

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2016-2017**

**PENSION FUND COMMITTEE**

**25<sup>TH</sup> APRIL 2017**

**REPORT OF: THE GROUP DIRECTOR,  
CORPORATE AND FRONTLINE  
SERVICES**

	<b>AGENDA ITEM NO.4</b>
<b>REVIEW OF FUND GOVERNANCE AND STRATEGY DOCUMENTS</b>	

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**1.0 PURPOSE OF REPORT**

1.1 This report sets out the Fund Governance and Strategy Documents which fall within the remit of the Committee as detailed in the terms of reference.

**2.0 RECOMMENDATIONS**

2.1 It is recommended that the Committee:

2.1.1 Review and consider any updates required to the Fund Governance and Strategy Documents as attached at Appendix 1 to 5 and those considered under Agenda Item 3; and

2.1.2 Approve the documents (subject to any required updated).

**3.0 BACKGROUND**

3.1 The agreed terms of reference of the Pension Fund Committee are as set out below.

**Terms of Reference**

The Pension Fund Committee have the following specific roles and functions with regards to the Rhondda Cynon Taf Pension Fund (the 'Fund'), taking account of advice from the Group Director for Corporate and Frontline Services (in their capacity as s151 Officer) and the Fund's professional advisers:-

- Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
  - i) Governance – approving the Governance Policy and Compliance Statement for the Fund;
  - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, giving due consideration to the results and impact of the triennial actuarial valuation and interim reports;
  - iii) Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite;
  - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers;
  - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers;
  - vi) Discretions – determining how the various administering authority discretions are operated for the Fund; and
  - vii) Internal Dispute Resolution Procedure – determining how the Scheme Member disputes are administered.
- Monitoring the implementation of these policies and strategies as outlined above on an ongoing basis.
- Considering the Fund's financial statements as part of the approval process and agreeing the Fund's Annual Report. Receive internal and external audit reports on the same.
- Receiving ongoing reports from the Group Director Corporate and Frontline Services in relation to their delegated functions.

- To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.
- To adhere to the principles set out in the Pensions Regulator Code of Practice and undertake its duties in compliance with the obligations imposed on it.
- To receive regular training to enable Committee Members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.
- Consider any pension compliance matters raised by the Fund's Pension Board.

3.2 This report sets out for the Committee the relevant Governance and Strategy Documents which fall within its remit and details the reporting arrangements for them.

#### **4.0 GOVERNANCE AND STRATEGY DOCUMENTS**

4.1 In line with regulatory requirements, the Fund has a duty to maintain and review (at least annually) a number of Governance and Strategy Documents, many of which need to be in place by the 1<sup>st</sup> April each year.

4.2 Accordingly, many of these have been reviewed by officers initially and considered by the Investment and Administration Advisory Panel. These are now presented to the Committee for review, comment and approval as appropriate. Note that whilst some of these have been published on the Website, there remains the opportunity for feedback from the Committee to be incorporated and for them to be reissued.

4.3 Set out in table 1 below are the relevant documents, as detailed in the terms of reference, and the proposed reporting arrangements to this Committee. Those now attached to this report for consideration by the Committee are shown.

**Table 1 – Strategy and Governance Documents**

<b>ToR Ref</b>	<b>Document</b>	<b>Committee Date</b>	<b>Comments</b>
i)	Governance Policy	25 <sup>th</sup> April 2017	Appendix 1
i)	Compliance Statement	25 <sup>th</sup> April 2017	Appendix 2
ii)	Funding Strategy Statement	18 <sup>th</sup> Jan 2017	Previously considered by the Committee
iii)	Investment Strategy Statement	25 <sup>th</sup> April 2017	Appendix 3, replaces the Statement of

			Investment Principles
iii)	Myners Compliance Statement	June / July 2017	To be presented to a future Committee
iv)	Administration Strategy	25 <sup>th</sup> April 2017	Appendix 4
v)	Communications Strategy	25 <sup>th</sup> April 2017	Appendix 5
vi)	Discretions	25 <sup>th</sup> April 2017	Agenda Item 3
vii)	Internal Dispute Resolution Procedure	25 <sup>th</sup> April 2017	Agenda Item 3

## 5.0 **CONCLUSION**

- 5.1 This report sets out, for the Committee, the key Fund Governance and Strategy Documents for review and consideration in line with the Terms of Reference.

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# Pension Fund Governance Policy Statement

Structure & Organisation of the  
RCT Pension Fund





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# 1. Introduction to Pension Fund Governance

Effective Pension Fund governance management is a crucial element of ensuring that the LGPS Scheme (RCT Pension Fund) remains an attractive and affordable employer pension scheme. In doing so, it is essential that an appropriate internal control environment exists that considers and regularly reviews risk, funding and securities, potential conflicts of interest, views of scheme stakeholders, regulatory consultation, change and compliance.

In 2000, the Government commissioned a Review of Institutional investment in the UK from Paul Myners, Chairman of the Gartmore Fund Management Group. The resultant report (known as the Myners Report) sets out a number of principles codifying best practice in pension fund management. Our compliance with each of these principles is shown annually in the Pension Fund Report.

Local Authority pension schemes are usually administered by so-called 'upper tier' authorities, i.e. counties, mets, unitaries and London boroughs (although there are two stand-alone pension funds, namely the London Pension Fund Authority and the South Yorkshire Pension Fund Authority). The top level of control is exercised by a Pensions Committee comprising host authority members. In effect, members of the Committee fulfil a quasi trustee function, equivalent to the trustees of a private sector pension fund. The Pension Fund Committee is responsible for the strategic management of the RCT Pension Fund in accordance with its terms of reference, with all operational matters delegated to the Group Director for Corporate and Frontline Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer).

Like many specialist local government services, elements of pension fund management are outsourced in order to harness the necessary expertise for what is a complex arena. The role of the Pensions Committee, and of officers, as agents of the Administering Authority is to determine a strategy, and to ensure that the strategy is properly and fully implemented. In effect, this is a procurement exercise, and as such requires skills that are needed in any procurement situation, for example: -

- A clear understanding of what the Fund is aiming to achieve and a strategy for achieving it
- Understanding the market and choices that can be made
- Deciding what needs to be provided in-house and what should be outsourced
- Defining and developing strong specifications for the services to be provided
- Ensuring clear and open competition
- Managing relationships, both with in-house providers and contractors
- Setting rigorous performance measures, and implementing a feedback loop for reporting, evaluating and monitoring contractor performance (whether for services provided in-house or outsourced)

Further to the Lord Hutton review of public service pension, the Public Service Pensions Act 2013 introduced a number of changes to public service pension schemes, including a number of key changes impacting on the governance arrangements of schemes. In line with the Act, each Fund Administering Authority was required to create a local Pension Board by no later than 01st April 2015. The Pension Board assists Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manger' in securing compliance and ensuring effective and efficient governance and administration. . The RCT Local Pension Board has been established and is made up of two employer representatives and two member representatives; the Board meets quarterly each financial year.

During 2015 the Scheme Advisory Board was formally established, providing a national oversight of LGPS, tasked with the role of identifying opportunities for collaboration, cost savings and efficiencies within the scheme

There are also new powers afforded to the Pension Regulator in relation to public sector scheme compliance. A 'Code of Practice' has been produced that sets out the standards of governance and administration for running of public service pension schemes. The RCT Pension Fund ensures its compliance with the requirements of the Code, through its risk control monitoring, and in accordance with the Fund's Reporting Breaches Policy



Pension Fund Management can be divided into two main areas:

## 1. Investment Management

As noted above, many aspects of investment management are carried out by a range of external specialist services, including:

- **Investment managers** who are responsible for managing the performance of the investment fund on a day-to-day basis. This will include making decisions on what to buy and sell and buying and selling itself, within the context of a broad investment policy laid down by the Administering Authority.
- **Investment advisers** who may assist in setting the broader policy, evaluating fund manager performance and so on.
- **Custodians** whose role is to safeguard the existence of assets and to ensure the Fund has proper title to them.
- **Actuaries** who evaluate overall fund management strategy (including the extent to which the fund is fully funded), fund performance, assess the likely impact of future trends (e.g. investment outlook, death rates etc) and advise on appropriate rates of employers contributions to ensure continued financial health for the scheme. They may also be asked for advice on overall fund management strategy. The Myners review suggested that this should be viewed as a separate service from the actuarial contract, in much the same way that auditors shouldn't give advice that they may later be required to audit.
- **Performance measurers** who analyse fund performance, provide detailed statistical analysis of overall pension fund performance and its components, and report the results to officers and the pension panel as appropriate.

Proper control needs to be exercised over the providers of these specialist services. There should be a comprehensive policy for the fund which includes asset allocation management, for example the fund gearing, (proportion of higher risk investments (equities, property etc) to fixed interest stock (bonds) and broad sector divisions within the major asset classes, (in the case of equities for example, pharmaceuticals, construction, manufacturing, and geographical diversity, for example UK equities, Far East, United States). Any policy on asset allocation must be in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Investment Regulations, which prescribe maximum limits for investments in any one vehicle. It should also put in place proper arrangements for setting targets for fund performance, monitoring compliance with policy and taking action when necessary if performance is not in line with the targets set. The strategy for managing the fund should also take into account the maturity of the fund; that is the proportion of pensioners to active contributors to the scheme.



## 2. Fund Administration

Administering the fund includes putting in place sound financial systems to ensure that contributions are collected and credited to the fund, correct levels of pensions are paid out, transfer values are correctly calculated and paid or received and queries and complaints are dealt with properly. Considerable reliance can be put on core financial controls operated by the Administering Authority through its main financial systems. The payroll system is closely tied in with pension fund administration and reliance should be placed on internal audit cover, if their cover is deemed to be adequate, although this may not be applicable in respect of admitted bodies. The administering authority is likely to be heavily dependent on the quality of information submitted to them and anomalies in data submitted by employers can cause considerable delays in the administration process.

Monitoring by the relevant panel is key, and appropriate performance indicators should be in place and reported on a regular basis. These could give, for example, details of administration costs, compliance with statutory time limits and numbers of complaints received and dealt with. In line with any local government activity, pension funds should be exposed to rigorous WPI reviews.

