

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2017-2018

PENSION FUND COMMITTEE

26TH MARCH 2018

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

	AGENDA ITEM NO.5
DELEGATED FUNCTIONS – UPDATE REPORT	

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1.0 PURPOSE OF REPORT

1.1 This report sets out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the 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 14th March 2018.

4.0 **INVESTMENT PERFORMANCE**

- 4.1 There is a quarterly reporting cycle for pension fund investment performance, with exception reporting agreed with fund managers where there are particular concerns. The most recent panel meeting considered investment performance to the end of December 2017.

- 4.2 During the quarter ended 31st December 2017, the overall value of the Fund increased from £3,118 million to £3,254 million.
- 4.3 A summary of performance relative to the Fund specific benchmark is shown below.

Total Portfolio

	2015				2016				2017				3yr
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fund	6.7	-3.2	-2.3	6.0	1.4	5.3	7.9	1.8	5.1	2.8	1.7	3.9	12.8
B'mark	5.5	-3.6	-3.4	4.6	2.4	6.5	6.8	3.2	4.3	0.7	1.5	3.9	10.9
Relative	1.1	0.4	1.2	1.3	-1.0	-1.1	1.1	-1.3	0.8	2.1	0.3	0.1	1.7

- 4.4 As shown, the rolling 3 year performance of the fund is 1.7% positive as compared to benchmark. For the last quarter, performance has been varied across the Fund's managers. Outperformance came from Baillie Gifford (both mandates), BMO and CBRE whilst underperformance came from Newton and both UK equity managers (Invesco and Blackrock).
- 4.5 The Advisory Panel meets with Fund Managers on a cyclical basis. The March meeting however prioritised the review of the Fund Investment Strategy and reviewing the progress made toward the All Wales Investment Pooling arrangements, both of which are covered elsewhere on the agenda.
- 4.6 Officers held conference calls to discuss negative performance with both Newton (Global High Alpha Equities) and Invesco (UK High Alpha Equities). The rolling 3 year return from Newton is currently 1.3% behind the benchmark with Invesco at 3.7% behind the benchmark return.
- 4.7 The Fund investment strategy review (with AON) is being concluded and features elsewhere on the Agenda.

5.0 ADMINISTRATION ISSUES

- 5.1 Procurement processes have been initiated for actuarial services and for the pension administration software supplier, using the appropriate available frameworks. Both are due to be completed by the end of May 2018.
- 5.2 CPI for September 2017 (3%) has been confirmed as the rate for pensions increase from April 2018 for the LGPS. New bandings effective from 1st April 2018 have also been received and circulated across employers.

- 5.3 Preparatory and planning work for year end is underway with terms of reference circulated.
- 5.4 Good progress continues to be made with the GMP Reconciliation requirements, with 'high value' liability risk now mitigated. The final phase is to review the Active Member category.
- 5.5 Work to ensure compliance with Welsh Language Standards continues to be progressed, with the website review due for completion by 31st March 2018.
- 5.6 Latest Member Self Serve (MSS) registrations are shown in the following table. MSS for active members and councillors is due to be rolled out during the first quarter of 2018/19.

Member Self Serve

	<u>Member Numbers</u>	<u>MSS Registrations</u>	<u>% of Member Numbers</u>	<u>Previous %</u>
Deferred	24,595	4,599	18.69%	17.99%
Pensioners	16,554	1,905	11.51%	11.68%
Dependants	2,640	82	3.11%	2.99%

- 5.7 Eight 'Key Performance Service Standards' are monitored by the Panel. It was noted that to the end of January 2018, one measure was behind target. This related to transfers in processed within 10 days (60% against a target of 90%). This measure does not impact on the physical payment of benefits. This updated performance represents an improvement from 55.05% to the end of October 2017, as reported at the last committee. Performance during January related to 18 cases, of which 6 were over the target of 10 days taking an average of 14 days to complete.
- 5.8 The percentage of preserved benefits being processed within 10 days has now returned to above target (90%) level at 90.45%, up from the 89.19% as reported at the last committee.
- 5.9 The number of 'Internal Dispute Resolution Procedure' Appeals in progress remains extremely low, with no obvious trends to report.
- 5.10 The new General Data Protection Regulations (GDPR) take effect from 28th May 2018, officers are continuing to review and implement requirements including :
- Map data flows / risk
 - Determine grounds for processing data
 - Identify a Data Protection Officer
 - Reassess how the Fund engages with membership
 - Update Policies and Procedures
 - Review third party agreements

- The mandatory use of I-connect software across employers (which will also improve data quality)
- Publish Fund Privacy Notice (as drafted by the LGA)

GDPR is incorporated into the Fund's risk register.

- 5.11 The Pension Regulator requires Scheme Managers to report on 'data quality' within their Annual Scheme Return from this financial year. Data will be measured and scored across common and conditional data categories.

6.0 PENSION BOARD

- 6.1 The Pension Board last met on the 12th December 2017, the next meeting is scheduled for 27th April 2018.
- 6.2 Continuity of the Fund's Pension Board is to be maintained, with the University of South Wales agreeing to extend their support of the Chair for a further period of 18 months.
- 6.3 There are no issues which the Board currently require to be brought to the attention of the Committee.
- 6.4 Pension Board meeting agendas and minutes are published on the Fund website in accordance with the Pension Regulator's requirements.
- 6.5 The Chair of the Pension Board was in attendance at the last meeting of the Pension Committee and has also been invited to attend today's meeting.

7.0 OTHER ISSUES

- 7.1 The Panel reviewed the skills and knowledge framework and noted the updates.
- 7.2 The Risk Register was considered and updates noted. A review of the Risk Register is being dealt with elsewhere in this agenda.
- 7.3 A report from CEM Benchmarking, Investment Cost Effectiveness Analysis for the 5 years ending 31st March 2017 was also considered by the Panel. CEM Benchmarking will be in attendance at this meeting to present their report.

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.
