

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2020-21**

**PENSION FUND COMMITTEE**

**22<sup>nd</sup> MARCH 2021**

**REPORT OF: THE DIRECTOR OF  
FINANCE AND DIGITAL SERVICES**

<b>AGENDA ITEM NO. 7</b>
<b>ANNUAL 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 4; and

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

**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 Director of Finance and Digital 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 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 Director of Finance and Digital 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 and shared with the Pension Board. These are now presented to the Committee for review, comment and approval as appropriate.
- 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 reported 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	22 <sup>nd</sup> March 2021	<b>Updated</b> , revised Policy attached at Appendix 1
i)	Compliance Statement		No change
ii)	Funding Strategy Statement		No change
iii)	Investment Strategy Statement	22 <sup>nd</sup> March 2021	<b>Updated</b> , revised Statement attached at Appendix 2
iv)	Myners Compliance Statement		No change
v)	Stewardship Code		No Change
vi)	Administration Strategy	22 <sup>nd</sup> March 2021	<b>Updated</b> , revised Strategy

			attached at Appendix 3
vii)	Communications Strategy	22 <sup>nd</sup> March 2021	<b>Updated</b> , revised Strategy attached at Appendix 4
viii)	Discretions		No Change
ix)	Internal Dispute Resolution Procedure		No Change

## 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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# **APPENDIX 1**

**RHONDDA CYNON TAF PENSION FUND**

## **PENSION FUND GOVERNANCE POLICY STATEMENT**

## **STRUCTURE & ORGANISATION OF THE RCT PENSION FUND**

Updated March 2021

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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 Director of Finance and Digital 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 01<sup>st</sup> 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 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:

### **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.
- **Investment Pooling** - the Fund participates in the Wales Pension Partnership (WPP) which is the collective investment vehicle for the use of the 8 Local Government Pension Scheme (LGPS) funds in Wales.
- **Voting and Engagement Provider** - appointed to assist the WPP in formulating and maintaining a Voting Policy and Engagement Principles that are in keeping with the Welsh Constituent Authorities' membership of the Local Authority Pension Fund Forum. This provider takes responsibility for implementing the Voting Policy across the underlying assets of the WPP.
- **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.

### **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
- MHCLG / 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. This is regularly reviewed and updated within the Fund's governance processes.



### **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 Director of Finance and Digital Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer).

Pension Committee Chairs or their nominated deputy (elected members), of all eight Welsh Pension Funds represent their Administering Authority on the Wales Pension Partnership Joint Governance Committee.

#### **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 Director of Finance and Digital 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 Director of Finance and Digital 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 minutes are published online.

### **Frequency of Meetings**

Quarterly

## 6. Investment & Administration Advisory Panel

### Composition

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

- The Section 151 Officer – Chair
- The Deputy Section 151 Officer
- The Service Director Pensions, Procurement & Transactional Services
- 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 Director of Finance and Digital 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. Wales Pension Partnership Joint Governance Committee

### Composition

Pension Committee Chairs or their nominated deputy (elected members), of all eight Welsh Pension Funds (Administering Authorities).

### Terms of Reference

To progress the Wales Investment Pooling Collaboration in accordance with the Inter-Authority Agreement :-

- Making recommendations to the Administering Authorities on the termination of the Operator Contract before the conclusion of the fixed term contract, where the performance of the Operator is considered unacceptable.
- Ensuring that there are an appropriate range of sub-funds available in order to allow the Welsh Funds to meet their strategic investment aims. Following representation from any, some or all of the Administering Authorities the Joint Governance Committee may request the Operator to set up a sub-fund in a particular asset class. The Joint Governance Committee must be mindful at all times of the need to balance the requirement to provide a particular sub-fund with the benefits of holding aggregated assets.
- Monitoring the performance of the Operator against the agreed set of key performance indicators.
- Reporting on the performance of the Investment Pool, its costs and other activities, but not limited to, the Administering Authorities, government, the Scheme Advisory Board and the general public.
- From time to time, to review the appropriateness of the existing structures, including the number and make-up of sub-funds and to make recommendations to the Administering Authorities as to the respective merits of procuring Operator services by means of a third party or through ownership by the Administering Authorities of the Operator
- Liaising with the Operator, in such areas as the Operator seeks the preferences and views of the Joint Governance Committee, on the appointment of suppliers, for example manager preferences or the appointment of depositories
- Liaising with the Administering Authorities on the appropriate range of sub-funds to be provided in the Investment Pool
- From time to time reviewing policies in respect of ethical, social and governance matters and voting rights and where appropriate make recommendations to the Administering Authorities as to any changes deemed necessary
- Applying any processes or policies that are assigned to it within the Inter-Authority Agreement