There are a number of key liaisons that are maintained:

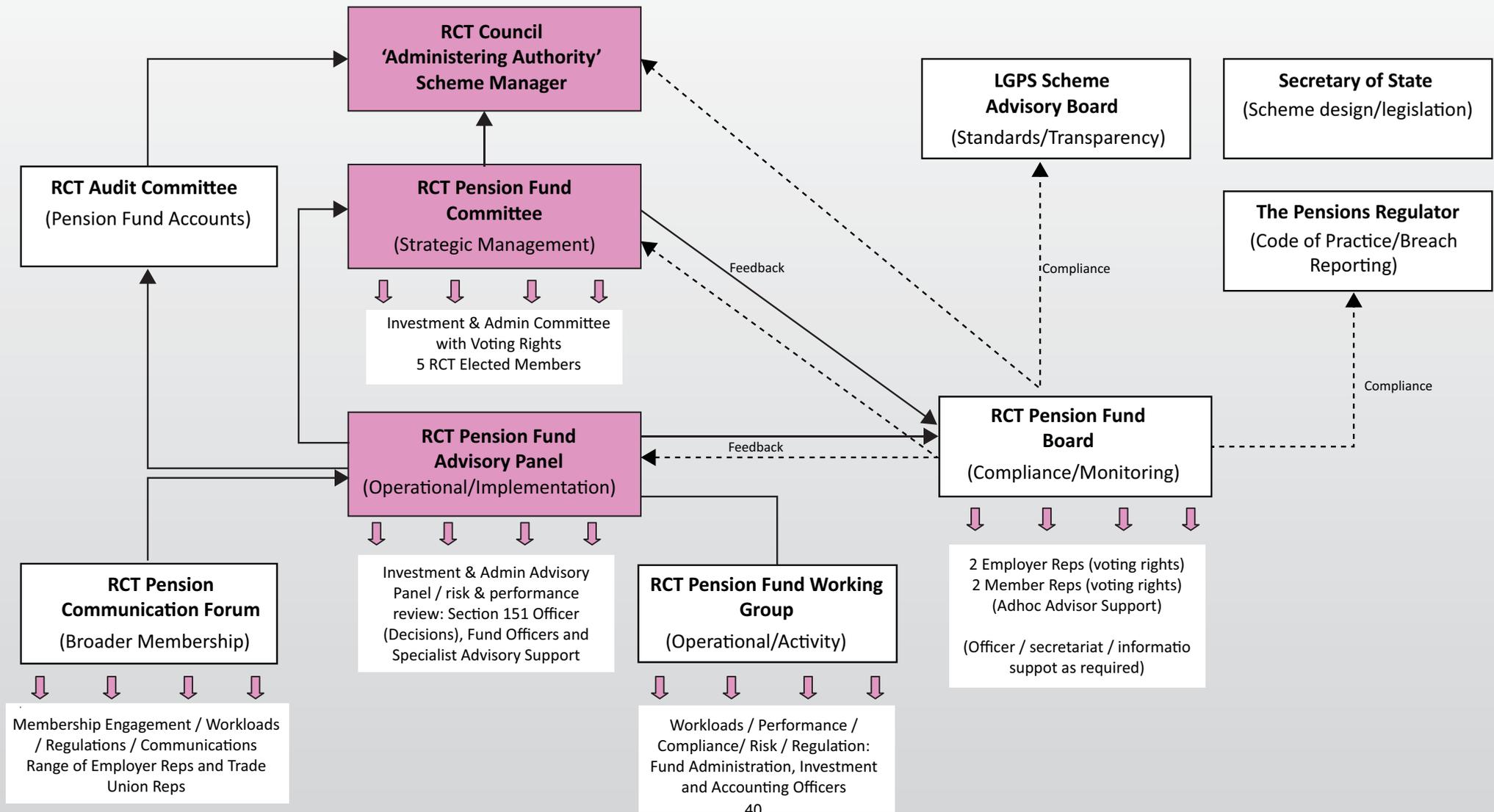
- Scheme Employers (Scheduled / Designated and Admitted Bodies)
- Fund Actuary
- DCLG / GAD – legislative changes / modelling
- Local Government Association (LGPS)
- LGPS Scheme Advisory Board
- Welsh LGPS Pensions Officer Group
- The Pensions Regulator
- The Pensions Ombudsman

### Risk Register

The Fund maintains a risk register to capture and monitor the key risks associated with its activities and the appropriate controls taken to mitigate such risks.



## Rhondda Cynon Taf Pension Fund Governance Structure 2016





## 3. Decision Making & Engagement

### Decision-making

The Pension Fund Committee is responsible for the strategic management of the RCT Pension Fund in accordance with its terms of reference, with all operational matters delegated to the Group Director for Corporate and Frontline Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer).

### Employer Engagement

Currently eight employers have representation on the Communication Forum. In addition there is an AGM for all employers and one to one meetings are held with larger employers (others on request) on an annual basis.

### Scheme Member Engagement

In addition to officers (active scheme members) in attendance, Trade Unions are represented on the Fund's Communications Forum.

In addition the Fund's Local Pension Board includes representation on behalf of Employer and Scheme Members.



## 4. RCT Pension Fund Committee

### Composition

The Pension Fund Committee is politically balanced and comprises 5 Elected Members.

### Terms of Reference

The Pension Fund Committee have the following specific roles and functions with regards to the Rhondda Cynon Taf Pension Fund (the 'Fund'), taking account of advice from the Group Director for Corporate and Frontline Services (in their capacity as s151 Officer) and the Fund's professional advisers:-

- Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
  - i) Governance – approving the Governance Policy and Compliance Statement for the Fund;
  - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, giving due consideration to the results and impact of the triennial actuarial valuation and interim reports;
  - iii) Investment strategy - approving the Fund's investment strategy, Investment Strategy Statement and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite;
  - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers;
  - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers;
  - vi) Discretions – determining how the various administering authority discretions are operated for the Fund; and
  - vii) Internal Dispute Resolution Procedure – determining how the Scheme Member disputes are administered.
- Monitoring the implementation of these policies and strategies as outlined above on an ongoing basis.
- Considering the Fund's financial statements as part of the approval process and agreeing the Fund's Annual Report. Receive internal and external audit reports on the same.
- Receiving ongoing reports from the Group Director Corporate and Frontline Services in relation to their delegated functions.
- To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.
- To adhere to the principles set out in the Pensions Regulator Code of Practice and undertake its duties in compliance with the obligations imposed on it.
- To receive regular training to enable Committee Members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.
- Consider any pension compliance matters raised by the Fund's Pension Board.



## Secretarial Function

Organisation of meetings and preparation of agenda and minutes is carried out by Committee Services. Meeting papers and agenda are circulated in advance of the meeting and published.

## Frequency of Meetings

Quarterly

## 5. Pension Board

### Composition

- Two Employer Representatives (one Chair)
- One Member Representative (Pensioner)
- One Member Representative (Active/Deferred)
- Support Officers/Advisors required as and when

### Terms of reference

To assist Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manger' in -

- Securing compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Ensuring the effective and efficient governance and administration of the LGPS by the Scheme Manager

## Secretarial Function

Organisation of meetings and preparation of agenda and minutes is carried out by the Senior Democratic Services Officer (Legal & Democratic Services). Meeting papers and agenda are circulated in advance of the meeting and published.

## Frequency of Meetings

Quarterly



## 6. Investment & Administration Advisory Panel

### Composition

The Panel comprises of representatives of the Administering Authority as follows: -

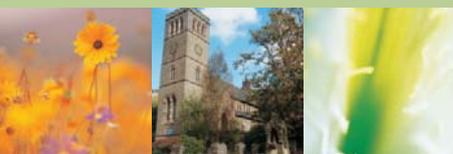
- Two Rhondda Cynon Taf Council Members (Agreed by Council)
- The Section 151 Officer – Chair
- The Deputy Section 151 Officer
- The Head of Pensions, Payroll & Payments
- The Head of Finance, Education & Financial Reporting
- The Principal Accountant, Treasury and Pension Fund Investments
- The Senior Accountant, Treasury and Pension Fund Investments
- Two independent Advisors to the Pension Fund

### Terms of reference

The Group Director Corporate 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.

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.



## Secretarial Function

The Pension Fund Accountant carries out preparation of the agenda and minutes, and organisation of meetings. Meeting papers and agenda are circulated at least 1 week in advance of the meeting.

## Frequency of Meetings

The Panel meets quarterly.

## 7. Pension Fund Working Group

### Composition

- The Deputy Section 151 Officer (Chair)
- The Head of Pensions, Payroll & Payments
- The Pensions Service Manager
- The Principal Accountant, Treasury and Pension Fund Investments
- The Head of Finance, Education & Financial Reporting
- The Service Director, Operational Finance
- The Senior Accountant, Treasury and Pension Fund Investments
- The Senior Team Manager (Pensions)
- Other officers as required

### Terms of reference

Reports to Investment and Administration Advisory Panel

- To discuss and propose to the Section 151 Officer the agenda for the Panel meeting
- To discuss and propose responses to consultation papers
- To discuss, review and propose any changes to the Fund's governance arrangements
- To discuss and deal with day to day administration, investment and accountancy issues
- To receive and discuss reports from the Pension Fund Actuary, Auditor and other bodies, and to report to the Panel as necessary
- To review and monitor performance management arrangements
- To review the RCT Pension Fund Risk Register
- To conduct an annual performance evaluation for the external Advisors to the pension fund
- To discuss staffing and training issues
- Any other Pension Fund matter

## Secretarial Function

Organisation of meetings and preparation of agenda and minutes is carried out by the Pension Fund Accountant. Meeting papers and agenda are circulated in advance of the meeting.

## Frequency of Meetings

The Group normally meets monthly with a meeting to take place before each meeting of the Investment and Administration Panel. Ad-hoc meetings may also be arranged with the agreement of the Section 151 Officer or Deputy.



## 8. Pension Fund Communication Forum

### Composition

- The Deputy Section 151 Officer (Chair)
- The Head of Pensions, Payroll & Payments
- Principal Accountant, Treasury and Pension Fund Investments
- The Senior Team Manager (Pensions)
- 8 Employer representatives
- 2 Trades Union Officials

### Terms of Reference

- To consider and discuss key investment, administration and communication issues in relation to the pension fund
- To receive feedback on investment and administration issues
- To consider all aspects of Scheme communication and to make recommendations to the Panel
- To prepare and report to the pension fund employers' AGM

### Secretarial Function

Organisation of meetings and preparation of agenda and minutes is carried out by the Senior Team Manager (Pensions). Meeting papers and agenda are circulated in advance of the meeting.

