

2023

# PENSIONS

## ANNUAL REPORT

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WATCH YOUR MONEY GROW



RHONDDA CYNON TAF

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# Chairman's Foreword

Councillor Mark Norris  
Chair of the RCT Pension Fund Committee

## It is my pleasure, as Chairman of the RCT Pension Fund Committee, to present this year's Pension Fund Annual Report.

I would firstly like to take the opportunity to thank all Members and officers who have been involved across the Fund's comprehensive governance arrangements, including most importantly the staff who have continued to ensure that Fund Members receive an excellent service throughout the year.

The Pension Committee and Board discharged their respective responsibilities through the year, providing appropriate assurance with regard to the continued high standards of Fund governance and compliance. During 2022/23 we welcomed new Councillors onto the Fund's Pension Committee, with appropriate pension related training provided to new Committee Members. Thanks, are of course also extended to those outgoing Members whose contributions and input were most valued.

It was a difficult year for investment performance, financial markets were impacted by rising inflation, slowdown in growth and global tensions due to the ongoing conflict in Ukraine. Despite this, over the longer-term, the Fund has continued to meet its objectives, as was evident from the conclusion of the 2022 Triennial Valuation exercise in March 2023. The Valuation identified an improved overall funding position from 98.4% to 105.1% over the 3-year valuation cycle.

The Committee remain resolute in ensuring 'Responsible Investment', including climate risk, is factored into all our investment decisions. The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) that engage on corporate governance matters.

The Pension Fund Committee are fully aware of the additional workloads associated with the implementation of the McCloud remedy, the Pensions Dashboards programme and wider Fund Administration challenges and continue to receive regular updates in this regard. It was pleasing to note a successful recruitment exercise during the year to help address any consequential impact on our scheme membership.

The Pensions Team continue to develop and encourage use of the Fund's online membership portal, enhancing the self-service tools and self-help videos to support pension understanding. I would encourage colleagues to ensure that messaging continues to urge members to take maximum advantage of this rich functionality.

The Wales Pension Partnership (WPP) collaboration continues to make good progress against key milestones. The 2022/23 Annual Report has recently been published demonstrating the extent of progress with 70% of Wales' Pension Fund investments now delivered through the sub-funds and solutions offered through WPP. Regular training sessions have been provided throughout 2022/23 to those charged with the Fund's governance responsibilities.

The Fund's 'active' participating membership remained consistent in overall numbers during the year, with over 21,000 pensioner members/dependants now benefiting from this much valued scheme, with a total of £142.5m of pension benefits paid out during the year.

In conclusion, whilst it has been a difficult year for investments, we remain committed to the long-term nature of the Fund which our strategies continue to reflect. The Pensions Team continue to deliver excellence against an increasingly challenging backdrop and their efforts and performance are duly recognised and appreciated.

Thank you for taking the time to read this report.

**Councillor Mark Norris**  
Chair of the RCT Pension Fund Committee





# Introduction

Barrie Davies, C.P.F.A

**Deputy Chief Executive and Group Director -  
Finance, Digital and Frontline Service (Section 151 Officer)**

## **Welcome to this year's Pension Fund Annual Report, which provides an overview of the Fund's Performance and key activities during 2022/23.**

I must start by noting the completion and outcome of the Fund's (2022) Triennial Valuation exercise which has seen the Fund for the first time move from a deficit to a surplus in terms of funding level. At the Fund's recent Annual General Meeting, I referenced that less than 2 decades ago the Fund was 62% funded and now we find ourselves at 105.1% funded at a whole fund level (up from 98.4% at 2019).

Following the completion of the valuation exercise, a review of the Fund's diversified 'Asset Allocation Strategy' was undertaken to reaffirm its suitability, in consideration of the wider macro-economic and geopolitical risks, as well as the improved overall funding position. We continue to increase our exposure to Infrastructure as an asset class and reduce our equity holdings.

Investment performance for the year has been disappointing, the Fund value fell over the course of the financial year from £4.5bn at the 1<sup>st</sup> April 2022 to £4.2bn at the 31<sup>st</sup> March 2023. Financial markets were impacted as a consequence of higher inflation, tightening monetary policy, negative economic growth and the continued geo-political tensions emanating from the conflict in Ukraine.

Whilst the Fund's short-term performance fell behind benchmark over the year, the Fund outperformed its benchmark over 5 years, and over the longer-term 10 year horizon the Fund has returned an annualized 8.1% per annum and ranks 9th in a comparative universe of 66 LGPS funds. The long-term investment strategy and maintaining our funding position must remain the priority objectives for the Fund.