- Recommend a high level plan for initial transition of assets to the pool and further asset transitions in the event, for example, of new sub-funds being created or manager changes within sub-funds
- Ensuring that the 'Officer Working Group' acts within its remit as set out in the Inter-Authority Agreement
- Providing any analysis or commentary on annual accounts to the Administering Authorities
- Monitoring the implementation and effectiveness of policies and initiating reviews of these where required
- Delivery and ongoing monitoring against the Pooling Collaboration objectives, Business Plan and budgets
- Approving responses from the Pooling Collaboration in relation to consultations or other matters considered appropriate
- Seeking advice from professional and authorised and regulated advisers where necessary
- Agreeing the Business Plan to be put forward to the Administering Authorities for approval
- Report to the Administering Authorities quarterly (and at any other time when the Joint Governance Committee considers it to be necessary) on the matters within their remit including but not limited to the performance of the Operator, the structure of the funds and the ongoing monitoring of the Business Plan
- Agreeing criteria for the evaluation of bids or tenders for any procurement (other than the first appointment of the Operator) to be put forward for the approval of the Administering Authorities

### **Secretarial Function**

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

### **Frequency of Meetings**

Quarterly (minimum)

## 8. Pension Fund Working Group

### Composition

- The Deputy Section 151 Officer (Chair)
- The Service Director Pensions, Procurement & Transactional Services
- The Pensions Service Manager
- The Principal Accountant, Treasury and Pension Fund Investments
- The Head of Finance (Education & Financial Reporting)
- 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 Advisory Panel. Ad-hoc meetings may also be arranged with the agreement of the Section 151 Officer or Deputy.

## **9. Pension Fund Communication Forum**

### **Composition**

- The Deputy Section 151 Officer (Chair)
- The Service Director Pensions, Procurement & Transactional Services
- 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

## 10. Pension 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 Pensions, Procurement & Transactional Services (Chair)
- The Head of Finance (Education & Financial Reporting)
- The Pensions Service Manager

### 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.

## 11. 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. Appeal numbers, case types, stage and outcome (including those that are referred to the Ombudsman) are reported and monitored as parts of the Fund's governance processes.

### **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 is 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

#### **Administering Authority Appeals Panel**

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

The panel makes decisions and all 2 officers must be in attendance for a decision to be made. Where nominated officers are not available, appropriate deputies attend meetings. The Pensions Service Manager is responsible for presenting individual cases to the panel but is not involved in the decision making process.

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

#### **Composition of the Panel**

- The Section 151 Officer (Chair)
- The Service Director Pensions, Procurement & Transactional Services
- 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

The administering authority's adjudicator deals with stage two appeals for the Rhondda Cynon Taf Pension Fund. This is in accordance with The Ministry of Housing, 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.

## **12. Training**

Members of the Pensions Committee, Investment and Administration Advisory Panel and the RCT Pension Board receive regular training and updates, which includes:

- 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
- Wales Pension Partnership events

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

## **13. 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 of all key Fund Governance Documents is reported into the March joint meeting of the Fund's Pension Committee and Pension Board.

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

**RHONDDA CYNON TAF PENSION FUND**

**INVESTMENT STRATEGY STATEMENT**

**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 Director of Finance and Digital 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:

- Service Director – Finance and Improvement Services
- Service Director – Pensions, Procurement and Transactional Services
- Head of Finance (Education and Financial Reporting)
- 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 Ministry for Housing, Communities and Local Government) but acts in a quasi - trustee role.

