

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2021-22

**PENSION FUND COMMITTEE
13th DECEMBER 2021**

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

AGENDA ITEM NO 4
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 23rd November 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 September 2021.
- 4.2 During the quarter ended 30th September 2021, the overall value of the Fund increased from £4,725 million to £4,744 million.

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

Total Portfolio

	2018	2019				2020				2021			3yr
Quarter	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Fund	-8.1	7.9	5.0	1.9	2.6	-11.4	16.6	3.5	9.5	1.6	5.4	0.3	11.0
B'mark	-6.2	7.0	4.1	3.1	0.7	-10.6	12.5	1.6	6.5	1.1	5.1	0.7	8.1
Relative	-2.0	0.9	0.9	-1.2	1.9	-0.8	4.1	1.9	3.0	0.5	0.3	-0.4	2.9

- 4.4 As shown, the rolling 3 year performance of the Fund is 11.0% positive as compared to a benchmark of 8.1%. For the last quarter (i.e. quarter 3), 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 benchmark. Baillie Gifford global core equity portfolio outperformed their rolling 3 year rolling benchmark achieving a return of 16.6% against a benchmark of 7.6%.
- 4.5 The November 2021 Panel included a review of fund managers' performance. Presentations were received from Fidelity International, fund manager of the WPP UK Credit Fund, Baillie Gifford, the global equity manager and Pzena, one of the underlying managers in the WPP Global Growth Fund.
- 4.6 The asset allocation of the Fund by fund manager and mandate as at 30th September (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 (9th June 2021) and the UK Credit by £45 million (7th 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). Due diligence has now been completed on an initial investment in this regard.

5.0 **ADMINISTRATION UPDATE**

- 5.1 Further to the position reported to the 11th October 2021 Pension Fund Committee in respect of the Public Service Pensions and Judicial Officers Bill, dealing with the remedy for the 'McCloud' age discrimination, there have been no developments to report since this time and the draft LGPS regulations are expected during 2022.
- 5.2 On 8 November 2021, the UK Government published its response to '[Pension scams: empowering trustees and protecting members' consultation](#)'. The Government also laid [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#), with the regulations taking effect from 30 November 2021 and apply to the LGPS in England, Wales and Scotland.
- 5.3 The Fund held its Annual Employers Meeting on 22nd November 2021, this being run virtually for the second year, and positive feedback has been received from a number of attendees following the meeting. The Fund Actuary provided an updated position for the Fund Employers in consideration of the 2022 Triennial Valuation exercise.
- 5.4 Following the conclusion of the audit of Pension Fund Accounts for 2020/21, in accordance with regulation 57 of the LGPS Regulations 2013, the Pension Fund Annual Report has been finalised and published by the relevant date. A copy has been provided to the Scheme Advisory Board as required.
<https://www.rctpensions.org.uk/EN/RelatedDocuments/AnnualReport/PensionFundAnnualReport2021.pdf>

- 5.5 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>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	56	54	55
October	48	59	84
November		66	61
December		55	43

- 5.6 Data quality and compliance remains a key priority for the Pension Fund. The Fund continues to proactively monitor data quality and a 'Valuation' data quality exercise is underway to support the Fund Actuary in advance of the 2022 Valuation. Work also continues with applicable Employers to support their implementation of the I-Connect monthly data transfers.
- 5.7 The Fund's annual 'Data Quality Scores' have been provided to the Pension Regulator in compliance with the scheme return requirement and submitted by 10th November:

	Common Data	Scheme Specific
2020	97%	97%
2021	97%	99%

- 5.8 The Pension Fund website has been updated and re-launched to enhance its compliance with the national 'Accessibility Standards', and 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 November 2021).

	<u>Member Numbers</u>	<u>MSS Registrations</u>	<u>Current Percentage Take-up</u>	<u>Percentage Reported Previously</u>
Actives	23,996	10,648	44.37%	42.64%
Deferred	28,673	9,294	32.41%	30.81%
Pensioners	18,038	4,504	24.97%	23.91%
Dependants	2,841	152	5.35%	4.98%

- 5.9 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).
- 5.10 The Fund and the Scheme Advisory Board continue to monitor the performance of its Additional Voluntary Contributions partner and dialogue is on-going in respect of areas of concern.
- 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 no potential breaches to report during the period.

6.0 PENSION BOARD

- 6.1 The Pension Board last met virtually on 15th November 2021, with the next meeting scheduled to take place on 31st January 2022. There were no items noted for referral back to Committee.
- 6.2 The Board welcomed a new 'Scheme Member' representative, Ms Sindy Absalom, to her first meeting. 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 November and December 2021.
- 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 July to September 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.
