



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2023-24**

**PENSION FUND COMMITTEE  
20<sup>TH</sup> MARCH 2024**

**REPORT OF: THE DEPUTY CHIEF  
EXECUTIVE AND GROUP DIRECTOR –  
FINANCE, DIGITAL AND FRONTLINE  
SERVICES**

**AGENDA ITEM NO. 5**

**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 Deputy Chief Executive and Group Director – Finance, Digital and Frontline 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 Deputy Chief Executive and Group Director - Finance, Digital and Frontline 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, His 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 12<sup>th</sup> March 2024.

#### **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 2023.

- 4.2 During the quarter ended 31<sup>st</sup> December 2023, the overall value of the Fund increased from £4,235 million to £4,492 million.
- 4.3 A summary of performance relative to the Fund specific benchmark is shown below:

### Total Portfolio

	2021				2022				2023				3yr
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fund	1.6	5.4	0.3	1.6	-6.5	-8.9	-2.7	2.6	3.4	0.3	-0.3	6.3	<b>0.7</b>
B'mark	1.1	5.1	0.7	4.2	-3.2	-6.8	-2.8	3.5	3.5	0.9	0.8	6.1	<b>4.1</b>
Relative	0.5	0.3	-0.4	-2.6	-3.3	-2.1	0.1	-0.9	-0.1	-0.6	-1.1	0.2	<b>-3.4</b>

- 4.4 As shown, the rolling 3-year performance of the Fund is 0.7% positive as compared to a benchmark of 4.1%. For the last quarter (i.e. quarter 4), Baillie Gifford Traditional Equity, Global Active Sustainable Equity, UK Credit and BlackRock Passive Global Equity (low carbon) outperformed their benchmarks; Global Growth high alpha equity portfolio, Global Opportunities high alpha equity portfolio and CBRE Property under-performed their benchmarks; BlackRock Passive UK Gilts and BlackRock Global Infrastructure Solutions performed in line with their benchmark.
- 4.5 The 12<sup>th</sup> March 2024 Panel meeting included a review of fund managers' performance. Presentations were received from Baillie Gifford (the traditional equity manager) and CBRE (the real estate manager).
- 4.6 The asset allocation of the Fund, by Fund Manager and mandate as at 31<sup>st</sup> December 2023 (which includes cash), is shown in the table below:

Baillie Gifford Traditional	Global Equities	9%
Link – Global Opportunities Fund	Global High Alpha Equities	10%
Link – Global Growth Fund	Global High Alpha Equities	37%
Link – UK Credit Fund	UK Credit	16%
Link – Sustainable Equity Fund	Global High Alpha Equities	2%
BlackRock	Passive Global Equities	6%
Blackrock	Passive UK Gilts	12%
CBRE	UK Property	7%
Blackrock GIS 4 Solutions	Infrastructure	1%
Capital Dynamics	Local Investment	0%
Internal	Cash	0%

- 4.7 The asset allocation strategy for the Fund is set out below along with the steps being taken as we continue to move toward it.

Asset Class	Current Allocation	Step 1	Step 2	Step 3
Total Equities	64%	64%	59%	54%
Infrastructure	1%	0	5%	10%
Property	7%	7%	7%	7%
Government Bonds (UK)	12%	12%	12%	12%
Corporate Bonds (UK)	16%	15%	15%	15%
Cash	0%	2%	2%	2%

- 4.8 With regard to infrastructure, the approach is for the Fund to invest over a number of years in order to secure and optimise opportunities across the different time periods (and vintage years).
- 4.9 The Pension Fund is progressing the investment into Blackrock GIS4 Infrastructure Fund. Capital contributions to date total €41.123 million.
- 4.10 The Pension Fund is committing £70 million to the closed ended infrastructure first vintage launched by the WPP. Capital contributions to date total £16.420 million.
- 4.11 A £10 million commitment into a local impact opportunity was agreed in the form of a wind farm investment. Capital drawdowns to date totals £2.662 million.
- 4.12 Given the current decline in gilt and bond prices, the Panel agreed to increase the bond allocation in line with the Fund's current strategy. The increase was funded from the Bailie Gifford exposure held outside of the pool for such purposes as we continue to implement the strategy. This re-balancing exercise took place during October 2023.
- 4.13 The necessary due diligence was completed for the Pension Fund to make a commitment of \$75 million into the BlackRock Renewable Power IV product. The first close was 21<sup>st</sup> October 2023.