In accordance with the requirements of the Public Service Pensions Act 2013, a Pension Board has been established in order to assist Rhondda Cynon Taf County Borough Council, 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 their dependants' benefits on death before or after retirement, on a defined basis in accordance with LGPS regulations.

## **3. Funding Objectives**

Rhondda Cynon Taf County Borough Council 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 that is sufficient, over the long-term, to meet the funding objectives on an ongoing basis.

The Director of Finance and Digital 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 Director of Finance and Digital 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
- UK Gilts
- Corporate Bonds
- Property
- Cash

The Fund commissioned an Asset / Liability review in 2017, the fundamental aim of which was to position the Fund's investments in order to:-

- Reduce risk
- Maintain (as far possible) return expectations
- Minimise long term costs
- Increase diversification
- Optimise the transitioning of assets into the Pool
- Introduce Infrastructure (align to Pool aspiration)

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 requested to comment and recommend alternatives 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 reviewed as a potential means of increasing diversification and reducing risk. Options were reviewed by the Panel, Committee and Board. It was noted 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 Committee concluded that the Fund should move toward the following asset allocation strategy with steps set out to achieve the desired allocation.

Asset Class	Current Allocation	Proposed Step 1	Proposed Step 2	Proposed Step 3
		Current Benchmark	Strategy (1)	Strategy (2)
<b>Total Equities</b>	<b>74.80%</b>	<b>63%</b>	<b>63%</b>	<b>58%</b>
<b>Total Alternatives</b>	<b>5.40%</b>	<b>10%</b>	<b>20%</b>	<b>25%</b>
Absolute Return Bonds			10%	10%
Infrastructure				5%
Property	5.40%	10%	10%	10%
<b>Total Bonds &amp; Cash</b>	<b>19.80%</b>	<b>27%</b>	<b>17%</b>	<b>17%</b>
Fixed Interest	8.50%	12.50%	7.50%	7.50%
UK Corporate Bonds	9.40%	12.50%	7.50%	7.50%
Cash	1.90%	2%	2%	2%

This strategy is subject to review following the results of the 2019 Fund Valuation.

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>
Equities	58%	75%
Fixed Interest (Bonds)	15%	35%
Absolute Return Bonds	10%	15%
Property	10%	15%
Infrastructure	5%	10%
Cash	2%	5%

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 in entities that are connected with the Authority in line with Section 212 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.

In the long term, 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, on average, 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 the allocation of the Fund as at March 2020 :-

	<b>% of Fund Invested</b>
UK Equities	8%
Overseas Equities	
US	7%
Continental Europe	5%
Other Int'l Equities	5%
Pooled Global Equities	38%
Total Bonds	27%
Property	9%
Cash & Deposits	1%

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

The Pension Fund Committee has agreed to stock lend in line with the following principles :

- Appropriate collateralisation and indemnification;
- A level of stock is held back to maintain ability to vote;
- The ability to call back stock to vote on specific issues.

The Asset Allocation Strategy is reviewed annually by the Investment and Administration Advisory Panel 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 Pension Board and Pension 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. The funding level is calculated 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 within the valuation.

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:-

<b>Portfolio</b>	<b>Portfolio Benchmark Index</b>	<b>Portfolio Target</b>
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
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	CPI	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 Investment Manager is expected to maintain a diversified portfolio of investments and adhere to restrictions imposed within their agreement.

Investment 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>WPP Global Growth Fund</b>					X	X			X			
<b>WPP Global Opportunities Fund</b>					X				X	X		
<b>Blackrock Passive Eqs</b>	NO LIMITS AS POOLED FUND											
<b>CBRE Property</b>					X		X					

The Committee has agreed that the Fund's Fixed Interest investments be transitioned into the WPP and will be managed on an active basis for UK Corporate Bonds and passively for UK Gilts, transitioning during the first half of 2020.

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

## **Environmental, Social and Governance risks**

The Fund believes that environmental, social and governance (ESG) factors should be taken into account on an ongoing basis and are an integral part of the Fund's responsibilities as a long-term sustainable investor.

The Fund is committed to carbon transition and to the parallel process of reducing fossil fuel exposure.

Fund engagement with investee companies is crucial in relation to improving standards of corporate governance, which over the long term is expected to enhance investment returns.