The Wales Pension Partnership (WPP) continues to evolve and by the end of the financial year had assets under management amounting to £22.5bn, which represents 70% of the aggregate investment assets of the 8 LGPS Funds in Wales. The RCT Fund had 73.6% of its assets managed through the WPP at the end of the financial year. Significant work continues with regard to Responsible Investment. Further details on the work, governance arrangements, policies, annual report and business plan of the WPP can be found at the website

→ [www.walespensionpartnership.org](http://www.walespensionpartnership.org)

Looking ahead...

Since the Valuation date, investment markets have remained challenging over the short term with stagnated economic growth and interest rates likely to be higher into the medium term.

The new McCloud remedy regulations to remove the scheme discrimination, came into force from October 2023. The Pension Administration Team and Fund Employers continue to work extensively to identify essential historic data required to facilitate the implementation of the remedies across the membership. This is a significant retrospective exercise and whilst measures have been taken to support the Team, the implementation impact on our wider Service provision is being closely monitored through the management team and the Fund's governance structures.

The Government's Pensions Dashboards programme which aims to allow individuals to view their consolidated pension benefits in a single online account has been delayed. The exercise is complex and the original onboarding date for LGPS Fund's in 2024 is subject to a revised implementation timeline.

The Pensions Regulator's (TPR's) General Code of Practice is also subject to delay. The new single Code is anticipated to introduce governance enhancements for Pension Funds. When the Code becomes available the Fund will assess and address any actions of compliance accordingly.

The Fund will continue to participate in any scheme related consultations on behalf of all stakeholders, the most recent consultation in respect of investment pooling was submitted in October 2023.

The delivery of the Local Government Pension Scheme truly is a partnership and I would extend my sincere thanks to everyone who plays their part in providing scheme members with a first-class service and benefits from this excellent scheme.

I hope that you find the information presented in this report helpful; if you feel it could be improved in any way, we would welcome your suggestions.

**Barrie Davies, C.P.F.A**

CPFA, Deputy Chief Executive and  
Group Director - Finance, Digital and Frontline Service  
(Section 151 Officer)

# Summary

## Participating Employers

### ■ Administering Authority

Rhondda Cynon Taf County Borough Council

### ■ Admitted Bodies

- › Agored Cymru
- › Awen Cultural Trust
- › Capita Glamorgan Consultancy
- › Careers Wales Association
- › Careers Wales - Mid Glamorgan and Powys Limited
- › Compass Cymoedd Contract Services (Cymoedd) Ltd
- › DBW FM Ltd  
Formerly Finance Wales Investment Ltd
- › Development Bank of Wales Plc  
Formerly Finance Wales Plc
- › Drive Ltd
- › Halo Leisure
- › Local Government Data Unit
- › Merthyr Tydfil Institute for the Blind
- › Merthyr Tydfil Leisure Trust
- › Merthyr Valley Homes
- › Social Care Wales  
Formerly Care Council for Wales
- › Trivallis
- › Valleys to Coast Housing
- › Welsh Government  
Former Welsh Development Agency
- › Welsh Joint Education Committee (WJEC)

### ■ Scheduled & Designated Bodies

- › Amgen Cymru
- › Bedlinog Community Council
- › Brackla Community Council
- › Bridgend College
- › Bridgend County Borough Council
- › Bridgend Town Council  
No active members at present
- › Central South Consortium
- › Chief Constable South Wales
- › Coleg Y Cymoedd
- › Coity Higher Community Council
- › Cornelly Community Council
- › Coychurch Crematorium Joint Committee
- › Garw Valley Community Council
- › Gelligaer Community Council
- › Hirwaun & Penderyn Community Council
- › Laleston Community Council
- › Llanbradach Community Council  
No active members at present
- › Llangynwyd Middle Community Council
- › Llanharan Community Council
- › Llanharry Community Council  
No active members at present
- › Llantrisant Community Council
- › Llantwit Fardre Community Council
- › Llwydcoed Crematorium Joint Committee
- › Maesteg Town Council
- › Merthyr Tydfil College
- › Merthyr Tydfil County Borough Council
- › Mrs Bucket Commercial Cleaning
- › Police and Crime Commissioner for South Wales
- › Pontyclun Community Council
- › Pontypridd Town Council
- › Royal Welsh College of Music & Drama
- › South Wales Fire Authority
- › South Wales Valuation Tribunal
- › St Brides Minor Community Council
- › Tonyrefail Community Council
- › University of South Wales
- › Ynysawdre Community Council

## Definition of Bodies

### Scheduled Bodies:

These include County Councils, Police Authorities and the Environment Agency among many others.

