

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2024-25**

**PENSION FUND COMMITTEE  
9<sup>TH</sup> OCTOBER 2024**

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

**AGENDA ITEM NO. 4**

**DELEGATED FUNCTIONS –  
UPDATE REPORT**

**Author – Barrie Davies, Deputy Chief Executive and Group Director – Finance,  
Digital and Frontline 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 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 30<sup>th</sup> September 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 June 2024.

- 4.2 During the quarter ended 30<sup>th</sup> June 2024, the overall value of the Fund decreased from £4,712 million to £4,701 million.
- 4.3 A summary of performance relative to the Fund specific benchmark is shown below:

### Total Portfolio

	2021		2022				2023				2024		3yr
Quarter	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Fund	0.3	1.6	-6.5	-8.9	-2.7	2.6	3.4	0.3	-0.3	6.3	4.8	0.1	<b>0.0</b>
B'mark	0.7	4.2	-3.2	-6.8	-2.8	3.5	3.5	0.9	0.8	6.1	5.3	1.9	<b>4.5</b>
Relative	-0.4	-2.6	-3.3	-2.1	0.1	-0.9	-0.1	-0.6	-1.2	0.2	-0.5	-1.8	<b>-4.5</b>

- 4.4 As shown, the rolling 3-year performance of the Fund is 0.0% compared to a benchmark of 4.5%. For the last quarter (i.e. quarter 2), BlackRock passive equity outperformed its benchmark; Baillie Gifford traditional equity portfolio, Global Growth high alpha equity portfolio, Global Opportunities high alpha equity portfolio, Global Active Sustainable Equity Portfolio and CBRE Property underperformed their benchmarks; UK Credit, BlackRock Passive UK Gilts and BlackRock Global Infrastructure Solutions performed in line with their benchmark.
- 4.5 The 30<sup>th</sup> September 2024 Panel meeting included a review of fund managers' performance. Presentations were received from Baillie Gifford and Russell Investments (the manager of the Global Opportunities Fund and the Sustainable Equity Fund).
- 4.6 The asset allocation of the Fund, by Fund Manager and mandate as at 30<sup>th</sup> June 2024 (which includes cash), is shown in the table below:

Baillie Gifford Traditional	Global Equities	9%
Global Opportunities Fund (WPP)	Global High Alpha Equities	11%
Global Growth Fund (WPP)	Global High Alpha Equities	37%
UK Credit Fund (WPP)	UK Credit	15%
Sustainable Equity Fund (WPP)	Global High Alpha Equities	2%
BlackRock (WPP)	Passive Global Equities	6%
BlackRock (WPP)	Passive UK Gilts	11%
BlackRock	Infrastructure	1%
GCM Grosvenor (WPP)	Infrastructure	1%
CBRE	UK Property	6%
Capital Dynamics (WPP)	Local Investment	0%
Internal	Cash	1%

- 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	Committed Allocation	Step 1	Step 2	Step 3
Total Equities	65%	63%	64%	59%	54%
Infrastructure	2%	4%	0	5%	10%
Property	6%	6%	7%	7%	7%
Government Bonds (UK)	11%	11%	12%	12%	12%
Corporate Bonds (UK)	15%	15%	15%	15%	15%
Cash	1%	1%	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 of €59.5 million. Capital contributions to date total €44.810 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 £26.330 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 £3.081 million.
- 4.12 The Pension Fund has made a commitment of \$75 million to the BlackRock Renewable Power IV product. The first close was 21<sup>st</sup> October 2023. Capital drawdowns to date amount to \$33.766 million.
- 4.13 The necessary due diligence was completed for the Pension Fund to make a commitment of €75 million to the BlackRock GIS5 product. The first close was 13<sup>th</sup> September 2024.

## **5.0 ADMINISTRATION UPDATE**

- 5.1 During September, the Government launched the Pensions Investment Review: Call for Evidence, focused on defined contribution (DC) workplace schemes and the Local government Pension Scheme (LGPS).
- 5.2 Further to the previous update to Committee in respect of The Pensions Regulator (TPR) 'General Code of Practice', the RCT Pension Fund Working Group are progressing the gap analysis exercise as agreed. The Fund's Pension Board received an initial progress update at their latest meeting and will continue to receive regular updates throughout the year to provide appropriate challenge in support of the Fund's compliance.

