

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2016-2017

PENSION FUND COMMITTEE

27TH OCTOBER 2016

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

	AGENDA ITEM NO.4
DELEGATED FUNCTIONS – UPDATE REPORT	

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1.0 PURPOSE OF REPORT

- 1.1 This report sets out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Group Director Corporate and Frontline Services.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee :

2.1.1 Note the issues being addressed; and

2.1.2 Consider whether they wish to receive further detail on any issues.

3.0 BACKGROUND

- 3.1 The 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.
- 3.2 The Panel advises on all aspects of the Pension Fund. It produces the annual report to Committee and is subject to Audit scrutiny. Areas upon which it gives advice are: -
- Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.

- Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - Agreeing Fund business plans and monitoring progress against them.
 - Maintain the Fund's Knowledge and Skills Policy for all Pension Fund Committee Members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy. Formulating responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
 - Ensuring the Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Legislation, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
 - Ensuring robust risk management arrangements are in place.
 - Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Fund.
 - Monitor investment performance.
 - Work with the Fund Actuary to determine the level of employer contributions required from each employer within the Fund, and ensure such contributions are received.
- 3.3 The Investment and Administration Advisory Panel meets on a quarterly basis, the most recent meeting taking place on the 30th September 2016.

4.0 **INVESTMENT PERFORMANCE**

- 4.1 There is a quarterly reporting cycle for pension fund investment performance, with exception reporting agreed with fund managers where there are particular concerns. The most recent panel meeting considered investment performance to the end of June 2016.
- 4.2 During the quarter ended 30th June 2016, the overall value of the Fund increased from £2,466 million to £2,584 million.
- 4.3 A summary of performance relative to the Fund specific benchmark is shown below.

Total Portfolio

	2013		2014				2015				2016		3yr
Quarter	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Fund	2.4	3.3	1.8	1.4	1.9	4.5	6.7	-3.2	-2.3	6.0	1.4	5.3	9.9
B'mark	2.2	3.3	0.8	2.1	2.2	3.5	5.5	-3.6	-3.4	4.6	2.4	6.5	8.7
Relative	0.3	0.0	0.9	-0.7	-0.2	1.0	1.1	0.4	1.2	1.3	-1.0	-1.1	1.1

- 4.4 As shown, the rolling 3 year performance of the fund is 1.1% positive as compared to benchmark. For the last quarter however performance has been behind benchmark predominately due to the investment styles and strategies adopted by our managers being out of favour with the recent market conditions. As can be seen, this comes after some significant and fairly consistent out-performance.
- 4.5 Each year, Statestreet (WM), a pension fund performance measurement company, publish local authority annual league tables of pension fund returns. For the RCT Pension Fund, we achieved a return on our investments of 1.7% for the year which was well above the weighted average return of 0.2% and we were ranked in the 14th percentile.
- 4.6 The Advisory Panel meets with Fund Managers on a cyclical basis and at the September meeting met with CBRE Global Investors, the Fund's Property Manager. The key issues reported with this mandate were:
- Performance continues to be negatively impacted upon by the historic investments in Eurosiris and Quercus, both of which are in the process of being unwound;
 - The portfolio is invested underweight to the most exposed markets and is well positioned to outperform the overall UK property market;
 - They have outperformed their target (of RPI + 4.5%) by +3.1% over the last 3 years; for the last quarter their return was 0.6% behind their target.

5.0 ADMINISTRATION ISSUES

- 5.1 Two Community Councils have requested to join the Fund, in order to support their auto enrolment obligations, namely
- Coity Higher Community Council; and
 - Llanharan Community Council

The panel noted that their admission will be progressed on receipt of their appropriate 'Resolution'.

- 5.2 The 2016 Valuation process is underway, with initial assumptions set and membership data submitted in accordance with the agreed timeline. The Valuation will be finalised during the last quarter and Employer Contribution Rates will be set for the next 3 years.
- 5.3 In accordance with the statutory requirement to communicate scheme member benefit information annually, the Fund's Active and Deferred Member 'Annual Benefit Statements' were issued by 31st August 2016.
- 5.4 The panel noted a new regulatory requirement to formulate an 'Investment Strategy Statement', to replace the Fund's existing 'Statement of Investment Principles'. It was agreed that the Pension Fund Working Group will develop the new requirement, alongside a review and update of other key Governance Documents, which will be reported back to Committee for approval prior to 1st April 2017.
- 5.5 Eight 'Key Performance Service Standards' are monitored by the panel. It was noted during this period, that one measure had not quite met the expected target, however, this was attributed to external delay.
- 5.6 The number of 'Internal Dispute Resolution Procedure' Appeals in progress remains extremely low, with no obvious trends to report.

6.0 PENSION BOARD

- 6.1 The next Pension Board is scheduled to meet on 20th October.
- 6.2 Pension Board meeting agendas and minutes have been published on the Fund website in accordance with the Pension Regulator's requirements.
- 6.3. During the last quarter, Board Members have continued to update their 'knowledge & skills' requirement, through their attendance at relevant pension events.

7.0 OTHER ISSUES

- 7.1 The Panel reviewed the skills and knowledge framework and noted the updates. Committee Members have been incorporated into the framework and are in the process of identifying their development needs.
- 7.2 The Risk Register was considered and updates noted. A review of the Risk Register is being dealt with elsewhere in this agenda.
- 7.3 The completion of the External Audit of the Pension Fund accounts was noted and the ISA260 report of the Wales Audit Office was considered. Members will be aware of the content from the meeting of full Council on the 28th September 2016.

- 7.4 It was noted that there had been a meeting of the Communication forum on the 6th July 2016.
- 7.5 An update on the All Wales Pool progress was provided. This also features elsewhere on this agenda.
- 7.6 The cashflow position of the fund was discussed, it being noted that it is being monitored closely during financial year 2016/17 to identify the impact of levels of terminations on the cash flow position. An early and proactive strategy for dealing with negative cash flows can then be adopted.

8.0 CONCLUSION

- 8.1 This report sets out, for the Committee, the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Group Director Corporate and Frontline Services.

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