

APPENDIX 1

RHONDDA CYNON TAF PENSION FUND

PENSION FUND GOVERNANCE POLICY STATEMENT

STRUCTURE & ORGANISATION OF THE RCT PENSION FUND

Updated March 2021

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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 01st 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:

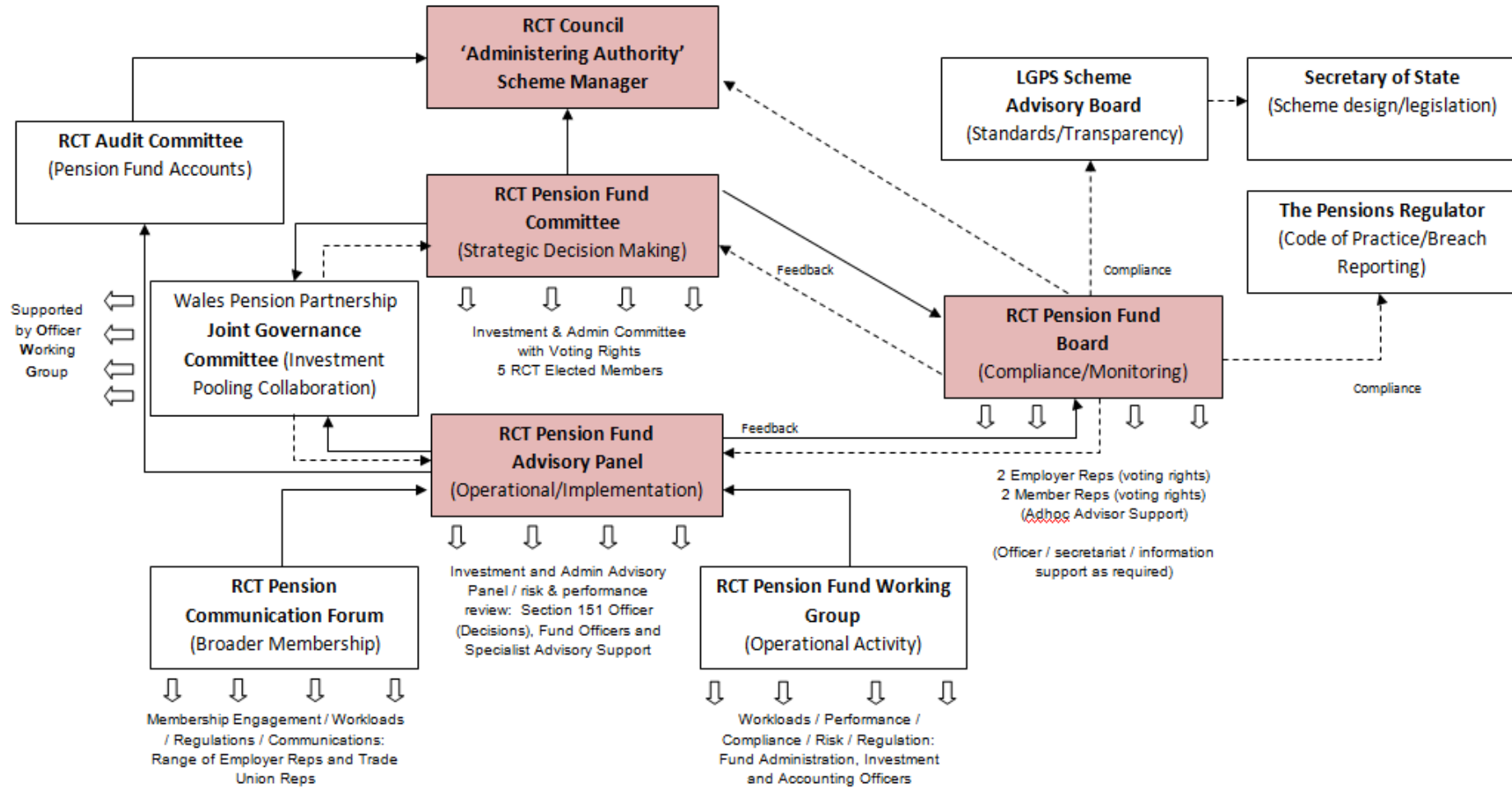
- Scheme Employers (Scheduled / Designated and Admitted Bodies)
- Fund Actuary
- MHCLG / GAD – legislative changes / modelling
- Local Government Association (LGPS)
- LGPS Scheme Advisory Board
- Welsh LGPS Pensions Officer Group
- The Pensions Regulator
- The Pensions Ombudsman

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 Head of Finance (Education & Financial Reporting)
- 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 Head of Finance (Education & Financial Reporting)
- 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 Head of Finance (Education & Financial Reporting)
- 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.