken by all staff.</li> <li>Awareness sessions held with the Fund's Governance groups.</li> </ul>	
Failure to pay pensioners on time.	5	1	5	LR	<ul style="list-style-type: none"> <li>Payroll Timetables maintained.</li> <li>Business Continuity Plan.</li> </ul>	
Delivery of the 2022 Triennial Valuation	5	1	5	LR	<ul style="list-style-type: none"> <li>2021 Data Cleaning exercise.</li> <li>Actuarial 'Employer Covenant' reviews.</li> </ul>	
Qualification of accounts.	4	1	4	LR	<ul style="list-style-type: none"> <li>Financial Information reconciled on a timely basis.</li> <li>Accounts are prepared in accordance with the relevant regulations, guidance and Codes of Practice.</li> <li>Regular dialogue with external auditors.</li> </ul>	
Operational disaster (fire / flood, etc)	4	1	4	LR	<ul style="list-style-type: none"> <li>Business continuity procedures are in place and tested.</li> </ul>	
Compliance with Fund 'Dispute' Regulation.	3	1	3	LR	<ul style="list-style-type: none"> <li>Internal Dispute Procedure in place.</li> </ul>	

	Failure by employers to pay contributions into the Fund on time and in accordance with the 2019 'Rates and Adjustments Certificate'.	2	1	2	LR	<ul style="list-style-type: none"> <li>Monitoring of monthly receipts to remittances, with reference to the 2019 'Rates and Adjustment Certificate'.</li> <li>Report any material breaches to Regulator in accordance with the Fund's 'Breach Policy'.</li> </ul>	
	Fraud.	2	1	2	LR	<ul style="list-style-type: none"> <li>Strict internal control mechanisms, segregation of duties, etc.</li> <li>Internal and External Audit Review.</li> <li>National Fraud Inspectorate participation.</li> <li>Whistleblowing policy in place.</li> </ul>	
Regulatory	Failure to comply with LGPS regulations and any other new regulations.	4	1	4	LR	<ul style="list-style-type: none"> <li>There are sufficient fully trained staff.</li> <li>Regular updates are received and acted upon.</li> <li>Membership of relevant pensions professional bodies.</li> <li>Welsh Pension Officer Group participation.</li> <li>Welsh Pension Fund Treasurers Group participation.</li> <li>Compliance with MiFID II.</li> <li>Submit Annual Pension Scheme Regulator Return on time.</li> <li>MHCLC/LGA guidance issued to Fund Employers around the 'Exit' Regulations (now revoked).</li> </ul>	
	Non compliance of procurement rules	1	2	2	LR	<ul style="list-style-type: none"> <li>Regular budget monitoring.</li> <li>Periodic review of suppliers.</li> <li>Contract Procedure Rules.</li> </ul>	

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2021-22**

**PENSION FUND COMMITTEE**

**8<sup>TH</sup> MARCH 2022**

**REPORT OF: THE DIRECTOR OF  
FINANCE AND DIGITAL SERVICES**

<b>AGENDA ITEM 9</b>
<b>WALES PENSION PARTNERSHIP - UPDATE</b>

**Author – Barrie Davies, Director of Finance and Digital Services (01443)  
424026**

**1.0 PURPOSE OF REPORT**

1.1 This report provides the Committee with an update on the work and progress with regard to the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC).

**2.0 RECOMMENDATIONS**

2.1 It is recommended that the Committee:

2.1.1 Note the update.

**3.0 BACKGROUND**

3.1 As the Committee is aware the UK Government's requirement for all pension funds to pool their investments has been progressing in Wales through the WPP.

3.2 The Partnership governance arrangements include a JGC which meets around 4 times a year. Each pension fund in Wales is represented on the Committee by their Chair (or Vice Chair).

3.3 The last meeting of the JGC was held on the 1<sup>st</sup> December 2021. The agenda can be accessed [here](#), which was shared with all Committee (and board) members before the meeting.

- 3.4 At the March 2022 meeting, the following annual policies and papers will be reviewed:
- Voting policy
  - Communications policy
  - Governance matrix
  - Training Plan 2022/23
  - Business Plan 2022-2025
  - Scheme member rep appointment

Next Steps / Priorities:

- Development of Private Market Sub Funds:
  - September 2021 to February 2022 – Procurement of Private Debt and Infrastructure (X2) allocators
  - JGC to consider and approve allocator appointments at the 23<sup>rd</sup> March 2022 JGC
  - March 2022 to December 2022 – Private Debt and Infrastructure sub funds to be developed, approved and launched

Other Key areas:

- Virtual training sessions continue.
- The website continues to be updated with relevant news and publications.

3.5 A number of Constituent Authorities have expressed an interest in launching a sustainable equity sub-fund. Work is ongoing to set out and scope the sub fund including the appetite of Funds to such an option.

3.6 The next JGC meeting is scheduled to take place on 23<sup>rd</sup> March 2022.

#### **4.0 CONCLUSION**

4.1 This report provides the Committee with an update on the work of the Wales Pension Partnership and the Joint Governance Committee.

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