## **5.0 ADMINISTRATION UPDATE**

- 5.1 The Pensions Regulator (TPR) has published the new General Code of Practice, which comes into force on 27<sup>th</sup> March 2024. The Rhondda Cynon Taf Pension Fund Working Group has discussed and is to undertake an analysis of compliance. TPR has indicated that whilst the Code is effective from March 2024, time would be afforded to allow Pension Funds to plan and measure their compliance during the first six months. The Fund's Pension Board will receive regular updates and support our compliance assurance arrangements.

- 5.2 Further to the Pensions Dashboard Programme (PDP) progress update set out in the Delegated Functions Update Report to the December 2023 Pension Fund Committee, no further update has been received; revised onboard dates are still to be legislated and the overall deadline of October 2026 currently remains.
- 5.3 The Pension Fund increase for April 2024 and Career Average Revalued Earnings (CARE) revaluation has been formally confirmed by HM Treasury as 6.7% (i.e. the Consumer Prices Index (CPI) rate of inflation at September 2023) and will be effective from 8<sup>th</sup> April 2024.
- 5.4 Year-end preparatory work is underway in respect of Accounting 2024 Terms of Reference and Data template issued, and the HM Treasury 'Event Report' and The Pensions Regulator 'Scheme Return' was submitted on time, the latter included the Fund's annual data scores (Common data 97%, Scheme Specific data 98%).
- 5.5 Key areas of work are progressing in respect of compiling the 2024 Annual Benefits Statements; the annual life certification exercise for overseas pensioners; and transfer of provider for overseas pension benefit payments, this being aligned to the provider undertaking the life certification exercise of behalf of the Fund. Alongside this, digital developments are progressing to support on-going process efficiency around expanding 'admin to pay' interface functionality to refunds, transfers and death payments and also secure 'Employer Document Upload' functionality being rolled out to more Fund Employers.
- 5.6 The Fund's McCloud working group continue to make good progress in respect of Employer data collection and sign-off, with updates made to members records as necessary. In parallel, McCloud membership letters were issued in December 2023, ensuring compliance with the Disclosure Regulations.
- 5.7 Member Self-Serve (MSS) continues to be promoted and registrations of Active, Deferred, Pensioner and Dependant members are shown below (as at February 2024).

	Member Numbers	MSS Registrations	Current Percentage Take-up	Percentage Reported Previously
Actives	25,281	12,814	50.69%	50.56%
Deferred	30,055	12,329	41.02%	40.13%
Pensioners	19,566	6,947	35.51%	33.79%
Dependants	3,129	220	7.03%	6.86%

- 5.8 The Service's eight 'Key Performance Service Standards' are regularly monitored by the Investment and Administration Advisory Panel and Pension Board. Overall, service performance is positive, with high levels of activity and

an on-going focus on individual and team development. Looking ahead, a review of Service Standards, in line with the Scheme Advisory Board (CIPFA) standardised requirements, is underway in preparation for reporting during 2024/25.

- 5.9 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 on a hybrid basis on 16<sup>th</sup> January 2024.
- 6.2 The recruitment process to appoint a Scheme Member Representative has been completed.
- 6.3 There were no formal items raised by the Pension Board requiring feedback to Committee.
- 6.4 Pension Board Members have continued to support their skills and knowledge requirements through attendance at relevant 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 the position 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 2023.

## **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 Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services.

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