### Designated Bodies:

Designated bodies, such as Community Councils are required to pass a resolution stating whom within their employment can join the scheme.

### Admitted Bodies:

Admitted Bodies can participate in the scheme by means of an admission agreement. These Admitted Bodies may state whether all or some of their employees can join the Scheme.

# Contributors Page

## Who's Who

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### **Service Director, Pensions, Procurement and Transactional Services**

#### **Ian Traylor**

Ian joined Local Government in 1990 with the former Mid Glamorgan County Council and transferred to Rhondda Cynon Taf during the 1996 re-organisation. Ian has a well-established background in financial control / risk management with a primary career spent in Internal Audit. Ian joined the Pensions Service in 2006 and is an active member of the Pension Advisory Panel.



### **Principal Accountant, Treasury Management and Pension Fund**

#### **Yvonne Keitch**

With over 30 years experience within local government, Yvonne is responsible for the administration of the pension fund investments. Yvonne has been the fund's Investment Manager since 1995.



### **Accountant, Treasury and Pension Fund**

#### **Vanessa Thomas**

Vanessa joined local government in 1989 with Rhondda Borough Council and transferred to Rhondda Cynon Taf in 1996 during re-organisation.

She has worked in the Investment Team since 2005 and is currently the officer responsible for the maintenance and closure of the Pension Fund accounts.



### **Senior Team Manager – Digital, Comms and Governance**

#### **Tim Jenkins**

Tim joined Local Government in 2007 and since then has held various roles across a number of sections before joining the Pension Section in 2011 as a Systems Administrator. During his time in the Pension Section he has been responsible for rolling out several key projects including the introduction of the employer I-Connect monthly file submissions and launching our My Pension Online Service. He currently represents the Rhondda Cynon Taf Pension Fund at several national usergroups and currently Chairs a national I-Connect Usergroup.

# Pension Fund Committee Members

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## **Chairman Pension Fund Committee** **Councillor Mark Norris**

Councillor Norris is the Cabinet Member for Development and Prosperity, a member of Capita Glamorgan Joint Committee, Climate Change Cabinet Sub Committee, Major Incident Recovery Board, Welsh Language Cabinet Sub Committee, Vice-Chair of Eisteddfod Cabinet Sub-Committee and is Local Member representing Cwm Clydach ward. Councillor Norris has been Chairman of the Pension Fund Committee since its inaugural meeting on 5<sup>th</sup> July 2016.



## **Vice-Chair Pension Fund Committee** **Councillor Martin Douglas Ashford**

Councillor Ashford is a member of the Capita Glamorgan Joint Committee, Education and Inclusion Scrutiny Committee, Overview and Scrutiny 2022 -2027 Committee and a Local Member representing Pontyclun Central ward. Councillor Ashford has been a member of the Pension Fund Committee since May 2022.



## **Pension Committee Member** **Councillor Dawn Susan Wood**

Councillor Wood is a member of the Education and Inclusion Scrutiny Committee and the Local Member representing the Pontypridd Town ward. Councillor Wood has been a member of the Pension Fund Committee since May 2022.



## **Pension Committee Member** **Councillor Gareth Jones**

Councillor Jones is a member of the Climate Change, Frontline Services & Prosperity Scrutiny Committee, the Community Services Scrutiny Committee, Community Services Scrutiny Committee (Crime & Disorder), Glamorgan Archives Joint Committee, Llwydcoed Crematorium Joint Committee and a Local Member representing Aberdare West/ Llwydcoed ward. Councillor Jones has been a member of the Pension Fund Committee since October 2022.



## **Pension Committee Member** **Councillor Norman Howell Morgan**

Councillor Morgan is a member of the Community Services Scrutiny Committee, Community Services Scrutiny Committee (Crime & Disorder) and is Local Member representing the Pentre ward. Councillor Morgan has been a member of the Pension Fund Committee since November 2022.