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

The Wales Pension Partnership (WPP) has appointed Link Fund Solutions Ltd (Link) to establish and run a collective investment vehicle for the sole use of the LGPS funds in Wales. This will enable the pooling of assets across a range of asset classes.

Link have established and will run an Authorised Contractual Scheme (a tax efficient UK collective investment vehicle) on behalf of the WPP. The ACS will have sub-funds in a range of asset classes that will meet the needs of the LGPS funds in Wales, to allow them to execute their differing asset allocation strategies.

With the support of Russell Investments, and in consultation with the eight individual LGPS Funds, Link have begun the process of appointing a number of Investment Managers. Each LGPS Fund in the pool will retain full control over strategic asset allocation decisions. Northern Trust will have custodian duties.

By using fewer Investment Managers with larger mandates, it is expected that the WPP will deliver fee savings, one of the primary aims of Government policy. A summary of the pooling objectives of the WPP are:

- Generate consistent net of fee excess returns.
- Diversify manager risk.
- Reduce average manager fees.

- Achieve tax efficiency by reclaiming withholding tax on dividends (for non-UK equity sub-funds).
- Equitably share the costs of transitioning into sub-funds.

Progress continues to be made by the Wales Pension Partnership (WPP) in the establishment of appropriate sub funds to satisfy the investment objectives across the Welsh Funds. The first two sub funds for the collective investing of assets was launched during January 2019 and related to Global High Alpha Equities. The sub fund for UK and European Equities was launched during September 2019. The third phase relates to Fixed Interest with five sub funds being launched – Global gilts, global corporates, UK corporates, multi asset credit and absolute return bonds. .

## **8. How social, environmental and corporate governance considerations are taken into 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 financial 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, where possible, the Fund is committed to include Responsible Investment factors (environmental, social and corporate governance factors) into the investment process. These non-financial factors are considered to the extent that they are not detrimental to the Fund's investment returns. 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.

The Fund requires its Investment Managers to integrate all material financial and non-financial factors, into the decision-making process for all investments. Furthermore, it expects its managers to proactively engage, influence and promote good corporate governance in the companies and markets to which the Fund is exposed. The Fund's Investment Managers provide updates on their activities in this regard.

All of the Fund's Investment Managers are signed up to the United Nations Principles of Responsible Investment (UNPRI) which encourages asset owners and asset managers to incorporate environmental, social and governance (ESG) issues into investment analysis and decision making, be active owners, seek disclosure of ESG issues and promote the principles within the industry.

The six principles are:

- We will incorporate Environmental, Social and Governance issues into investment analysis and decision-making processes;

- We will be active owners and incorporate Environmental, Social and Governance issues into our ownership policies and practices;
- We will seek appropriate disclosures on Environmental, Social and Governance issues by the entities in which we invest;
- We will promote acceptance and implementation of the Principles within the investment industry;
- We will work together to enhance our effectiveness in implementing the Principles; and
- We will each report on our activities and progress towards implementing the Principles.

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.

The Fund recognises the focus and financial risks associated with climate change, fossil fuels and carbon management. The Fund remains committed to an orderly carbon transition and has set out its approach in Appendix A to this Investment Strategy Statement.

The Fund is also committed to adhering to the principles of the Stewardship Code.

## **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.

The Wales Pension Partnership has employed a voting and engagement provider to exercise its voting rights to promote good corporate governance and social and environment responsibility. A proportion of stock is held back from stock lending activities to facilitate this. The Provider supplies quarterly voting activity reports.

The Equity Fund Manager employed outside the WPP is expected to exercise their voting rights. 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 manager against this template. The Manager provide quarterly voting activity reports.

#### **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

**Rhondda Cynon Taf Pension Fund – Responsible Investment and Carbon Investment Principles**

The Rhondda Cynon Taf Pension Fund is an open, defined-benefit pension fund as part of the national Local Government Pension Scheme (LGPS).

The nature of the Fund and scheme design means that payment of pensions will extend over the very long term. In considering the Fund's investment strategy, the Fund seeks to operate

- a long term, sustainable strategy;
- one which does not rely upon the pursuit of short term returns;
- a well-structured asset and fund manager investment allocation which targets long term socially responsible, sustainable investment performance.