### Frequency of meetings

Quarterly



## 9. Pensions Fund Discretions Panel

This sub-group considers individual cases where the exercise of the Authority's discretion in its role as Administering Authority is required. All 3 officers must be in attendance and deputies as indicated in parentheses act as substitutes when required.

### Composition

- The Service Director, Operational Finance (Chair)
- The Head of Pensions, Payroll & Payments
- The Head of Finance, Education & Financial Reporting

### Terms of Reference

- To consider and recommend to the Section 151 Officer the exercising of the Authority's discretion on individual cases, as required
- To report decisions to the Pension Fund Working Group

### Secretarial Function

Organisation of meetings and preparation of minutes is carried out by a member of the Pensions Section. Meeting papers are circulated 1 week in advance of the meeting.

### Frequency of meetings

Meetings are held on an ad-hoc basis, as required.



## 10. Internal Dispute Resolution Procedure

### Purpose of a Dispute Resolution System

The Government's stated policy intention is that an occupational pension scheme's internal dispute resolution procedure should serve as a filter, to ensure that easily resolved complaints and simple misunderstandings are not referred to the Pensions Ombudsman.

### The Local Government Scheme

The Internal Dispute Resolution Procedure (IDRP) as laid down by the Local Government Pension Scheme Regulations, consists of two stages.

#### Stage 1

The appropriate administering authority must decide any question concerning service or employment, crediting of additional pension or the amount of benefit (or return of contributions) that a person may be entitled to. Any other matter is to be dealt with by the Scheme's employer in the first instance. The decision should be made and notified to the person, in writing, as soon as practicably possible.

#### Stage 2

Each Scheme employer and the administering authority must appoint an adjudicator to consider appeals to a first decision. A person has six months from the date of notification of a Stage 1 decision in which to apply to the adjudicator if they disagree with the outcome. The adjudicator has two months from receipt of the appeal application in which to notify the applicant, the scheme employer and, if the Scheme employer is not an administering authority, to the appropriate administering authority.

If the dispute is not resolved at this stage it can be referred to the Administering Authority for re-consideration and no-one who was involved in the making of a decision at stage 1 should be involved at this stage.

The full procedure is laid out in The Local Government Pension Scheme Regulations 2013.



# Rhondda Cynon Taf Pension Fund

## STAGE ONE

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### Administering Authority Appeals Panel

The Administering Authority Appeals Panel deals with appeals against a decision of the administering authority.

The panel makes decisions and at least 3 officers should be in attendance for a decision to be made. Where nominated officers are not available, appropriate deputies attend meetings. The Pensions Administration Manager is responsible for presenting individual cases to the panel but is not involved in the decision making process.

The Pensions Administration Manager is a member of the pensions section with responsibility for the administration of appeals and complaints.

### Composition of the Panel

- The Deputy Section 151 Officer (Chair)
- The Director Human Resources
- The Head of Pensions, Payroll & Payments
- The Pensions Service Manager

### Terms of Reference

To consider and decide on stage one appeals under the Internal Dispute Resolution Procedures against decisions taken by the Administering Authority.

### Secretarial Function

Organisation of meetings and preparation of papers is carried out by the Pensions Service Manager. Meeting papers are circulated at least one week in advance of the meeting. Meeting papers include correspondent received from all parties and a summary of the case, prepared by the Pensions Service Manager.

Minutes are taken by the Pensions Service Manager who is also responsible for informing the appellant of the decision and setting out the reasons for that decision.

### Frequency of Meetings

Meetings are held on an ad-hoc basis, as required.



## STAGE TWO

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The administering authority's adjudicator deals with stage two appeals for the Rhondda Cynon Taf Pension Fund. This is in accordance with The Department for Communities & Local Government guidance.

In the event of a second stage appeal, all papers and correspondence are passed to the adjudicator by the relevant employer or where the stage one appeal was against Rhondda Cynon Taf as Administering Authority, by the Pensions Service Manager.

The matter will be given fresh consideration in an in-depth and formal way. Full account will be taken of the facts and any evidence submitted.

In reconsidering the decision the Monitoring Officer will: -

- Check that the regulations were applied correctly
- Check that sound, impartial procedures were used to reach the decision, in particular where the dispute concerns the exercise of a discretion by a scheme employer or by the administering authority.

Independent advice may be sought from the fund actuary, pensions lawyer or other professional adviser if necessary but the final decision will be made by the Monitoring Officer, in keeping with the regulations.

## 11. Trustee Training

Members of the Pensions Committee, Investment and Administration Advisory Panel and the RCT Pension Board receive regular training and updates. Which include :

- Seminars and Courses
- Conferences
- Meetings with the Fund Actuary
- Meetings with External Fund Managers
- Meetings with the Employers Organisation
- Specialist presentations
- LGA / Pension Regulator / Scheme Advisory Board circulars

Training and awareness sessions are undertaken and recorded in a 'Knowledge and Skills' Training Log.

## 12. Monitoring and Review

The Policy Statement shall be reviewed annually at the March meeting of the Investment and Administration Advisory Panel, subject to any significant legislative changes requiring earlier review.

The annual review will consist of consideration of the effectiveness of the structure and processes generally.



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[www.rctpensions.org.uk](http://www.rctpensions.org.uk)

[www.rctcbc.gov.uk](http://www.rctcbc.gov.uk)



# Pension Fund Compliance Statement





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## 1. Part II/A Structure

- a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
- b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
- d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				•
b)				•
c)				•
d)				•

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The Local Pension Board has two member representatives who represent all categories of members, i.e. active, deferred and pensioner.



## 2. Part II/B Representation

- a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
- i. employing authorities (including non-scheme employers, e.g. admitted bodies);
  - ii. scheme members (including deferred and pensioner scheme members),
  - iii. independent professional observers, and
  - iv. expert advisors (on an ad-hoc basis).
- b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights. .

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				•
b)				•

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The Local Pension Board has two member representatives who represent all categories of members, i.e. active, deferred and pensioner.



### 3. Part II/C Selection and Role of Lay Members

- a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee

Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
			•

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The role of each committee is set out in the Governance Policy Statement.

Continuous training and awareness sessions are provided to Committee, Board and Panel Members, as documented in the Fund's 'Knowledge and Skills Framework' Training log.

A separate 'Knowledge and Skills Framework' Training log is maintained for Pension Committee and the Investment and Administration Advisory Panel, with a similar requirement maintained in respect of the Local Pension Board members.



## 4. Part II/D Voting

- a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
			•

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations)

Comments on ratings given above:

Voting rights are extended to the Pension Fund Committee which is politically balanced, and is responsible for the strategic management of the Fund. All operational functions are delegated to the Group Director for Corporate and Frontline Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer).

All Pension Board members are deemed to have equal voting rights with the Chair having the casting vote if a majority decision cannot be reached



## 5. Part II/E Training, Facility Time and Expenses

- a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
- b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

	Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)				•
b)				•

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

Policy on training and expenses are covered by the relevant authority policies. Appropriate LGA 'Trustee Training' is provided to all new Committee, Board and Panel Members.

A training plan is maintained for key pension personnel, together with a 'Knowledge and Skills Framework'. A separate Knowledge and Skills Framework and Training Plan is maintained for RCT Local Pension Board members.

The Local Pension Board Terms of Reference outlines the policy on reimbursement of expenses for member representatives.



## 6. Part II/F Meetings

- a) That an administering authority's main committee or committees meet at least quarterly.
- b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
- c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
a)			•
b)			•
c)			•

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

AGM is held annually where questions can be addressed to members of the main committee, Communication Forum is held quarterly with representatives from Scheme Employers (including Admitted Bodies), Unions and Scheme Members.

RCT Local Pension Board is made up of two employer and two member representatives. The member representatives represent all categories of members, i.e. active, deferred and pensioner.

RCT Pension Committee meet quarterly.



## 7. Part II/G Access

- a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
			•

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

All members of the Investment and Administration Advisory Panel have equal access to all papers for meetings.

Communication Forum minutes / documentation is circulated to all other 'Employers' not in attendance.

All members of the RCT Local Pension Board have equal access to all papers for meetings.

All members of the RCT Pension Committee have equal access to all papers for meetings.



## 8. Part II/H Scope

- a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
			a) •

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The Pension Fund Governance Policy Statement sets out the governance structure, which includes a Discretions Panel that deals with matters concerning the exercise of discretions. Additionally, the Pension Fund Working Group review the wider pension scheme issues.



## 9. Part II/I – Publicity

- a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Not Compliant	Partly Compliant	Mostly Compliant	Fully Compliant
			•

Reason for non-compliance (Regulation 55(1)(c) 2014 Regulations):

Comments on ratings given above:

The Pension Fund Governance Policy Statement is on the Fund web-site or can be provided in hard copy if requested. 'Employer' Stakeholders are formally invited to participate in the Communications Forum meetings.

The Local Pension Board has two member representatives who represent all categories of members, i.e. active, deferred and pensioner.

Pension Committee representation and minutes are published on the RCT website.



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**RHONDDA CYNON TAF**  
TREFTADAETH GADARN | DYFODOL SICR

[www.rctpensions.org.uk](http://www.rctpensions.org.uk)

[www.rctcbc.gov.uk](http://www.rctcbc.gov.uk)

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**RHONDDA CYNON TAF PENSION FUND**

**INVESTMENT STRATEGY STATEMENT**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities, after taking proper advice, to formulate an Investment Strategy in accordance with DCLG guidance. The first Investment Strategy Statement needs to be published by 1<sup>st</sup> April 2017. The Statement needs to be reviewed at least every three years.

The Statement must include :

- a) A requirement to invest fund money in a wide variety of investments
- b) An assessment of the suitability of particular investments and types of investments
- c) Our approach to risk, including the ways in which risks are measured and managed
- d) Our approach to pooling investments, including the use of collective investment vehicles and shared services
- e) Our policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments
- f) Our policy on the exercise of the rights (including voting rights) attaching to investments.

The attached Statement has been prepared in consultation with the Pension Fund Investment and Administration Advisory Panel, Pensions Board and approved by the Pension Fund Committee. It is reviewed annually and re-approved by the Committee in the event of any changes.