# Pension Advisory Panel Members



**Deputy Chief Executive and Group Director –  
Finance, Digital and Frontline Service (Section 151 Officer)  
Barrie Davies C.P.F.A**

Barrie joined Local Government with Mid Glamorgan County Council in 1985, moving to Rhondda Cynon Taf with re-organisation in 1996. Barrie is an active member of the Investment and Administration Advisory Panel and was appointed to his current role in March 2019.



**Service Director Finance & Improvement Services, & Deputy Section 151 Officer  
Paul Griffiths C.P.F.A**

Paul joined local government in 1989 with the former Mid Glamorgan County Council and transferred to Rhondda Cynon Taf during the 1996 reorganisation. Paul has a background in financial management, Internal Audit and corporate performance management, and was appointed to the position of Service Director – Finance and Improvement Services in March 2019. Paul also became a member of the Investment and Administration Advisory Panel in March 2019.



**Service Director, Pensions, Procurement and Transactional Services  
Ian Traylor**

Ian joined Local Government in 1990 with the former Mid Glamorgan County Council and transferred to Rhondda Cynon Taf during the 1996 re-organisation. Ian has a well-established background in financial control / risk management with a primary career spent in Internal Audit. Ian joined the Pensions Service in 2006 and is an active member of the Pensions Investment and Administration Advisory Panel.



**Principal Accountant, Treasury Management and Pension Fund  
Yvonne Keitch**

With over 30 years experience within local government, Yvonne is responsible for the administration of the pension fund investments. Yvonne has been the fund's Investment Manager since 1995.



**Service Director Finance Services  
Stephanie Davies F.C.C.A.**

Following a career in the private sector, Stephanie joined Rhondda Cynon Taf in 2000 as a Principal Accountant responsible for the production of the Council's statutory accounts. In her current role, one of Stephanie's responsibilities is the management of the Pension Fund Investment team and became a member of the Pension Fund Investment and Administration Advisory Panel during 2014.



**Accountant, Treasury and Pension Fund  
Vanessa Thomas**

Vanessa joined local government in 1989 with Rhondda Borough Council and transferred to Rhondda Cynon Taf in 1996 during re-organisation. She has worked in the Investment Team since 2005 and is currently the officer responsible for the maintenance and closure of the Pension Fund accounts.



**Carolan Dobson**

Carolan Dobson is an Independent Investment Adviser for a number of LGPS funds including the Environment Agency, Staffordshire County Council, Buckinghamshire County Council and the London Borough of Enfield. She was a Director of Abbey National Asset Management and Murray Johnstone and has had over thirty years experience as a fund manager and investment adviser.



**David Cullinan**

David has been an Independent Investment Adviser to the Fund for over ten years. He is now self-employed, having worked for over thirty years for State Street (formerly the WM Company), managing relationships with a large variety of clients - pension funds, asset management companies, insurance companies, charities and foundations. From a background in investment accounting, fund valuation and unit pricing, David focussed his career on engagement, measurement and performance of funds in the public sector and in particular, the collation of long term statistics and trends on behalf of the collective LGPS – formerly the sector renowned WM Universe and latterly, PIRC's LAPPA service.



# Pension Board Members

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**Employer Representative**  
**Professor Hugh Coombs (Chair)**  
University of South Wales



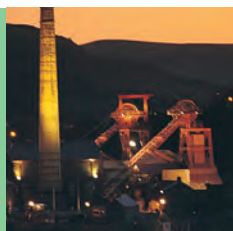
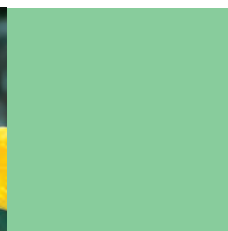
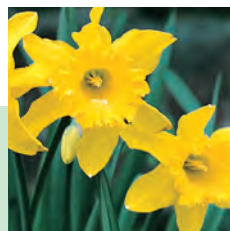
**Employer Representative**  
**Mr David Francis**  
Coleg Y Cymoedd



**Member Representative**  
**Mr Rob Whiles**  
Pensioner of the RCT Pension Fund



**Member Representative**  
**Mrs Sindy Absalom**  
Member of the RCT Pension Fund and Trade Union (Unison) representative





# Administration Report

Ian Traylor

Service Director, Pensions, Procurement and Transactional Services



## Introduction

There were a number of key activities that commenced during 2022/23 which required the collection and validation of membership data. I thank the Fund Employers for their engagement and support, which enabled the Team to provide accurate data to support the Triennial Valuation and the on-going retrospective data requirements in respect of the McCloud remedy.