The Fund deploys a relatively uncomplicated investment structure which seeks to provide a return on investments which is above the level of pension liabilities and which seeks to achieve 100% funding over the long term.

As a long term investor, the Fund must be comprehensive in the consideration and mitigation of risks that the portfolio faces and investments are diversified across a number of asset types.

Rhondda Cynon Taf Pension Fund recognises the investment implications of climate change and carbon emissions.

The Fund is committed to an orderly carbon transition and believes active engagement with investee companies, rather than disinvestment, is the preferred option to bring about change whilst managing overall investment risk issues. In this regard, the Fund requires its Investment Managers to engage with investee companies and seek to ensure that their business objectives are aligned to reducing carbon exposure.

We do however also recognise that there may be instances where disinvestment is an appropriate course of action and have identified principles to guide us in this regard.

This document outlines out how the Fund will approach this divestment, how the risks and other considerations associated with such a commitment will be managed and how the divestment over time will be incorporated into the asset allocation strategy for the Fund.

The overall approach of the Fund to incorporating wider environmental social and governance issues (ESG) is set out in more detail within the Investment Strategy Statement.

## **Principles**

### **1. Responsible Investor**

We are of a firm view that as responsible owners we have a voice and an ability to influence strategic change within investee companies and that this can be more powerful than disinvesting alone.

### **2. Asset allocation**

We will incorporate all ESG factors into our asset allocation and investment strategy considerations.

### **3. Investment Managers**

We will ensure that all our investment managers are signed up to the United Nations Principles of Responsible Investment (UNPRI), that they engage effectively and are transparent in telling us how they are making a difference. Where investee companies are not aligning themselves to reduce long-term carbon exposure then we will disinvest, in an orderly way.

The Fund demands that all its Investment Managers properly consider climate related and other environmental social and governance risks in decision making within their respective portfolios.

As and when investment managers and asset allocations require amending, the risk of fossil fuel exposure will be incorporated into any due diligence regarding risk and reward decision making.

The Fund's passive equity mandate is managed through a low carbon product

### **4. Stakeholder engagement**

The Fund's primary purpose is to be able to pay for pension liabilities over the long term. There are national arrangements in place to reduce pension benefits if the LGPS is unable to sustain itself through loss of value or growth in liabilities. We therefore have a duty to ensure that the future pension entitlements of members are not compromised.

However, we do hold the view of "a world worth living in" as one of our guiding principles.

### **5. Long Term and alignment to global goals**

As an open fund, we are long term investors and must not be overly influenced by short term factors and influences.

### **6. Working Together**

We will collaborate with other Welsh Funds through the Wales Pension Partnership and seek to align our long term goals with our partners. It is important that the Fund works with our partners to share knowledge and best practice as well as utilising collective

assets to push for the most effective and efficient implementation of reduced fossil fuel strategies. We will also work with other funds nationally through our membership of the LAPFF to encourage companies to adopt the highest standards with regard to fossil fuel and energy efficiency.

## **7. Risk Mitigation**

Investment Managers must consider ESG and Climate Change / Carbon Exposure in their investment decisions, specifically with regard to risk mitigation and be clear on any negative implications.

## **8. Transparency**

We will understand the Fund's exposure to Carbon through a systemic approach, engaging with experts to thoroughly and robustly baseline our position and monitor going forward.

## APPENDIX 3

### RHONDDA CYNON TAF PENSION FUND

# **PENSION FUND ADMINISTRATION STRATEGY**

updated March 2021

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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: 01 April 2014 (as updated March 2021)**

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 2014

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.

**This document has been presented, considered and ratified by the Section 151 Officer (Investment & Administration Advisory Panel) in March 2021**

### 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 Director of Finance and Digital 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 Advisory 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

Minutes of the Local Pension Board meetings are published to the Fund website, [www.rctpensions.org.uk](http://www.rctpensions.org.uk)

### **Pension Fund Committee**

The Pension Fund Committee was established in May 2016 and considers and agrees Fund strategic decisions.