## **Investment Strategy Statement**

### **Rhondda Cynon Taf Pension Fund**

#### **1. Overall Responsibility**

Rhondda Cynon Taf County Borough Council is the designated statutory body responsible for administering the Rhondda Cynon Taf Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. The Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The Council has created a politically balanced Pension Fund Committee consisting of elected members to oversee the Council's responsibility with regard to the administration of the Pension Fund. This committee is responsible for the strategic management of the Pension Fund

The Council has appointed the Group Director - Corporate and Frontline Services as the officer with Section 151 responsibilities to exercise delegated powers to make decisions in respect of operational matters of the Pension Fund investments and administration. An Investment and Administration Advisory Panel has been formed to support him in this capacity. This is made up of:

- The Deputy Section 151 Officer
- Head of Finance (Education and Financial Reporting)
- Head of Service (Pension, Payroll and Payments)
- Principal Accountant, Treasury and Pension Fund Investments
- Senior Accountant, Treasury and Pension Fund Investments
- Independent Advisors

Both the Committee and the Panel meets quarterly. The Council is not strictly a trustee (technically, this is the Department for Communities and Local Government) but acts in a quasi - trustee role.

In accordance with the requirements of the Public Service Pensions Act 2013, a Pensions Board has been established in order to assist Rhondda Cynon Taf C.B.C. as "Scheme Manager" with achieving effective and efficient governance and administration of the Rhondda Cynon Taf Pension Fund.

The role of the Pension Board as defined by sections 5(1) and 5(2) of the Public Service Pensions Act 2013, is to assist Rhondda Cynon Taf County Borough Council Administering Authority as Scheme Manager to: -

- Secure compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
- Secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and

- Ensure the effective and efficient governance and administration of the LGPS by the Scheme Manager.

The Pension Board will provide oversight of the above matters and accordingly it is not a decision making body in relation to the management of the Fund itself.

Full details of governance arrangements can be found on the following link:  
[Governance Policy](#)

## **2. Primary Objective**

The Fund's objective is to provide for members' pension and lump sum benefits on their retirement or for the dependants' benefits on death before or after retirement, on a defined basis in accordance with LGPS regulations.

## **3. Funding Objectives**

Rhondda Cynon Taf C.B.C. should manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that an appropriate level of contribution is agreed by the Authority to meet the cost of future benefits arising.

The Funding Strategy Statement and the Investment Strategy Statement are intrinsically linked and together aim to deliver stable contribution rates for employers.

The investment objective is to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, minimising long term cost.

The Fund's objective is to achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives on an ongoing basis.

The Group Director – Corporate and Frontline Services supported by the Investment and Administration Advisory Panel will ensure that one or more investment managers are appointed who are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to manage the assets of the Fund. Contracts / mandates are in place giving instructions to the Managers as to how the investment portfolio is to be managed.

The Pension Fund Committee having taken account of advice from the Group Director – Corporate and Frontline Services may give specific directions as to the strategic asset allocations and will ensure the suitability of assets in relation to the needs of the Fund. The investment managers (each of which will have a benchmark and target to reflect their mandate) will be given full discretion over the choice of individual stocks and will be expected to maintain a diversified portfolio within the restrictions specified in each mandate.

#### **4. Diversification Policy : Requirement to invest fund money in a wide variety of investments**

The fund invests in a range of asset classes to help reduce overall portfolio risk. This will ensure that if a single asset class is not performing well, this underperformance is balanced by other better performing assets at that time. The portfolio is also diversified to reduce volatility in performance.

The fund is diversified into the following asset classes:

- Equities
- Bonds
- Property
- Cash

The Fund commissioned an Asset / Liability review in 2013, the fundamental aim which was to position the Fund's investments so as to maximise the likelihood of achieving (and minimising the risk of not achieving) the return assumed with the actuarial valuation, thus ensuring the pension Fund is being invested in the most efficient way.

Aon Hewitt was appointed to give their view on the risk/return of the Pensions Fund's current investment strategy. Following on from this they were required to comment and recommend alternative constructs that could deliver the Fund's long term objectives.

Using a computerised model approach, simulations were undertaken for different portfolio asset strategies. The model estimated the probability of achieving a variety of funding outcomes over different time periods given the current asset allocation strategy. The majority allocation to equities in the portfolio gave a potentially high return, but was also the most significant contributor to overall risk.

Alternative asset allocation strategies were put forward as a potential means of increasing diversification. Options were reviewed by the Panel at that time. It was noted by the Panel that the Rhondda Cynon Taf Pension Fund was not particularly high risk compared to other LGPS funds and that some of the potential alternatives resulted in entering into asset classes that were expensive and difficult markets to enter.

The Panel concluded that at this current time, it would remain with the same asset allocation strategy.

Diversification of equities is further enhanced by having 6 managers each with different styles and/or mandates. The fund diversifies equity risk by holding the following range of mandates:

- Global Traditional Equities
- High Alpha Equities (2 managers)
- UK Equities (2 managers)
- Passive Equities

Following the above, the target and maximum percentages of total value of all investments that we will invest in particular investments or asset classes was as follows:

<b>Asset Class</b>	<b>Target % of Fund</b>	<b>Max. % of Fund</b>
High Alpha Global Equities	30%	85%
Traditional Equities	20%	
UK Equities	10%	
Passive Equity	5%	
Fixed Interest (Bonds)	25%	35%
Property	10%	20%
Cash		10%

The above target forms the basis of a customised benchmark which the Fund's performance is monitored against. The customised benchmark moves in line with market volatility. The asset allocation of the portfolio is not rebalanced on a routine basis but is reviewed annually to ensure the target return is not adversely impacted.

We may not permit more than 5% of the total value of all investments of fund money which are connected with the Authority within S212 of the LG and Public Involvement in Health Act 2007.

In assessing the diversification policy, the Fund will consult with independent advisors

#### **5. Asset Allocation Policy : *Assessment of the suitability of particular investments and types of investments***

Investments are selected with their suitability to meet the fund's overall objective of meeting pension obligations as they fall due. The level of return required is informed by the triennial actuarial valuation.

Low volatility assets such as gilt edged investments behave in a similar manner to pension liabilities and would therefore "match" the attributes of pension obligations. However the requirement to achieve a longer term higher rate of return is perceived on average to be achieved by other classes of assets such as stocks or property.

The current portfolio has been constructed with actuarial and independent advisor advice to achieve a specified level of return within risk parameters.

A management agreement is in place for each investment manager which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions as determined by the Pension Fund Committee.

The following demonstrates employment of investment managers (March 2016) with the respective proportions of the fund:-

	<b>% of Fund Invested</b>
UK Equities	21%
Overseas Equities	
US	27%
Continental Europe	12%
Other Int'l Equities	13%
Total Bonds	19%
Property	6%
Cash & Deposits	2%

The Pension Fund Committee has agreed not to invest in private equity at the present time.

The Pension Fund Committee has agreed not to stock lend at the present time.

The Asset Allocation Strategy is reviewed annually to ensure that returns, risk and volatility are managed and consistent with overall investment strategy.

#### **6. Policy On Risk : *Approach to risk, including the ways in which risks are measured and managed***

The Fund maintains a Risk Register that is agreed by the Investment and Administration Advisory Panel and reported to the Pensions Board and Pensions Committee on a quarterly basis. The risk register examines funding, investment, operational, governance and regulation issues, ranks risks in terms of likelihood and impact and details mitigation measures.

#### **Investment Risk**

This covers items such as the performance of financial markets and the Fund's investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk
- currency risk
- macroeconomic risks

The adoption of an asset allocation benchmark and the monitoring of performance relative to a performance target constrains the investment managers from deviating significantly from the intended approach, while permitting flexibility to manage the Fund in such a way to enhance returns.

The overall investment objective is to maximise investment returns and to minimise employer contributions over the long term within agreed risk tolerances.

The requirement is to move towards 100% funding over a period of time. This is agreed with the Actuary as the average expected future working lifetime of the scheme membership. The funding level is computed triennially, following an actuarial review.

The Fund's assets are managed on an active basis (except the Global Passive Equity mandate) and are expected to outperform their benchmarks over the long term. In this way the investment performance achieved by the Fund is expected to exceed the rate of return assumed by the Actuary in funding the Fund on an ongoing basis.

The Fund's investment managers have been given weighted average benchmarks and targets to reflect their mandates. Both asset allocation and stock selection is monitored. The current targets for each mandate are as follows:-

Portfolio	Portfolio Benchmark Index	Portfolio Target
Traditional equity manager	UK - FTSE All Share US – FTSE All World Europe – FTSE All World Europe Far East – FTSE All World Developed Asia Other Intl – MSCI Emerging Index	Composite Index +1% pa over rolling 3 year period
Global passive equity manager	FTSE A W All World	Index
Global high alpha managers	MSCI All Countries World Index	Index + 2% over rolling 3 year period
UK equity high alpha managers	FTSE All Share Index	Index +2% over rolling 3 year period
Fixed Interest Manager	UK Govn Bonds – FTS UK Govn All Stocks UK Corporate – IBoxx GBP Non Gilts	Composite Index +0.5% pa over rolling 3 year

		period
Property Manager	RPI	Index +4.5%

Review of the investment managers is ongoing based on the quarterly and annual performance data supplied to the Panel by external performance management agencies.

The appointment of more than one investment manager introduces diversification of manager risk as discussed above.

Each manager is expected to maintain a diversified portfolio of investments and adhere to restrictions imposed within their agreement.

Fund Managers also have investment restrictions as follows:

## Investment Restrictions per Mandate

	Total Gov. Bond Expos. Min 30% Max 70%	Non Gov Exp min 30% max 70%	Over-seas Exp 30% limit	Max. Hold'g of 15% on pooled vehicles	Max. 10% in any one single hold'g	Max. of 10% held in cash	Max. of 5% held in cash	No single overs's equity exceed 5% of total value of fund	Max. holding of 25% in trust scheme	Max 25% in Emerg Markets	Max. holding of 25% in OEIC scheme	Max. 10% in any overseas holding (added jan 16)
<b>BMOGAM Bonds</b>	X	X	X	X								
<b>Baillie Gifford Traditional</b>					X	X		X	X			
<b>Baillie Gifford High Alpha</b>					X	X			X			
<b>Newton High Alpha</b>					X				X	X		
<b>BlackRock UK Equity</b>					X				X		X	X
<b>Invesco UK Equity</b>	NO LIMITS AS POOLED FUND											
<b>Blackrock Passive Eqs</b>	NO LIMITS AS POOLED FUND											
<b>CBRE Property</b>					X		X					

The performance of both markets and managers is reviewed regularly by the Investment Advisory Panel, which has the appropriate skills and training required to undertake this task. The Panel is also supported by Independent Advisors providing the proper advice to enable the Panel to robustly fulfil its functions.