Implementation of the McCloud remedy will be a significant and protracted exercise for the Pension Team to fully implement in the months ahead, and priority will need to be given to addressing any data gaps involving the payment of immediate benefits.

Maintaining appropriate communication channels with all stakeholder groups remains a key priority for the Service, engaging with Scheme Members through the "My Pension Online" Member Self-Serve portal, with its document sharing functionality, proving a more efficient digital sharing channel. It is pleasing to report that the number of scheme members utilizing this digital functionality continues to grow each year. In addition, the Fund has developed self-help videos to enhance the membership experience.

To ensure this specialist Service is adequately resourced to meet existing and future challenges (McCloud, etc), we continue to support, invest and develop the Pension Team. Further team changes supported by a successful recruitment exercise has seen five new officers appointed, which will help ensure our longer-term workforce planning arrangements are assured. The team have continued to develop their skills and knowledge, and the hybrid operating model and return to the office environment will enhance this development activity by focusing on more complex elements.

The Fund successfully partnered with a third party to modernise and strengthen the overseas 'life certification' membership engagement process, through new digital technologies.

Progress against the Fund's Data Improvement Plan has resulted in further improvements and strong membership data scores provided to the Pensions Regulator in the Annual Scheme Return.

## Actuarial Valuation

**The 2022 Triennial Valuation was successfully concluded by the statutory deadline 31<sup>st</sup> March 2023. In determining the Valuation, the Administering Authority considered its strategic and long-term financial objectives, having due regard to the statutory requirement that employer contributions should be set so as "to ensure the long-term cost efficiency of the scheme". The Valuation provided a revised 'Rates and Adjustment Certificate' setting out the Employers contributions for the following 3 years, with initial rates effective from 1<sup>st</sup> April 2023.**

The Fund value has grown during the 3 year period since the 2019 Valuation exercise, with the overall funding level moving to 105.1%. Equity and bond markets have generally delivered lower than expected investment returns over the period since the valuation date, inflation has increased, serving to increase the benefits payable, but some allowance was made for this risk in the calculation of the liabilities with the funding position generally being maintained at the time of writing. As the Fund continues to mature, the cashflow position will continue to be monitored closely. In conjunction with the Valuation exercise, the Fund reviewed and consulted on its Funding Strategy Statement. The Statement describes the approach used to set the funding target along with the discount rates used, together with information on the level of prudence (or risk) applied.

## Governance

On the 17<sup>th</sup> March 2021, The Pension Regulator (TPR) published a consultation on a draft single modular code of practice. This brings together 10 of TPR's existing 'codes of practice' and some associated guidance, that mainly deal with the governance and administration of pension schemes.

The new Code was expected to be laid in parliament, initially in Autumn 2022, but was delayed due to other legislative priorities. Despite experiencing further delays, Officers and Pension Board have attended a number of awareness sessions on the new code to ensure a fuller understanding of the requirements when the Code becomes available.

The Fund's governance forums continued to operate effectively on behalf of all stakeholders. Throughout the year, officers worked closely with the RCT Pension Board to jointly consider any emerging and existing items of risk and compliance. Meetings of the Chairs of Welsh Pension Boards are facilitated through the Wales Pension Partnership (WPP), which include an update from the 'host' authority in respect of WPP activity and updates from the Operator and the Investment Management Solutions Provider. The WPP Joint Governance Committee arrangements also includes Scheme Member Representation.

The Scheme Advisory Board's (SAB) 'Good Governance' review proposed recommendations aimed to enhance and strengthen the existing high standards of governance and administration within the LGPS. The recommendations have been considered by the Department for Levelling Up, Housing and Communities (DLUHC), and subject to appropriate stakeholder consultation, are likely to be taken forward during 2023/24.

## Regulatory

### Auto Enrolment

Some of the Fund's Employers have been involved in Auto Re-enrolment requirements during the year. As a reminder to all, the Pensions Regulator (TPR) published a press release in September 2022 following some national inspections, warning employers to ensure they are complying with their automatic enrolment duties.

### McCloud

The Public Service Pensions and Judicial Offices Bill progressed through Parliament and received Royal Assent in March 2022. On 8<sup>th</sup> September 2023, the Government laid the revisions to the LGPS regulations which make retrospective provision to rectify the unlawful discrimination identified by the McCloud judgement and which came into force on 1<sup>st</sup> October 2023. Separate taxation rectification regulations have been laid to ensure that members whose benefits are increased due to the McCloud changes will not be penalised by any disproportionate tax results.