- 5.3 The Pensions National Dashboards Programme (PDP) deadline for LGPS onboarding is to 'connect' by 31<sup>st</sup> October 2025. The Fund's 'Data Readiness' project is progressing well, and a suitable Integrated Service Provider has been appointed. The project is supported by LGPS specific guidance published by the Local Government Association (LGA). These preparatory actions taken by the Fund are consistent with The Pensions Regulators (TPRs) expectations, details of the TPR's approach to compliance is outlined in their recently published [Pensions Dashboards Compliance and Enforcement policy](#).
- 5.4 The Government's Actuary Department (GAD) has recently completed the scheme cost assessment required under Regulation 116 of the LGPS Regulations 2013. The Scheme Advisory Board (SAB) completed its own cost management process and determined not to recommend any benefit changes to the Secretary of State.
- 5.5 On the 14<sup>th</sup> August 2024, the Government Actuary Department (GAD) published its report on the 2022 fund valuations, as required by 'Section 13' of the Public Service Pensions Act 2013, to the Ministry of Housing, Communities and Local Government (MHCLG), which concluded that the scheme appears to be in a strong financial position with most funds in surplus at 31 March 2022. [Local Government Pension Scheme 2022 Section 13 Report](#)

GAD have made a number of recommendations for Scheme Advisory Board consideration:

- whether greater consistency could be achieved to allow greater comparison between funds and better understanding of risks,
  - whether guidance is needed on emerging issues e.g. climate change, and
  - whether guidance is needed on use of surplus and on demonstrating that deficit recovery plans are a continuation from the previous valuation.
- 5.6 The Fund's Annual Benefit Statements (ABS) were successfully published prior to the statutory deadline of the 31<sup>st</sup> August 2024. LGPS (Information) Regulations 2024 came into force on 23<sup>rd</sup> September 2024 which removed the requirements to include estimated underpin information in the 2023/24 ABS. Given the regulatory timings, TPR have confirmed that there will be no requirement to report a breach of law for not including an estimated underpin in the 2023/24 statements.
- 5.7 The Fund continues to work closely with its wider stakeholder 'Communication Forum', with the latest meeting held at the end of July 2024. Discussions included mutual priority workloads, key administration activities and the investment updates, together with the membership data preparatory work required for the 2025 Triennial Valuation exercise.
- 5.8 Member Self-Serve (MSS) continues to be promoted and registrations of Active, Deferred, Pensioner and Dependant members are shown below (as at September 2024). The 'My Pension Online' membership portal has been upgraded with

additional functionality by the software supplier, a transition plan for the RCT Fund is underway.

	Member Numbers	MSS Registrations	Current Percentage Take-up	Percentage Reported Previously
Actives	25,485	13,359	52.42%	51.77%
Deferred	30,021	12,905	42.99%	41.83%
Pensioners	20,033	7,709	38.48%	37.09%
Dependants	3,159	249	7.88%	7.72%

- 5.9 Preparation for 2023/24 RCT Pension Fund Annual Report is underway, with new items required in compliance with the SAB/CIPFA April 2024 guidance on 'Preparing Pension Fund Reports'. As part of its additional reporting requirement, the Service has increased the number of 'Key Performance Service Standards' from 01<sup>st</sup> April 2024, which 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. Work volumes are closely monitored and reflected in our longer-term workforce planning arrangements. The 3 local apprentices recently appointed by the Service, commenced their employment in September 2024.
- 5.10 The Fund has received formal notification from an 'admitted body' employer 'Valleys to Coast' in respect of its intention to exit the scheme as at 30<sup>th</sup> September 2024 and ten new 'admitted body' employers have recently been approved access to the RCT Fund.
- 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 on a hybrid basis on 30<sup>th</sup> July. The next meeting is scheduled for the 22<sup>nd</sup> October 2024, where in addition to the standard agenda items, Board will receive an update in respect of the Fund's 'Cyber Risk' arrangements.
- 6.2 There were no formal items raised by the Pension Board requiring feedback to Committee.
- 6.3 Pension Board Members have continued to support their skills and knowledge requirements through attendance at relevant events. The LGA Fundamentals training dates have been released and arranged for the new Board Member and Committee Member.

## **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 April to June 2024.

## **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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