**7. Approach to pooling investment, including the use of collective investment vehicles and shared services.**

During November 2015, the DCLG issued “LGPS: Investment Reform and Guidance” with the aim of significantly reducing costs whilst maintaining overall investment performance by inviting authorities to work together to lead the design and implementation of their own pools each with a minimum value of £25bn.

Prior to the publication of the guidance to the LGPS in November 2015 Welsh Funds had already developed and agreed a detailed business plan which included joint procurement of a single provider for passive equity management and establishment of a pooling vehicle for collective investment.

Along with other Welsh Funds, we have confirmed to our commitment to appoint a regulated third party operator to provide a series of collective vehicles in order to benefit from economies of scale from the management of Welsh pension fund assets.

We are a cohesive group of funds with a long experience of collaborating across a number of policy areas, reflecting the specific economic, social, regulatory and political context within Wales. The unique nature of Wales ensures that despite the value of investments not reaching £25bn, we are well placed to benefit from collaboration and economies of scale.

We believe that our proposals meet government objectives and the distinctive needs of the Welsh funds and their stakeholders. Savings will quickly outweigh costs and in the longer term will deliver material benefits to employers and local tax-payers.

Further to detailed proposals being submitted during July 2016, approval was received from the Minister November 2016.

The highlights of the proposals include:

- An ambition to have the pool up and running by the end of 2017, ahead of the government timetable.
- 95% of assets in the pool by 2021.
- A pool structure comprising of a Financial Conduct Authority (FCA) authorised Collective Investment Vehicle (the Operator and Authorised Contractual Schemes (ACS) and other pooled investment vehicles to hold assets).
- We will use a third party Operator to deliver these services initially but will consider ownership options in the medium term.

- A major change in manager selection which shifts to the FCA Operator who will be responsible for selecting and contracting with managers on behalf of the funds participating in the pool.
- Investment allocation decisions, including allocations to infrastructure investments, will remain a local matter decided by individual fund committees.
- Strong governance arrangements for the pool. These will include a Joint Governance Committee (JGC) from Spring 2017 which will appoint the Operator and hold it to account. The JGC will be made up of elected members of the administering authorities and will be supported by an Officer Working Group. We will consider what other representation may be appropriate, including the potential for an independent advisor role on the JGC, and a mechanism for scheme member representation in pool governance.

The contracts of the single provider of passive equity management for all Welsh Funds have been signed by each Welsh Fund and funds have been transitioned. This has resulted in significant fee reductions.

The aim is for all our Fund's assets to be managed within the pooling arrangement in due course.

The Fund recognises that infrastructure can potentially represent an attractive investment for local government pension funds. The current allocation across Welsh funds in aggregate is less than 0.5% of total assets (£40m), though some funds have commitments in place which will increase that level of investment. With the increased scale of assets within a pool, on an All Wales or UK basis, it should be possible to consider investing directly into infrastructure funds and obtain a diversified portfolio without making use of a 'fund-of-funds' arrangement. As a result, the pool is likely to provide a lower cost way of accessing the asset class - which may therefore make it more attractive from a risk/return perspective. This will lead to individual funds considering a higher allocation to the asset class than at present. The Rhondda Cynon Taf Fund currently holds no infrastructure investments but would give consideration to this asset class as part of its asset allocation reviews if the offer from the pool met our desired criteria at that point in time.

We will report annually to the Scheme Advisory Board annually demonstrating the progress of asset transfers into the pool.

## **8. How social, environmental and corporate governance considerations are taken in to account in the selection, non-selection, retention and realisation of investments.**

The overriding principle of the Fund's investment policy is to obtain the best possible return using the full range of investments authorised under the Local Government Pension Scheme regulations.

Although the pursuit of a financial return is our predominant concern, we may also take non financial considerations into account provided this would not involve

significant risk of financial detriment to the scheme and where we think scheme members would support the decision.

Investments that deliver positive social impact as well as financial return are often described as “social investments”. Such investments will only be considered if there is no significant risk of financial detriment to the Fund. In the case of considering such investments, advice will be obtained from independent advisors.

The incorporation of these factors into investment managers’ stock selection decisions should serve to enhance the process, rather than restrict choice in any way. The Fund does not negatively screen stocks from the investment universe available to managers.

We expect the Fund’s active investment managers to proactively engage with the companies that they invest in to encourage good corporate governance.

The Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

## **9. Exercise of Voting Rights attached to investments.**

Long term investment interests are enhanced by the highest standards of corporate governance and corporate responsibility. Poor governance can negatively impact shareholder value.

This Fund recognises the importance of stewardship and engagement via the equity fund managers is exercised to exert a positive influence on companies.

All the Fund’s active equity investment managers are expected to exercise their voting rights to promote good corporate governance and social and environmental responsibility.

The Fund has agreed a voting template which incorporates best practice governance guidelines. An independent voting agency is employed to monitor and compare the voting records of the managers against this template.

## **10. Myners Principles of Good Investment Guidance.**

The Fund assesses and reviews its own compliance with the Myners Principles annually. The Fund has assessed itself to be fully compliant with the principles below:

- Principle 1. Effective Decision Making
- Principle 2. Clear Objectives
- Principle 3. Risk and liabilities
- Principle 4. Performance assessment
- Principle 5. Responsible ownership
- Principle 6. Transparency and reporting



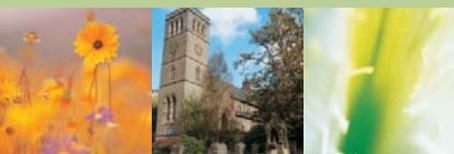
# Pension Fund Administration Strategy





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## 1. Introduction

The Local Government Pension Scheme (LGPS) (Administration) Regulations 2013 encourages Pension Fund Administering Authorities to introduce an Administration Strategy in order to demonstrate intent and commitment to improving the administrative processes within the LGPS Fund. These regulations are quite specific regarding the disclosure of information and performance statistics as part of this process but provide less guidance in terms of strategy.

This strategy has been developed to build on the existing Service Level Agreements (SLA) and recognises that both Fund Employers and the Rhondda Cynon Taf Pension Fund Administering Authority have a shared role in delivering an efficient and effective Pension Fund to the membership, recognising that such improvements can only be achieved in partnership.

The aims and objectives of this administration strategy document are to assist continuous improvement in Scheme administration functions, and ensure that the principles of the Pension Regulators 'Code of Practice' are consistently applied. This is achieved by introducing a framework to improve and monitor data flow, provide clear lines of communication and make roles and responsibilities transparent as well as meeting disclosure requirements.

The Administration Authority is responsible for the administration of the Local Government Pension Scheme on behalf of the Employers that currently participate in the Rhondda Cynon Taf Pension Fund. These Employers meet the eligibility criteria of the scheme, either as Scheduled, Designated or Admitted Bodies.

This document outlines the policies and performance standards that have been identified through proactive benchmarking, that are necessary to providing a cost effective and high quality pension administration service in partnership with the Rhondda Cynon Taf Fund Employers.



## 2. Regulatory Framework

### **Pension Administration Strategy**

Commencement Date: 1 April 2014 (as updated March 2017)

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Regulation 59(1) of the LGPS (Administration) Regulations 2013 (see Appendix 1) enables a Local Government Pension Scheme Administering Authority to prepare and maintain an 'Administration Strategy'.

#### **Related legislation includes:**

Local Government Pension Scheme Regulations 2013

Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2013

Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007;

Local Government Pension Scheme (Transitional Provisions) Regulations 2008;

Local Government Pension Scheme (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000;

Occupational Pension Schemes (Disclosure of Information) Regulations 1996.

**and amendments to the aforementioned regulations.**

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This document has been presented, considered and ratified by the Section 151 Officer (Investment & Administration Panel) on 10/03/2017



### 3. Liaison & Communication

Rhondda Cynon Taf Pension Fund is committed to providing a comprehensive communication and information service to participating employers, members and prospective members of the pension scheme. The delivery of high quality service provision depends on the mutual co-operation of the Administering Authority and Fund Employers.

To achieve this aim, each Employing Authority will designate a named individual to act as a Pensions Liaison Officer, as the main contact with regard to any aspect of administering the Local Government Pension Scheme (LGPS).

The Pensions Liaison Officer's responsibilities are listed in Appendix 2.

Regular contact is maintained between the Administering Authority and Fund Employers by using a multi channel approach which consists of:

#### **Employers Annual General Meeting**

An annual meeting is held for Employers chaired by the Group Director for Corporate and Frontline Services, who has overall responsibility for the Pension Fund. Key speakers range from the Actuary, Investment Managers to Industry specialists, with an update on the administration of the scheme.

#### **Employer Communications Forum**

Held quarterly, this meeting covers administration and investment issues. The Forum includes a limited number of employer representatives selected periodically and includes Scheduled, Designated and Admitted bodies as well as employee representatives. The Forum provides a representative link to the Investment and Administration Panel.

#### **Local Pension Board**

Held quarterly, this meeting covers administration and investment issues. The Board includes representation for all stakeholder groups, Employer, Pensioner, Active/Deferred Members. The Board assists Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manger' in -

- Securing compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Ensuring the effective and efficient governance and administration of the LGPS by the Scheme Manager

#### **Pension Fund Annual Report**

The Annual Report illustrates levels of performance against key benchmarks and work volumes as well as summarising achievements against the Pension Fund's key objectives for the year.

#### **Website**

The Administering Authority provides a dedicated, standalone website for Rhondda Cynon Taf Pension Fund members. This website is presently being developed to promote more self service options that will assist members and the administration process.



### **Contacts Database**

A global circulation list is maintained of key email addresses, such as pension contacts, finance managers and key personnel. This means we can communicate with the relevant party quickly and efficiently.

For example, we use this medium to communicate any issues that are currently under debate. This includes changes to regulations that impact on fund employers and their employees.

### **Meetings with Individual Employers**

Regular meetings are held with larger employers and on request for small\medium sized organisations. These meetings are designed to address specific issues relating to the particular employer such as the performance of both the Employer and Administering Authority.

Any difficulties experienced by either party in relation to service delivery will provide both parties with the opportunity to address any issues. The Pension Fund is committed to the delivery of a quality administration service. Service Standards are set out under Section 4.