Further information in respect of McCloud can be found at the RCT Pension Fund website and on the national LGPS website:

→ [www.lgpsmember.org/2023/10/05/mccloud-remedy-new-pages/](https://www.lgpsmember.org/2023/10/05/mccloud-remedy-new-pages/)

## HMRC Pension Tax Changes

### Lifetime Allowance

The Lifetime Allowance (LTA) is the maximum amount of pension savings that you can build up over your lifetime that benefit from UK tax relief. The Finance Act 2016 reduced the level of the standard LTA. The Finance Act 2021 provides the legal effect of Government's decision to freeze the lifetime allowance at £1.073m for the tax years 2021/22 to 2025/26 (note update below from latest Spring 2023 Budget).

Any pension savings above the lifetime allowance are subject to the lifetime allowance charge. This charge will continue to be:

- 55% if the excess is taken as a lump sum
- 25% if the excess is taken as income i.e. pension

### Annual Allowance

In March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid regulations to move the annual revaluation date, which is the date that active and deferred member benefits are increased in line with inflation, from 1<sup>st</sup> April to 6<sup>th</sup> April. This urgent technical change was made to address the unintended impact of the high inflation within the existing methodology of revaluing pension growth to determine whether the annual allowance has been exceeded.

Since the reduction in Annual Allowance to £40,000 (note update below from latest Spring 2023 Budget), the Fund is experiencing more instances of members exceeding this allowance and incurring a tax charge. This results in a tax payable by members through their individual self-assessment process or there may be opportunity to arrange a 'scheme pays' option with the RCT Fund.

Annual allowance taper provisions changed from 6<sup>th</sup> April 2020. From that date, a member's pension growth is measured against a tapered annual allowance if their Threshold income is more than £200,000 and their adjusted income is more than £240,000. The minimum tapered annual allowance will reduce from £10,000 to £4,000.

In the March 2023 Budget, it was announced that from 6<sup>th</sup> April 2023:

- The lifetime allowance would be abolished.
- the annual allowance would increase from £40,000 to £60,000,
- the adjusted income when the tapering of the annual allowance for high earners begins would increase from £240,000 to £260,000 and the minimum annual allowance someone with tapering can retain would increase from £4,000 to £10,000.

HMRC provide an online calculator to help members determine how much annual allowance they have used

→ [www.tax.service.gov.uk/pension-annual-allowance-calculator](https://www.tax.service.gov.uk/pension-annual-allowance-calculator)

The Fund's Communication Team issue a statement and factsheet during October of each year, to individual members that are impacted by the Annual Allowance.

## Freedom of Choice/Transfer Scams

Whilst these freedoms are not applicable to the LGPS, the Fund continues to experience interest in the possibility of transferring benefits out to Defined Contribution arrangements.

Along with such freedoms there have unfortunately been a national increase in pension transfer scams.

The Pensions Regulator (TPR) continues its work to strengthen the due diligence expectations on Pension Funds and their Trustees in respect of transfer requests, which now can result in the Fund refusing the transfer. Both the Pension Fund Committee and Pension Board are updated on these responsibilities. The due diligence and risk based 'flag' requirement includes consideration of:

- **FIRST CONDITION:**

The receiving scheme is listed in the transfer regulations.

- **SECOND CONDITION:**

Check for an employment link, overseas residency and red/amber flags.

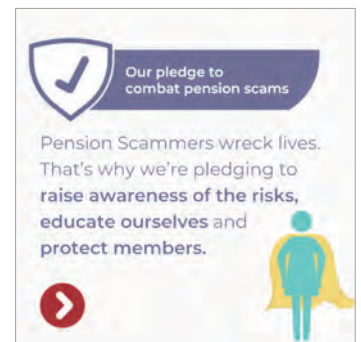
The Pensions Regulator (TPR) has published a strategy to combat pension scams. It will tackle the threat from scammers by:

- educating savers about the threat that scams present
- encouraging higher standards and preventing practices that lead to saver harm
- fighting fraud through the prevention, disruption and punishment of criminality

In June 2022, The Pensions Regulator (TPR) published a blog on pensions scams, which shares intelligence on the methods being used by scammers and advice in respect of this evolving threat. The RCT Pension Fund has signed up to the TPR 'Pledge to Combat Pension Scams' together with the associated awareness activity and reporting.