Minutes of the Pension Fund Committee are published to the Council website, [www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Committees/PensionsFundCommittee](http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Committees/PensionsFundCommittee)

The Wales Pension Partnership Joint Governance Committee oversees the pooling of the investments of the eight Local Government Pension Scheme funds in Wales. The Governance Committee comprises one elected member nominated from each of the Constituent Authorities.

Minutes of the Committee are published on the host authority website at <http://democracy.carmarthenshire.gov.wales/mgCommitteeDetails>

### **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 offers self service options via My Pension On-line to the Fund's active, deferred and pensioner members.

### **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 Local Government Pension Scheme Regulations 2013 and 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 pre-set 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.
- 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 include New Starters on the monthly I-connect interface.

- 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 must provide monthly information to the Fund by electronic interface using I-Connect. The interface includes membership movements and monthly pay and contributions information. Each monthly submission must be followed up with the corresponding payment of contributions and remittance.
- 4.16 The Employer must provide reconciled year-end information to 31 March each year, in an approved format, balancing the amounts paid to the Fund during the year with the total contributions uploaded to their scheme members during the year via I-Connect. This should be provided no later than 30/04/YY and signed by an authorised officer.
- 4.17 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.

- 4.18** 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*).
- 4.19** 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.
- 4.20** 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.
- 4.21** To ensure compliance with Data Protection Act 1998, (General Data Protection Regulation (Regulation (EU) 2016/679) as effective from 28<sup>th</sup> May 2018), the Employer will protect from improper disclosure of information sent to the Pension Fund.
- 4.22** The Employer should determine if they are in scope of The Restriction of Public Sector Exit Payments Regulations 2020 and, if so, for any members who are being paid exit payments (as defined within the Regulations) confirm, to the Administering Authority on the termination of a member, whether the Exit Payment Cap has been breached or not. **(Note: On 12 February 2021, HM Treasury [HMT] published the Exit Payment Cap Directions 2021 [the Directions]. The Directions disapply regulations 3, 9 and 12 of the Restriction of Public Sector Exit Payment Regulations 2020 [the 2020 Regulations] with immediate effect. This means the exit cap does not apply to exits that take place on or after 12 February 2021.**  
**HMT has provided further information in the Restriction of Public Sector Exit Payments: Guidance on the 2020 Regulations [the Guidance]. HMT confirms in the Guidance that:**
- “the Government has concluded that the Cap may have had unintended consequences and the Regulations should be revoked. HMT Directions have been published that disapply the Cap until the Regulations have been revoked.”***
- The Welsh Government has confirmed that, in their view, the exit cap no longer applies to exit payments made by a devolved Welsh authority.**

**TABLE 1**  
**Specific Employer Service Standards to help ensure an efficient and effective Service is achieved:**

Form	Standard	Timescale
Welcome Pack	Ensure that a new starter has received a 'Welcome Pack' within <b>1 month</b> of becoming a scheme member.	1 month
NI4	Where a material change in circumstances occurs, unless change is notified by I-connect, the appropriate form (NI4) should be forwarded to the Pension Fund within <b>10 working days</b> .	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 a period of ordinary paid maternity leave. For any periods of additional unpaid maternity leave the Employer must inform the member on their return to work 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

## Rhondda Cynon Taf Pension Fund – Administration Strategy

CPINFO GPR EOY YY/YY Data Query	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)	<p>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.</p> <p>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 within <b>5 working days</b> of the member's retirement.</p> <p>Where a member dies in service the Pension Fund shall be notified within <b>5 working days</b> of the death of the member</p>	<p>10 working days</p> <p>5 working days</p> <p>5 working days</p>
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

## Administering Authority Responsibilities

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

- 4.22 Rhondda Cynon Taf Pension Fund will accept the Employer's decision regarding the appropriate rate of contribution as published by the Ministry of Housing, Communities and Local Government (MHCLG) contribution bands.
- 4.23 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'.
- 4.24 To notify each member regarding the counting of service.
- 4.25 To 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 information via I-connect.
- 4.26 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.
- 4.27 To supply beneficiaries with details of their entitlements.
- 4.28 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.
- 4.29 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
- 4.30 To pay benefits to appropriate beneficiaries only and to take steps to reduce the possibility of fraud taking place.
- 4.31 To maintain a 'specified person' for the purposes of the Scheme Internal Dispute Resolution Procedure (IDRP).
- 4.32 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

