

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2020-2021

PENSION FUND COMMITTEE
22nd March 2021

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

AGENDA ITEM NO 8
DELEGATED FUNCTIONS – UPDATE REPORT

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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 1st March 2021.

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 2020.

4.2 During the quarter ended 31st December 2020, the overall value of the Fund increased from £4,040 million to £4,417 million.

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

Total Portfolio

	2018				2019				2020				3yr
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fund	-2.0	6.6	2.8	-8.1	7.9	5.0	1.9	2.6	-11.4	16.6	3.5	9.5	11.0
B'mark	-3.4	4.9	2.4	-6.2	7.0	4.1	3.1	0.7	-10.6	12.5	1.6	6.5	7.1
Relative	1.5	1.6	0.5	-2.0	0.9	0.9	-1.2	1.9	-0.8	4.1	1.9	3.0	3.9

- 4.4 As shown, the rolling 3 year performance of the Fund is 11.1% positive as compared to benchmark of 7.1%. For the last quarter (i.e. quarter 4), Baillie Gifford, the traditional equity portfolio, Global Growth high alpha equity portfolio, Global Opportunities high alpha equity portfolio and the UK Credit Fund outperformed their benchmarks, and CBRE property portfolio underperformed their benchmark. The BlackRock passive equity portfolio performed in line with benchmark. Baillie Gifford traditional equity portfolio outperformed their rolling 3 year rolling benchmark achieving a return of 17.7% against a benchmark of 12.8%.
- 4.5 The March 2021 Panel included a review of fund managers' performance. Presentations were received from Aon, providing feedback on their recent asset liability review of the Fund, and from Link Solutions and Russell Investments providing updates on activity undertaken during the year, the performance for that period and developments going forward of the pooling arrangements of the Wales Pension Partnership.
- 4.6 The asset allocation of the Fund by fund manager and mandate as at 31st December 2020 (which includes cash) is shown in the table below.

Baillie Gifford Traditional	Global Equities	27%
Link – Global Opportunities Fund	Global High Alpha Equities	8%
Link – Global Growth Fund	Global High Alpha Equities	32%
Link – UK Credit Fund	UK Credit	13%
BlackRock	Passive Global Equities	5%
Blackrock	Passive UK Gilts	9%
CBRE	UK Property	6%
Internal	Cash	0%

5.0 ADMINISTRATION UPDATE

- 5.1 Further to the legislative update provided at the December 2020 Pension Fund Committee, there has been a U-turn in relation to the HM Treasury regulations on 'Exit CAP' payments that came into force on the 4th November 2020. On the 12th February 2021, the HM Treasury determined that the Restriction of Public

Sector Exits Payments Regulations 2020 should be withdrawn. After extensive review of the application of the Cap, the UK Government has concluded that the Cap may have had 'unintended consequences and on the 25th February 2021 the necessary legislation was laid in Parliament to revoke.

- 5.2 As a consequence, on the 4th March 2021 the Ministry of Housing, Communities & Local Government (MHCLG) contacted Local Authorities to confirm that the scheme consultation launched in this regard was now considered closed. In addition, it was confirmed that there would be no changes made to Local Government pensions or redundancy terms without a further, separate consultation.
- 5.3 HM Treasury (HMT) published an update on the 2016 and 2020 cost cap valuations. The next step is for HMT, in light of McCloud being allowed for in the cost cap valuations, to consult with each Scheme Advisory Board (SAB) to determine if any revisions are required to the assumptions which feed into the cost cap valuation. Thereafter, final directions will be published by HMT and results confirmed with each SAB.
- 5.4 During February 2021, the SAB published the [Good Governance – Final Report](#) and the Chair submitted the Board's [Action Plan](#) to the Local Government Minister for consideration.
- 5.5 MHCLG published statutory guidance on the 2nd March, to assist LGPS administering authorities and scheme employers in implementing and operating the regulations on 'employer flexibilities' introduced in September 2020. The SAB have also provided more detailed guidance to be considered in conjunction with the statutory guidance. The Fund's application of these new flexibilities will need to be reflected within the Funding Strategy Statement, following consideration of this finalised guidance and discussion with the Fund Actuary.
- 5.6 All Wales Practitioner Group meetings are held to discuss and feedback issues into the National LGPS Advisory Group. Statistics around member deaths are still being collated throughout the pandemic. The Fund specific comparison is provided in the table below:

Month	<u>2020</u>	<u>2019</u>
April	129	39
May	66	51
June	66	46
July	65	43
August	38	46
September	54	55
October	59	84
November	66	61
December	55	43

Month	<u>2021</u>	<u>2020</u>
January	83	61

- 5.7 A recent meeting of the Fund's Communications Forum was held on 22nd February. One of the key issues discussed with Employers was the anticipated resource challenges on all parties to address the McCloud remedies.
- 5.8 Data quality and compliance remains a key priority for the Pension Fund. Further to the previous update at Committee, the Fund has been working closely with the applicable Employers yet to implement the I-Connect monthly data transfers. Progress has been made around some of the technical issues, with expectations to finalise in the first quarter of 2021/22.
- 5.9 Member Self Serve (MSS) continues to be promoted and registrations of Active, Deferred, Pensioner and Dependant members are shown below (as at February 2021).

	<u>Member Numbers</u>	<u>MSS Registrations</u>	<u>Current Percentage Take-up</u>	<u>Percentage Reported Previously</u>
Actives	23880	9026	37.80%	38.11%
Deferred	27918	7814	27.99%	27.46%
Pensioners	17651	3985	22.58%	21.73%
Dependants	2750	128	4.69%	4.55%

- 5.10 Eight 'Key Performance Service Standards' are monitored by the Panel and Pension Board. It was noted that in respect of performance during January 2021, one Performance Service Standard was behind target.
- % of Refunds of contributions processed within 10 days (82% for January against a target of 95%). This measure does not impact on the physical payment of benefits. 11 Cases were completed of which 2 exceed the 10 days target.
- 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.

6.0 PENSION BOARD

- 6.1 The Pension Board last met virtually on 20th January 2021. In addition to the standard agenda items, the Chair of Pension Board referred to the minutes of the latest Wales Pension Partnership Chair engagement day. There were no items noted for referral back to Committee.

6.2 The Fund's Annual Pension Regulator survey was submitted on the 12th February, following the joint completion by the Chair of Pension Board and Scheme Manager.

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 The asset liability review was noted. The asset liability review update is being dealt with elsewhere in this agenda

7.4 Attached at Appendix 1 is the latest LAPFF quarterly engagement report for the period October to December 2020

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.