→ [www.rctpensions.org.uk](https://www.rctpensions.org.uk)

The Financial Conduct Authority (FCA) issued a press release warning that the cost-of-living crisis could cause an increase in pension scams. The warning follows FCA research that a quarter of consumers would consider withdrawing money from their pension earlier than planned to cover the cost of living, making them vulnerable to pension scammers.



## Prevention and Detection of Fraud

The Fund participates in the National Fraud Initiative which is designed to target and prevent fraud and corruption. As part of the initiative public agencies are allowed to share this information for cross matching purposes.

The Pensions Service also has access to the Council's Corporate Fraud Team to support the pursuit and prosecution where necessary of any potential pension irregularity.



## Forward Look

### Cost CAP Review

The Government Actuary's Department published the results of the first cost cap valuation for LGPS (England and Wales) in June 2022. The cost cap was introduced by the Public Service Pensions Act 2013. The Act requires the setting of an employer cost cap rate against which changes in the cost are to be measured. If the cost changes and falls outside a two per cent corridor above/below the rate, action must be taken to bring the cost back in line with the rate.

HM Treasury laid The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022 to take effect from 3rd August 2022. On 19<sup>th</sup> September 2023, HM Treasury issued a written ministerial statement detailing reforms to their cost control mechanism. Reforms have been made to address concerns that the cost control mechanism did not meet its original objectives.

Following a review by the Government Actuary and a public consultation, the mechanism now

- only assesses costs associated with the post-2015 reformed schemes,
- increases the margin by which costs need to vary from the target in order for benefit, or member contribution, changes to be required from 2% to 3% of pensionable pay, and
- includes an 'economic check' such that changes will only happen if the costs would still be outside the same margin had the impact of changes in long-term economic assumptions been included.

HM Treasury's valuation cycle for all public sectors scheme is currently underway, and the outcome of the valuations are expected to be confirmed later this year via the publication of each scheme's valuation report. The LGPS Scheme Advisory Board (SAB) are currently in the process of setting its own cost control mechanism and the assumptions on which this process is based are currently being agreed. Whether or not there will be any implications on employer contributions or scheme member contributions/benefits is not known at present.

### UK Pension Dashboards Programme

The Government is progressing its Pensions Dashboards implementation which will enable individuals to digitally access their various pensions all in a single, secure online location, thereby supporting better planning for retirement.

Dashboards will provide clear and simple information about an individual's multiple pension savings, including their State Pension. The implementation timeline to onboard LGPS Funds in late 2024 has been pushed back, however a revised timeline has not yet been confirmed.

→ [www.pensionsdashboardsprogramme.org.uk](http://www.pensionsdashboardsprogramme.org.uk)

### September 2023 CPI rate announced

On 18<sup>th</sup> October 2023, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2023 as 6.7%.

Government policy in recent years has been to base increases on the rate of CPI in September of the previous year. The LGPS Pension Increase is formally confirmed by HM Treasury in January and paid from the first Monday of each new tax year.

## Performance Information

The results of key performance indicators identified and agreed by the Pension Panel for the period up to 31<sup>st</sup> March 2023 are listed in the table below:

| Procedure Description                                                                               | Performance Target | Intervention Target | Performance Actual | Number of cases Processed |
|-----------------------------------------------------------------------------------------------------|--------------------|---------------------|--------------------|---------------------------|
| <b>Divorce Estimate</b><br>Calculation for members                                                  | 10 days            | 95%                 | 98.70%             | 153                       |
| <b>Preserved Benefit</b><br>Notification to leavers                                                 | 10 days            | 90%                 | 99.60%             | 1832                      |
| <b>Refund of Contributions</b><br>Payment back to scheme members                                    | 10 days            | 95%                 | 94.70%             | 281                       |
| <b>Employer Request for Retirement Estimate</b>                                                     | 5 days             | 95%                 | 98.90%             | 571                       |
| <b>Retirement Payment</b><br>From active membership                                                 | 5 days             | 95%                 | 98.00%             | 551                       |
| <b>Preserved Benefit into Payment on Retirement</b>                                                 | 5 days             | 95%                 | 91.70%             | 575                       |
| <b>Transfer In</b><br>Calculation from previous pension scheme including late transfer applications | 10 days            | 90%                 | 86.10%             | 273                       |
| <b>Transfer Out</b><br>Payment to receiving pension scheme                                          | 10 days            | 95%                 | 97.10%             | 311                       |

## Service Standards

Many Fund employers have undertaken some rationalisation and internal restructuring over the last year and this has increased our workload for producing early retirement costs for employers, along with pension illustrations and retirement packs to members.

