

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2021-22

PENSION FUND COMMITTEE
11th OCTOBER 2021

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

AGENDA ITEM NO 5
DELEGATED FUNCTIONS – UPDATE REPORT

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

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 27th September 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 June 2021.
- 4.2 During the quarter ended 30th June 2021, the overall value of the Fund increased from £4,493 million to £4,725 million.

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

Total Portfolio

	2018		2019				2020				2021		3yr
Quarter	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Fund	2.8	-8.1	7.9	5.0	1.9	2.6	-11.4	16.6	3.5	9.5	1.6	5.4	11.9
B'mark	2.4	-6.2	7.0	4.1	3.1	0.7	-10.6	12.5	1.6	6.5	1.1	5.1	8.7
Relative	0.5	-2.0	0.9	0.9	-1.2	1.9	-0.8	4.1	1.9	3.0	0.5	0.3	3.2

- 4.4 As shown, the rolling 3 year performance of the Fund is 11.9% positive as compared to a benchmark of 8.7%. For the last quarter (i.e. quarter 2), Baillie Gifford, UK Credit and BlackRock Passive Equity outperformed their benchmarks; CBRE and BlackRock passive gilts performed in line with benchmark; and Global Growth and Global Opportunities underperformed their benchmark. Baillie Gifford traditional equity portfolio outperformed their rolling 3 year rolling benchmark achieving a return of 18.1% against a benchmark of 8.1%.
- 4.5 The September 2021 Panel included a review of fund managers' performance. Presentations were received from BlackRock, the passive equity and UK Gilt manager, and CBRE, the property manager.
- 4.6 The asset allocation of the Fund by fund manager and mandate as at 30th June 2021 (which includes cash) is shown in the table below.

Baillie Gifford Traditional	Global Equities	23%
Link – Global Opportunities Fund	Global High Alpha Equities	8%
Link – Global Growth Fund	Global High Alpha Equities	34%
Link – UK Credit Fund	UK Credit	12%
BlackRock	Passive Global Equities	5%
Blackrock	Passive UK Gilts	12%
CBRE	UK Property	6%
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)	9%	12%	12%	12%

Corporate Bonds (UK)	14%	15%	15%	15%
Cash	1%	2%	2%	2%
Absolute Return (10 years pa)	5.5%	5.3%	5.5%	5.6%
Volatility (10 years pa)	14.2%	13.3%	12.7%	12.3%

- 4.8 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). Options continue to be explored in this regard alongside the progress of WPP.
- 4.9 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 (9th June 2021) and the UK Credit by £45 million (7th July 2021).

5.0 ADMINISTRATION UPDATE

- 5.1 At the end of July 2021, the Public Service Pensions and Judicial Officers Bill, dealing with the remedy for the 'McCloud' age discrimination, was laid before Parliament. The Bill includes retrospective measures and confirms the remedy period covering membership from the date of reform - 1 April 2014 to 31 March 2022 for eligible members. The Bill enables LGPS regulations to make provision for final salary benefits to be paid in respect of the remedy period. Draft LGPS regulations are expected by the end of 2021.
- 5.2 Following recent ministerial changes, on the 19th September it was announced that the Ministry of Housing, Communities and Local Government (MHCLG) will become the Department for Levelling Up, Housing and Communities (DLUHC).
- 5.3 The Fund published all Annual Benefit Statements prior to the statutory deadline of the 31st August 2021. This exercise was shortly followed by the 'Annual Allowance' review with pension saving statements issued by the deadline of the 6th October 2021.
- 5.4 The Scheme Advisory Board (SAB) no longer require death statistical information from Administering Bodies. The statistics are still being collated by the Fund and the table below provides an update and comparison on death numbers:

Month	<u>2021</u>	<u>2020</u>	<u>2019</u>
January	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		54	55
October		59	84
November		66	61
December		55	43

- 5.5 A meeting of the Fund's Communications Forum was held on 22nd July 2021. The main focus of discussion beyond the standard agenda items, included McCloud and the 2022 Valuation requirements.
- 5.6 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, and the Service will continue to work closely with the small number of remaining Employers. The national 'Pension Dashboards' programme is underway and data providers (including the Fund's system partner) have signed up for the initial testing phase, further information can be found at: <https://www.pensionsdashboardsprogramme.org.uk/>
- 5.7 Member Self Serve (MSS) continues to be promoted and registrations of Active, Deferred, Pensioner and Dependant members are shown below (as at September 2021).

	<u>Member Numbers</u>	<u>MSS Registrations</u>	<u>Current Percentage Take-up</u>	<u>Percentage Reported Previously</u>
Actives	23865	10176	42.64%	37.33%
Deferred	28556	8797	30.81%	27.07%
Pensioners	17926	4286	23.91%	22.68%
Dependants	2832	141	4.98%	4.85%

- 5.8 Eight 'Key Performance Service Standards' are monitored by the Panel and Pension Board. It was noted that in respect of performance during August 2021, a number of Performance Service Standards were behind, however,

some significant numbers processed during the period as shown in the table below:

STANDARD MEASURED		INTERVENTION %	AUGUST 2021		COMMENTS (for August 2021 performance)	2021/22 Year to Date Actual %
			No. of Cases	% on Target		
% Refund of contributions processed within 10 days	Payment	95	4	75	4 cases completed. One over target.	80.22
% Divorce Estimates processed within 10 days	Statement	95	10	100	10 cases completed. All on time.	91.67
% Preserved Benefits processed within 10 days	Statement	90	147	100	147 cases completed. All on time.	98.59
% Employer requests for retirement estimates processed within 5 days	Statement	95	14	64.29	14 cases completed. 5 cases over target.	93.94
% Retirements from Active membership processed within 5 days	Payment	95	39	79.49	39 cases completed. 8 cases over target.	90.61
% Preserved Benefits into payment on retirement processed within 5 days	Payment	95	28	89.29	28 cases completed. 3 cases over target	95.57
% Transfers In processed within 10 days	Statement	90	5	100	5 cases completed. All on time.	96.05
% Transfers Out processed within 10 days (Monthly)	Payment	95	13	69.23	13 cases completed. 4 cases over target	67.44

- 5.9 The Fund's new graduate officer and apprentices (2) commenced their employment during September 2021. A process of 'face to face' training and development has been undertaken with these new officers and the existing team.
- 5.10 Whilst some performance improvements have been noted with the Fund's 'Additional Voluntary Contributions' partner, there remain areas of concern which will need to be addressed.
- 5.11 The Annual General Meeting will be held virtually and has been scheduled for Monday 22nd November 2021. The Fund Actuary will provide a position update in the lead up to the 2022 Valuation exercise.
- 5.12 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 no potential breaches to report during the period.

6.0 PENSION BOARD

- 6.1 The Pension Board last met virtually on 9th August 2021, with the next meeting scheduled to take place on 15th November 2021. There were no items noted for referral back to Committee.
- 6.2 One of the longstanding 'Scheme Member' Pension Board Members is stepping down from the role at the end of October. The Fund is currently going through an appropriate recruitment process to appoint a replacement. As part of this recruitment and the recent personnel changes within the Service, the Fund has registered a number of places on the LGA 'Fundamentals Training programme' planned for the Autumn.
- 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 April to June 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.