### **Practitioner Training**

The Administering Authority provides specific staff development training workshops where resources allow, and these include:

- Process Overview
- Admin Completion
- VER / Early retirements and pension strain
- End of Year Processes
- Valuation



## 4. Standards of Service

### Employing Authority Responsibilities

#### The main duties of the Employer as set out in the regulations are:

- 4.1 To determine who is eligible to become a member of the Scheme and the date from which membership of the Scheme commences in line with statutory Auto-enrolment regulations
- 4.2 For periods of membership before 1st April 2014 to determine whether that person was employed in a full time, part time, variable time or casual capacity. If the employee was part time the Employing Authority must also determine the proportion which the employees' contractual hours bear to the hours of a comparable full time employee.
- 4.3 To determine an employee's pay for the purposes of setting the appropriate contribution rate with preset contribution bands.
- 4.4 To determine full time equivalent pay for the purposes of calculating benefits due from the Scheme for membership prior to 1st April 2014 and to determine CARE pensionable pay for the purposes of calculating benefits due from the Scheme for membership post 1st April 2014.
- 4.5 To issue contracts of employment to individuals, confirming or otherwise, their eligibility to join the Scheme. Fund Employers should state in their contract that members have 12 months from the date of joining to undertake any transfer of pension rights into the LGPS and it should also include an option for members to opt out of receiving information on their state pension benefits
- 4.6 To provide to each new member of the LGPS, and existing members who are commencing a further job, a Welcome Pack which asks for details of other periods of membership of the LGPS and other public service pensions. To provide a New Starter Information to the Pension Fund within 1 month of the member commencing employment - either by interface or completed form
- 4.7 On the cessation of membership of the Scheme to determine the reason for leaving and entitlement to benefit and notify the Pension Fund and the Scheme member of the decision at the earliest opportunity.
- 4.8 To supply timely and accurate information to the Pension Fund to ensure the correct calculation of benefits payable from the Scheme.



- 4.9 To deduct from a member's pay and pay over to the In House AVC provider the contributions within the statutory deadlines indicated in Section 5.
- 4.10 The Employer is responsible for exercising the discretionary powers given to Employing Authorities by the regulations. These regulations also require the employer to publish its policy in respect of these key discretions.
- 4.11 To accompany any statement issued to an employee relating to any decision made about the Scheme, with a notice drawing the employee's attention to their right of appeal under the LGPS.
- 4.12 In the event of a potential Ill health retirement, the Employer should arrange an appointment with an approved Independent Registered Medical Practitioner for the Scheme member in accordance with regulatory requirements. The Employer should submit the certificate to the Pension Fund.
- 4.13 It is incumbent on the Employer to keep a record of their Tier 3 Ill health retirements, particularly with regard to the 18 month review ensuring they meet their legislative responsibilities.
- 4.14 The Employer shall repay to the Scheme member any incorrectly deducted employee's contributions including, where more than one month has elapsed between the date the incorrect contributions were deducted and the date they were returned, interest on any such contributions which had not by then been paid over to the Pension Fund.
- 4.15 The Employer shall provide the Pension Fund with reconciled year-end information to 31 March each year in an approved format no later than 30/04/XX. Such information should be accompanied by a final statement, duly signed by an authorised officer, balancing the amounts paid over during the year with the totals on the year end return certifying that the amounts paid reflect the contributions deducted from employees during the year.
- 4.16 An audited copy of the final statement must be received by Rhondda Cynon Taf Pension Fund no later than 30/04/XX. That information shall also contain the name and pensionable pays of each employee who is an active member, the amounts which represent deductions from pay for each of those employees and the periods covered by the deductions. The information should also distinguish those amounts representing deductions for additional contributions and part time buy back and the employees paying these voluntary contributions.



- 4.17 This exercise is time critical as the year end information needs to be signed off as part of the audited Pension Fund accounts; it is also required for the timely provision of the Annual Benefit Statement and submission to the Fund Actuary during Valuation periods.
- 4.18 The Employer is responsible for complying with the requirements for funding early retirement as set out by the Administering Authority. Where such requirements are not complied with, the Pension Fund will not pay any benefits to the member concerned until such time as they are complied with.
- 4.19 The Employer shall, within 14 working days of receipt of an invoice, pay the Pension Fund interest on payments due from the Employer which is overdue by more than one month (see appendix 1).
- 4.20 The Employer will provide information as appropriate to alert the Pension Fund to any impending major workload resulting from circumstances such as proposed redundancy exercises. Any volume requests over and above 10 estimates will need to be agreed in advance as they constitute a bulk exercise and the Pension Fund will need to receive as much notice as possible to help ensure delivery within agreed timescales. These timescales will need to be agreed separately.
- 4.21 Where a member leaves the Scheme and full contributions have not been deducted for whatever reason the Employer shall immediately make payment of outstanding member's and employer's contributions to the Pension Fund.
- 4.22 To ensure compliance with Data Protection Act 1998 the Employer will protect from improper disclosure of information sent from the Pension Fund.



## Specific Employer Service Standards to help ensure an efficient and effective Service is achieved:

Form	Standard	Timescale
Welcome Pack New Starter Form	Ensure that a new starter has received a 'Welcome Pack' within 1 month of becoming a scheme member and forward the corresponding New Starter Form to the Pension Fund within 1 month of the employee becoming a scheme member.	1 month
NI4	Where a material change in circumstances occurs, the appropriate form (NI4) should be forwarded to the Pension Fund within <b>10 working days</b> . Examples include: <ul style="list-style-type: none"> <li>• Name</li> <li>• Pay reference</li> <li>• Weekly hours</li> <li>• Job change within same employment</li> </ul>	10 working days
Leave of Absence	Where a member has been granted a period of authorised unpaid leave the employer must provide the employee, when they return to work, with details of the Assumed Pensionable Pay during the period of leave and confirm which section of the scheme they are in. The member then has the choice to buy back the "lost" pension by paying an Additional Pension Contribution (APC). The cost of the APC should be calculated by the member using the online calculator which can be found on <a href="http://www.lgpsmember.org">www.lgpsmember.org</a> . If the member opts not to buy back the pension the employer must notify the Administering Authority of the break in service. There are no time limits placed on the member to purchase an APC however the cost will increase as the member gets older.	APC application to be sent to Administering Authority as soon as practicable after member has made their decision
Maternity	Pension contributions are payable during the period of ordinary paid maternity leave. For any periods of additional unpaid maternity leave the Employer must inform the member of the Assumed Pensionable Pay for the period of unpaid maternity leave and confirmation of which section of the scheme they are in. The member then has the choice to buy back the "lost" pension by paying an Additional Pension Contribution (APC). The cost of the APC should be calculated by the member using the online calculator which can be found on <a href="http://www.lgpsmember.org">www.lgpsmember.org</a> . The Employer should issue forms to member to establish whether the member wishes to pay contributions in respect of the unpaid maternity leave or whether they wish this period to be treated as break in service.	APC application to be sent to Administering Authority as soon as practicable after member has made their decision



CPINFO GPR EOY YY/YY	A written response to any general service enquiry including year end, raised in writing or by E-mail, within <b>15 working days</b> of receipt. Where the Employer considers a request to be of a particularly complex nature, requiring more time, the Pension Fund shall be informed of the likely timescale for completion.	15 working days
NI2 (Termination Form)	The Employer must submit a notification that an employee has left the Scheme by providing the appropriate leaver forms (NI2) within <b>10 working days</b> of the employee leaving the Scheme.  Where a member leaves with an entitlement to immediate payment of pension benefits the NI2 form where possible shall be provided before the member retires and in any event withi <b>5 working days</b> of the member's retirement.  Where a member dies in service the Pension Fund shall be notified within <b>5 working days</b> of the death of the member.	10 working days  5 working days  5 working days
N/a	The Employer shall distribute any information provided by the Pension Fund for their membership and/or potential membership within <b>10 working days</b> of its receipt.	10 working days

We endeavour to work in partnership with Fund Employers in providing a high standard of service.

Advice and guidance on carrying out these duties is provided in the Employer Guide 'Employer Role and Responsibilities' and further assistance, in the form of training workshops may be discussed with the Pensions Senior Team Leader in the first instance.



## Administering Authority Responsibilities

The main duties of an Administering Authority as set out in the regulations are:

- 4.23 Rhondda Cynon Taf Pension Fund will accept the Employer's decision regarding the appropriate rate of contribution as published by the Department of Communities and Local Government (DCLG) contribution bands.
- 4.24 To decide how any previous service or employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.
- 4.25 To notify each member regarding the counting of service.
- 4.26 To set up and maintain a record for each member which contains all the information necessary to produce an accurate benefit calculation where the Employer has provided useable and accurate year end financial data.
- 4.27 To calculate and pay the appropriate benefits, based on details in the record and termination date and pay details provided by the Employer when an employee ceases employment, or membership of the Scheme for whatever reason.
- 4.28 To supply beneficiaries with details of their entitlements.
- 4.29 The Administering Authority will provide an Estimate following a request from the Employer following the receipt of a fully completed (Estimate Request) form within 5 working days. A second estimate will only be provided if there has been a material change of more than £500 to pensionable pay or over a 3 month change to the leaving date.
- 4.30 To increase pensions periodically in accordance with the provisions of Pensions Increase Acts and Orders. To increase members CARE benefits annually in accordance with the published Treasury Order
- 4.31 To pay benefits to appropriate beneficiaries only and to take steps to reduce the possibility of fraud taking place.
- 4.32 To maintain a 'specified person' for the purposes of the Scheme Internal Dispute Resolution Procedure (IDRP).



- 4.33 To ensure that ‘timely’ information is issued in the form of newsletters, booklets and other materials to satisfy the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996. This will include the annual production of a:
- Pension Fund Report
  - Pensioners Newsletter
- 4.34 Provide information and support on the scheme and its administration in the form of:
- Dedicated Contact
  - Guidance Notes
  - Global Bulletins
  - Staff Development Training
  - Website
  - Helpdesk
- 4.35 Appoint a Fund Actuary for the purposes of the triennial valuation of the Pension Fund and provide periodical actuarial advice when required.
- 4.36 Appoint all necessary advisors to enable the appointed person to perform the duties required by the Scheme’s Internal Dispute Resolution Procedure.
- 4.37 To co-ordinate and liaise with the Fund Actuary on behalf of the Employers with regard to the triennial valuation of the Rhondda Cynon Taf Pension Fund.
- 4.38 The Administering Authority is responsible for exercising its discretionary powers in relation to the published Administering Authority Discretions.
- 4.39 To ensure compliance with Data Protection Act 1998, Rhondda Cynon Taf Pension Fund will protect from improper disclosure of information. Information held will be used by the Pension Fund in administering the scheme.
- 4.40 The Administering Authority will liaise with the Actuary and other Pension Funds in respect of Transfer Values (including any bulk transfer arrangements) on behalf of the Employer.
- 4.41 The Administering Authority will liaise/respond to the Department for Communities (DCLG) and the Government Actuary’s Department (GAD) in-line with specified deadlines on behalf of the Rhondda Cynon Taf Fund.