- 4.33** 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
- 4.34** Appoint a Fund Actuary for the purposes of the triennial valuation of the Pension Fund and provide periodical actuarial advice when required.
- 4.35** Appoint all necessary advisors to enable the appointed person to perform the duties required by the Scheme’s Internal Dispute Resolution Procedure.
- 4.36** 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.
- 4.37** The Administering Authority is responsible for exercising its discretionary powers in relation to the published Administering Authority Discretions.
- 4.38** To ensure compliance with Data Protection Act 1998 (General Data Protection Regulation (Regulation (EU) 2016/679) as effective from 28<sup>th</sup> May 2018), Rhondda Cynon Taf Pension Fund will protect from improper disclosure of information. Information held will be processed by the Pension Fund in accordance with the administering the scheme. The Fund will maintain and publish its Privacy Notice.
- 4.39** 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.
- 4.40** The Administering Authority will liaise/respond to the Ministry of Housing Communities and Local Government (MHCLG) and the Government Actuary’s Department (GAD) in-line with specified deadlines on behalf of the Rhondda Cynon Taf Fund.
- 4.41** Monitor Common and Conditional Data Scores in line with The Pensions Regulators Code of Practice – Governance and Administration of Public Service Pension Schemes

**TABLE 2**  
**Specific Admin Authority Service Standards to help ensure an efficient and effective Service is achieved:**

<b>Topic</b>	<b>Standard</b>	<b>Timescale</b>
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 £108.00 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	We will issue Annual Benefit Statements to each active and deferred members.	Annually (by 31st August)
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. Members will be directed to My Pension On-line in the first instance. 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

## Rhondda Cynon Taf Pension Fund – Administration Strategy

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. Members are entitled to receive one quote per transfer per year, the Pension Section reserves the right to make a charge of £108.00 plus VAT for any additional quotations requested.	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)

<b>Cost Recovery</b>	<b>TABLE 3</b>
<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 cannot 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 19<sup>th</sup> 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;
  - Human Resources
  - Payroll
  - Finance
  - Scheme members (where appropriate)

Ensure monthly I-connect submission are made to the Fund

- 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;
  - Induction Workshops
  - Mid Life Planning
  - Pre retirement
  - 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.

**Appendix 3 Specimen Authorised Signatories Form**

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

## 9. Contact Information

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

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



## APPENDIX 4

# RHONDDA CYNON TAF PENSION FUND

## PENSION FUND COMMUNICATIONS POLICY STATEMENT

updated March 2021

## 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 activity 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
- **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 Pensions Administration Software direct to members and employers, resulting in less paper production.
- **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. The Fund is constantly looking to improve the way we communicate with members and is moving to more digital communication wherever possible.

- **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 members to view their pension record, update personal details and run estimates of pension benefits payable at selected retirement dates. Pensioner members can view payslip and P60 information. The service is also used to issue documents to members, for example Annual Benefit Statements and members can upload sensitive documents that are required by the Fund.

- **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 up-loaded to My Pension On-line or forwarded directly to the home address of members who are contributing to the Fund at the financial year-end. Statements are also issued via My Pension On-line

- **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.

- **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.

- **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. (Note: All monthly payment history is viewable through the member self-service 'My Pension On-Line' facility).

## Communicating with Prospective Scheme Members

- **General Welcome**  
A Scheme Guide is available to potential scheme members which outlines the benefits of the LGPS
- **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 Director of Finance and Digital Services, who has delegated operational responsibility for the Pension Fund. An Administration and Investment update is provided with guest speakers invited to talk about topical issues. Key speakers will/have included representatives from the Scheme Actuary, The Pensions Regulator, Investment experts or the Ministry of Housing, Communities and Local Government (MHCLG).

- **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.

- **Pension Fund Training**

The Pension Section provides standard training workshops and specific

### Pensions Fund Communications - Contact Details

**Helpdesk:** 01443 680611

**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