**Specific Admin Authority Service Standards to help ensure an efficient and effective Service is achieved:**

Topic	Standard	Timescale
New Starter	Setting up a pension record on formal notification that a new member has joined the scheme.	1 month
Transfers In	The Pension Fund will calculate the estimated benefits that a transfer value will buy for a member and issue an illustration within <b>10 working days</b> of receiving all the necessary information. Every member is entitled to one quote per transfer, any subsequent requests will be charged to the member at £50.00 plus V.A.T.	10 working days
Refunds	The Pension Fund will pay refunds within <b>10 working days</b> of receiving the formal request for payment provided all the relevant information has been supplied by the Employer.	10 Working Days
Early leavers	Early leavers will receive details of their preserved benefits within <b>10 working days</b> of receiving all the information required from the Employer.	10 Working Days
Divorce	In the event of a divorce or dissolution of a Civil Partnership, Scheme members (or their appointed solicitor) may request a Cash Equivalent Value of the member's pension rights and this will be provided within <b>10 working days</b> . Any other costs for supplying information or complying with a court order will be recovered from the member or their ex-spouse or ex-civil partner in accordance with the Pension Fund's Schedule of Charges.	10 Working Days
Benefit Statements	Provided pay details are received from employers promptly after the close of each financial year and provided the Pension Fund holds all of the relevant information, we will issue Annual Benefit Statements to each active member.	Annually
Benefit estimates	The Pension Fund will use its discretion in the provision of estimated benefits where a member has been issued with an Annual Benefit Statement. Where an estimate of benefits is being issued, the Pension Fund will provide an illustration within <b>10 working days</b> of receiving a fully completed request form.	10 Working Days
VER Benefit estimates	Employer VER\Early Retirement requests for estimates will be provided within <b>5 working days</b> of receiving a fully completed Estimate Request. Any volume requests over and above 10 estimates will need to be agreed in advance	5 Working Days



Maximising Benefits	Any member wishing to pay extra contributions to purchase Additional Pension Contributions (APC's) within the LGPS will receive an estimate within <b>10 working days (only if not able to calculate themselves using the LGPS 2014 on-line calculator).</b>	10 Working Days
Transfer Out	For members wishing to transfer their benefits from the Local Government Pension Scheme (LGPS), the Pension Fund will issue an illustration within <b>10 working days</b> of receiving all the necessary information. This illustration will be guaranteed for three months.	10 Working Days
Retirement	At retirement the Pension Fund will send details of the benefits payable and pay the tax-free cash lump-sum within <b>5 working days</b> of receiving all the information required from the employer and the return of a fully completed Pre Retirement Pack from the member.	5 Working Days
Death	On the death of a member, the Pension Fund will provide details of the benefits payable within <b>7 working days</b> of receiving all of the information required.  The Pension Fund will pay the lump-sum death grant within <b>5 working days</b> of receiving Grant of Probate (or other appropriate documentation).	7 working days  5 working days
Triennial Valuation	The Pension Fund will meet the timescales agreed with the Actuary to ensure that new contributions rates are delivered at the earliest opportunity.	12 months from Valuation date



## Unsatisfactory Performance

Both parties will endeavour to resolve any unsatisfactory performance issues identified at the earliest opportunity; however in the event that repetitive unsatisfactory performance issues remain unaddressed, the following action is required:

- A formal report will be made to the Fund's Investment and Administration Advisory Panel detailing the unsatisfactory performance of either the Administering Authority or Employer (where costs may be recoverable as indicated in Table 3 below)

Cost Recovery	Table 3
<p>Where disproportional costs have been incurred to the detriment of other Employers within the Fund as a direct result of an Employer's repeated lack of compliance, Rhondda Cynon Taf Pension Fund will seek to recover these additional costs from the respective Employer:</p> <p>These circumstances are (but are not limited to):</p> <ul style="list-style-type: none"> <li>• Persistent failure to provide relevant and timely information to the Administering Authority, Scheme Member or other interested party in accordance with the agreed service standards (as set out in Section 4, Table 1) and the Scheme expectations;</li> <li>• Additional cost incurred in providing 'Employer specific' specialist third party advice in administering the Scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.</li> <li>• Instances where the performance of the Employing Authority has directly contributed to fines being levied against the Administering Authority by the Pension Regulator (see Section 5), Pensions Ombudsman, HMRC or other regulatory body.</li> <li>• Failure to deduct and make payments on behalf of the employee and employer within agreed timelines to the Pension Fund.</li> </ul>	
<p><b>Notice</b></p>	
<p>Where the Administering Authority determines cost recovery is appropriate, written notice will be given to the Employing Authority, containing:</p> <ul style="list-style-type: none"> <li>• The reason in their opinion that the Employing Authority's poor performance resulted in the additional cost;</li> <li>• The amount and basis of additional cost incurred;</li> <li>• The provision within the Administration Strategy relevant to the decision given.</li> </ul>	



## 5. Financial Implications

### Service Costs

- 5.1 The costs of administration are directly charged to the Pension Fund and the Administering Authority is responsible for ensuring that value for money is achieved at all times. Where additional costs are incurred for work which is not common to all Employers, or which can not be regarded as a cost of administration, the Employer may be required to directly reimburse those costs.

### Funding Contributions by Participating Employers

- 5.2 The Employer's contribution rate is not fixed. Fund Employers are required to pay as much as is necessary to ensure that the proportion of the Fund relating to their organisation is sufficient to meet their liabilities. The Rhondda Cynon Taf Pension Fund is valued every three years by the Fund's Actuary. The Actuary examines the Fund's assets and liabilities and assesses the Employer's contribution rate and deficit contribution if applicable, which will apply for the next three years.

### Payment Arrangements

- 5.3 It is the responsibility of the Employer to ensure that both employee and employer contributions are deducted at the correct rate. This includes any contributions that are due on leave of absence with reduced or no pay and any additional contributions the Pension Fund instruct the Employer to collect. The amounts paid over to the Pension Fund must reflect those contributions deducted.
- 5.4 Contributions (including any deficit payments) should be paid to the Pension Fund on a monthly basis and all such payments should be accompanied by a breakdown of payments, certified correct by an authorised officer, detailing the period for which the contributions were due, and showing the total pensionable pay for members in the main section of the scheme and the employees contributions deducted, the total pensionable pay for members in the 50/50 section and the employees contributions deducted, the total employer contributions for the period in question.
- 5.5 All contributions (including Additional Regular Contributions (ARC) and Additional Pension Contributions (APC)) should be credited to the Pension Fund without delay and within the statutory maximum limit of before the 19th of the month following that in which they were deducted in accordance with the requirements of the Pensions Act 1995. The Pension Regulator may be notified if contributions are not received within this time in accordance with the Fund's Breach Policy. If contributions are overdue by more than one month the employer will be required to pay interest in accordance with the Regulations, See Appendix 1.
- 5.6 The Employer will ensure that it pays all Additional Voluntary Contributions (AVC) deductions from its employees to the In House AVC provider according to the published schedule and no later than the 19th of the month following the deduction.
- 5.7 The In House AVC provider will highlight a breach to the Administering Authority in the first instance and the Pension Regulator notified in accordance with the Pensions Act 1995. In the event of a regulatory fine, this fine will be recharged to the Fund Employer.



## 6. Associated Policies

Administering Authorities must ensure that existing solid governance arrangements are maintained and developed to help support the decision making process.

The Governance arrangements for the Rhondda Cynon Taf Pension Fund are summarised and clarified in a number of key documents that relate to the effective stewardship of the Fund.

An overarching **Governance Statement of Compliance** that indicates the Fund's position against the Government's best practice standards.

A **Governance Policy Statement** which provides an overview of the management structure, decision making and employer engagement within the scheme.

We are committed to providing a comprehensive communication and information service to participating employers and members of the pension scheme and the services we provide can be found in our **Communications Policy Statement**.

The **Investment Strategy Statement** which shows, in detail how we manage the Fund's investments.

The **Funding Strategy Statement** which provides a summary of how we will fund our pension liabilities.

The Fund also maintains a **Risk Register**, which assists the monitoring of potential risks and associated actions of mitigation.

All of these documents can be found under the Library/Governance section of our pension website, or alternatively, please contact our helpdesk for a copy.



## 7. Management & Review

### Nominated Representative

- 7.1 An Employer shall nominate a person who will be responsible for pension matters, and who will act as the Administering Authority's primary contact with the Employer. This individual is identified as the Pensions Liaison Officer and their key responsibilities are listed in **Appendix 2**.

They must notify the Pension Fund immediately if there are material changes to authorised signatories or other key contacts within the Employing Authority.

### Authorised Signatories

- 7.2 All documents and/or instructions received from an Employer must be signed by an 'Authorised Officer' whose name and specimen signature is recorded in **Appendix 3** of this document. Authorised Officers are responsible for all information passed to the Administering Authority. Only information, which has been signed by a recognised authorised officer, will be actioned by the Pension Fund.

Any proposed change to either the 'Pensions Liaison Officer' or to the list of 'Authorised Signatories' must be notified to the Administering Authority who will supply the Employer with the necessary documentation for completion.

It is the responsibility of the Employer to ensure that the 'Pensions Liaison Officer', and the list of 'authorised signatories' are correct and to notify the Administering Authority of changes to either, immediately.

### Review

- 7.3 The Pension Administration Strategy will be kept under review by Rhondda Cynon Taf Pension Fund.

Rhondda Cynon Taf Pension Fund will constantly seek to improve communications between itself and Employing Authorities.

Employers may make suggestions to improve the Pension Administration Strategy for consideration by Rhondda Cynon Taf Pension Fund at any time.

Rhondda Cynon Taf Pension Fund will revise the Pension Administration Strategy following consultation with appropriate parties. The revised Pension Administration Strategy will then be published and circulated to Rhondda Cynon Taf Pension Fund's Employing Authorities and to the Secretary of State.

Employers are welcome to discuss any aspect of the Pension Administration Strategy with the Pension Fund at any time. Employers are welcome to visit the Pension Fund at any time, subject to notice.



## 8. Appendices

### Appendix 1 Regulations related to this document

#### Local Government Pension Scheme Regulations 2013

##### Regulation 59 Pension administration strategy.

(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority, after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.



(5) An administering authority must publish—

- (a) its pension administration strategy; and
- (b) where revisions are made to it, the strategy as revised.

(6) When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme Employer.

### **Local Government Pension Scheme Regulations 2013**

#### **Regulation 70 Additional costs arising from Scheme employer's level of performance.**

(1) This regulation applies where, in the opinion of the appropriate administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations .

(2) The administering authority may give written notice to the Scheme employer stating—

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
- (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraph (a), or (b).



### **Local Government Pension Scheme Regulations 2013**

#### **Regulation 71 Interest on late payments by Scheme employers**

- (1) An administering authority may require a Scheme employer or former Scheme employer from which any payment is due under regulations 67 to 70 (employers' contributions or payments) is overdue to pay interest on that amount..
- (2) The date on which any amount due under regulations 67 (employers contributions), 68 (employers further payments, 70 (additional costs arising from Scheme employers level of performance) is overdue is one month from the date specified by the administering authority for payment.
- (3) The date on which any amount due under regulation 69 (payment by Scheme employers to administering authorities) (other than any extra charge payable under regulation 68 and referred to in regulation 69(1)(b))) is overdue is the day after the date when that payment is due.
- (4) ) Interest payable under this regulation must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.



## Appendix 2 Pension Liaison Responsibilities

Key responsibilities of a Pension Liaison Officer include:

- To act as the primary contact in communicating LGPS information to appropriate staff within the Employing Authority, this includes;
  - o Human Resources
  - o Payroll
  - o Finance
  - o Scheme members (where appropriate)
- Ensure year end and accurate submission of data to the Fund as laid down in this document and the former Service Level Agreement and Employer Manual. This may include;
  - o Start & leaving dates
  - o Reason for leaving
  - o Benefit entitlement
  - o Calculation of pensionable pay
  - o Appropriate contribution rate based on earnings
  - o Material changes (hours changes, service breaks, maternity etc)
  - o End of Year data submission
- Ensure that standards of service are maintained;
- To identify any pension training needs and to liaise with the Pension Fund's Senior Team Manager on meeting these needs.
- To notify the Fund immediately if there are material changes to authorised signatories or other key contacts within the Employing Authority;
- Discharge the Employing Authority's duties and responsibilities in relation to the existing governance arrangements and the regulatory framework and other relevant legislation. This includes employer policies and discretionary decisions.
- To assist and liaise with the Fund on promoting the benefits of Scheme membership to new and existing members. This may include;
  - o Induction Workshops
  - o Mid Life Planning
  - o Pre retirement
  - o Promotion of In House Additional Voluntary Contributions (AVC)
- Distribute Pension Fund literature to Scheme members including scheme guides, factsheets, newsletters and other communication materials with a specific regard of ensuring that new starters receive the appropriate LGPS information, including statutory deadlines for transfers and that the Pension Fund is notified of these new starters within the agreed timescales.



## Appendix 3 Specimen Authorised Signatories Form

<p>Authorised Signatories on behalf of:</p> <p>Employer name:</p> <p>Employer address:</p>			
<p>Designated Pension Liaison Officer:</p>			
Name	Title	Contact Details	Signature
<p>The officers listed below are authorised to request estimates of retirement benefits on behalf of the above named employer.</p>			
Name	Title	Contact Details	Signature
<p>Signature:</p>		<p>Date:</p>	
<p>Employing Authority Officer:</p>		<p>Official Stamp:</p>	



## 9. Contact Information

### Queries

Employer related	<b>Catherine Black</b>	01443 680646
Financial	<b>Denise Stone</b>	01443 680319
Retirement\Benefit	<b>Gemma Penning</b>	01443 680357
Member maintenance	<b>Kayleigh Jenkins</b>	01443 680614

### Contact Details

<b>Helpdesk:</b>	01443 680611
<b>Fax:</b>	01443 680717
<b>Email:</b>	<a href="mailto:pensions@rhondda-cynon-taff.gov.uk">pensions@rhondda-cynon-taff.gov.uk</a>
<b>Website:</b>	<a href="http://www.rctpensions.org.uk">www.rctpensions.org.uk</a>
<b>Mail / Visit:</b>	Pensions Section, Bronwydd, Porth, Rhondda, CF39 9DL.



[www.rctpensions.org.uk](http://www.rctpensions.org.uk)

[www.rctcbc.gov.uk](http://www.rctcbc.gov.uk)



# Pension Fund Communications Policy Statement





## Introduction to Pension Fund Communication

Rhondda Cynon Taf Pension Fund is committed to providing a comprehensive communication and information service to participating employers, members and prospective members of the Pension Scheme. A dedicated Communications Team deals with all aspects of Scheme communication including administration and investments.

In order to minimise cost and ensure consistent scheme information is issued across Wales, the Fund actively contributes to the All Wales Communications Group. This enables the facility to share areas of good practice and produce All Wales member literature.

Services provided by the RCT Fund include:

- **Pensions Help Line**

Our Help-Desk deals with all pensions related enquiries. Help desk hours are from 9am to 5pm Monday to Friday and there is an out-of-hours answer phone.

- **Password Access System**

This enables us to provide callers with information over the telephone.

- **Website**

The Pension Fund has a comprehensive website, designed in an easy to use format making it very accessible to all interested parties. The website address is promoted widely and the site contains Fund specific information as well as that relating to the Local Government Pension Scheme. There is a facility to download forms and documents along with links to other key sites. The site also has links to other relevant websites.

<http://www.rctpensions.org.uk>

Key Pension fund governance documents are available on the website.

- **E-Mail**

The Pensions Section has a dedicated e-mail address and we have a system in place that provides a direct link to and from our members' records. This facility allows us to e-mail information produced by the - computer system direct to members and employers, resulting in less paper production. We plan to expand use of this facility shortly.

- **Scheme Literature**

A comprehensive and up to date range of bilingual Scheme literature is freely available to members, non-members and employers. Copies can also be downloaded from the Pension Fund website.



## Communicating with Scheme Members

In addition the following services are provided specifically for Scheme members. Wherever possible documents are produced on an All Wales basis in partnership with representatives from all of the Welsh Pension Funds:

- **Newsletters**

A newsletter is distributed to all Scheme members keeping them abreast of any topical issues as and when they occur. An annual newsletter is also produced specifically for pensioners. These are provided in a back-to-back bilingual format.

- **My Pension On-Line**

We have introduced a secure self-service facility which allows our pensioner and deferred members to view their payslip and P60 information and update some of their personal information on-line. Going forward we will look to extend this facility to our active members.

- **Standards of Service Questionnaire**

This is issued to a cross section of active members and pensioners following task completion in order to obtain member feedback.

- **Annual Benefit Statement**

Statements are forwarded directly to the home address of members who are contributing to the Fund at the financial year-end. Statements are also issued to deferred members.

- **Work Flow**

Written correspondence is logged and scanned to members' records daily. Time taken to respond is monitored and measured against targets, which are reviewed regularly.

- **Presentations and Road shows**

The Communications Team provides these as required. A representative from Prudential, our in-house AVC provider, regularly facilitates seminars to explain how the LGPS works and how AVC's can increase benefits.

- **Home Visits**

In cases of Serious Ill Health, a representative of the Pension Section will attend a home visit in conjunction with relevant Human Resource representatives if appropriate.

- **Prudential**

A representative from Prudential is available to visit employers to run seminars for staff to explain the LGPS and Additional Voluntary Contributions, Pension Tax changes.

- **Pension Payslips**

Only 3 payslips are issued annually to our Pensioners as routine, this ensures that members are appropriately informed of pension increase impact and reduces the operating costs of 12 monthly notices.



## Communicating with Prospective Scheme Members

- **General Welcome**

A Scheme Handbook and associated literature is made available to all potential new members.

- **Website**

Our website provides prospective members with clear reasons as to why they should be in the scheme as well as providing information which allows a person to make an informed choice and then signposts how to join the scheme.

- **Helpdesk**

For individuals who choose to withdraw from the scheme, our Helpdesk personnel are trained to probe the reasons for withdrawal and they have a specific “script” which lists the benefits that the individual may be losing. This is to ensure the person is making an informed decision and is aware of the choices available.



## Communicating with Scheme Employers

Regular contact is maintained between the Pension Section and the pension fund employers:

- **Contacts Database**

A global circulation list is maintained of key e-mail addresses, such as pension contacts, finance managers and personnel contacts. This means we can communicate with the relevant party quickly and efficiently. For example, we use this medium to communicate any issues that are currently under debate. This includes changes to the regulations that impact upon the employer and their employees.

- **Annual General Meeting**

An annual meeting is held for employers chaired by the Group Director Corporate and Frontline Services, who has overall responsibility for the Pension Fund. An Administration and Investment update is provided with guest speakers invited to talk about topical issues. Key speakers will include the Scheme Actuary, Investment experts or the LGPC.

- **Pension Fund Communication Forum**

Held quarterly, this meeting covers administration and investment issues. The Forum includes employee and employer representatives and provides a representative link to the Investment and Administration Panel.

- **Meetings with Individual Employers**

Held on an annual basis for larger employers, these meetings are designed to discuss issues relevant to a particular employer such as the performance of both the employer and the administering authority.

- **Administration Strategy**

This strategy has been developed to build on the existing Service Level Agreements (SLA) and recognises that both Fund Employers and the Rhondda Cynon Taf Pension Fund Administering Authority have a shared role in delivering an efficient and effective Pension Fund to the membership.

– Individual employer annual meetings form part of the monitoring process.

- **Employer Feedback**

An annual service standards questionnaire is issued to employers to seek views on how we may improve our services.

- **Employers' Guide**

An Employers' Guide has been produced to assist employers in discharging their pensions administration responsibilities.

- **Pension Fund Training**

The Pension Section provides standard training workshops and specific bespoke training can be arranged via the Communications Manager.

### Pensions Fund Communications - Contact Details

**Helpdesk:** 01443 680611

**Fax:** 01443 680717

**Email:** [pensions@rctcbc.gov.uk](mailto:pensions@rctcbc.gov.uk)

**Website:** [www.rctpensions.org.uk](http://www.rctpensions.org.uk)

**Visit:** Please telephone or email for an appointment

**Write:** Pensions Section,  
Bronwydd House, Porth  
CF39 9DL



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