Providing this complex information in a timely and accurate manner has proved challenging but the demand has been met without a reduction in our published performance standards or to the detriment of other priority work.

This has been achieved by actively reallocating and targeting resources in line with our key objectives.

## Disputes

In line with legislation the Pension Fund has an Internal Disputes Resolution Procedure (IDRP) which deals with formal complaints against the Scheme.

During 2022/23 one complaint was received under the procedure, which wasn't upheld.

## Membership of the Fund

| Number of Employers | Active    | Ceased    | Total     |
|---------------------|-----------|-----------|-----------|
| Scheduled Body      | 35        | 23        | 58        |
| Admitted Body       | 19        | 12        | 31        |
| <b>TOTAL</b>        | <b>54</b> | <b>35</b> | <b>89</b> |

Fund membership at 31<sup>st</sup> March is as follows:

### Number of Contributing Members

| 2019   | 2020   | 2021   | 2022   | 2023   |
|--------|--------|--------|--------|--------|
| 23,329 | 23,696 | 23,931 | 24,121 | 24,027 |

### Number of Deferred Members

| 2019   | 2020   | 2021   | 2022   | 2023   |
|--------|--------|--------|--------|--------|
| 27,104 | 28,108 | 28,868 | 28,921 | 30,702 |

### Number of Pensioner and Dependants

| 2019   | 2020   | 2021   | 2022   | 2023   |
|--------|--------|--------|--------|--------|
| 19,704 | 20,238 | 20,514 | 21,119 | 21,878 |

### Number of Undecided Withdrawals

| 2019  | 2020  | 2021  | 2022  | 2023  |
|-------|-------|-------|-------|-------|
| 2,999 | 3,113 | 3,071 | 2,913 | 3,164 |

## Membership Trends

|                        | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | % Increase / Decrease from 2021/22 |
|------------------------|---------|---------|---------|---------|---------|------------------------------------|
| Active Employers       | 50      | 51      | 51      | 52      | 54      | 3.85%                              |
| Contributors           | 23,329  | 23,696  | 23,931  | 24,121  | 24,027  | -0.39%                             |
| Pensioners             | 17,025  | 17,512  | 17,728  | 18,220  | 18,860  | 3.51%                              |
| Dependants             | 2,679   | 2,726   | 2,786   | 2,899   | 3,018   | 4.10%                              |
| Deferred Beneficiaries | 27,104  | 28,108  | 28,868  | 28,921  | 30,702  | 6.16%                              |

## Fund Costs per Member

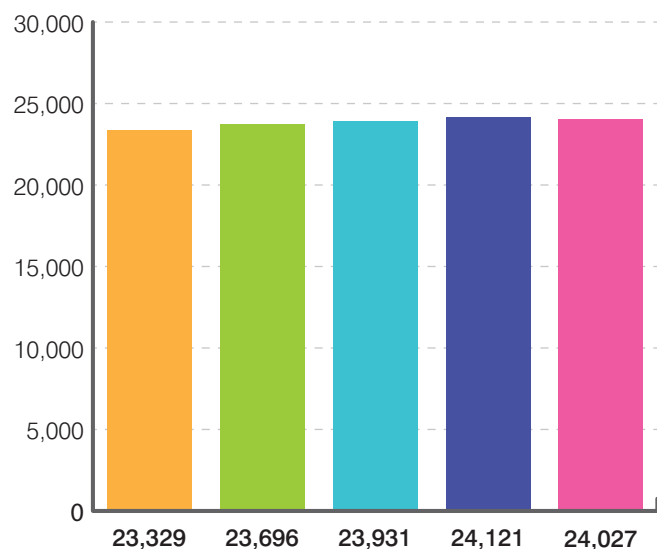
|                                | Cost per member |                |
|--------------------------------|-----------------|----------------|
|                                | 2021/22         | 2022/23        |
| Administration Costs           | £28.76          | £27.34         |
| Investment Management Expenses | £152.11         | £135.07        |
| Oversight and Governance Costs | £5.03           | £5.53          |
| <b>TOTAL</b>                   | <b>£185.90</b>  | <b>£167.94</b> |

The Pension Fund currently employs 28.5 full time equivalent staff in administration and 2 in Pension Fund Investments and Accounts.

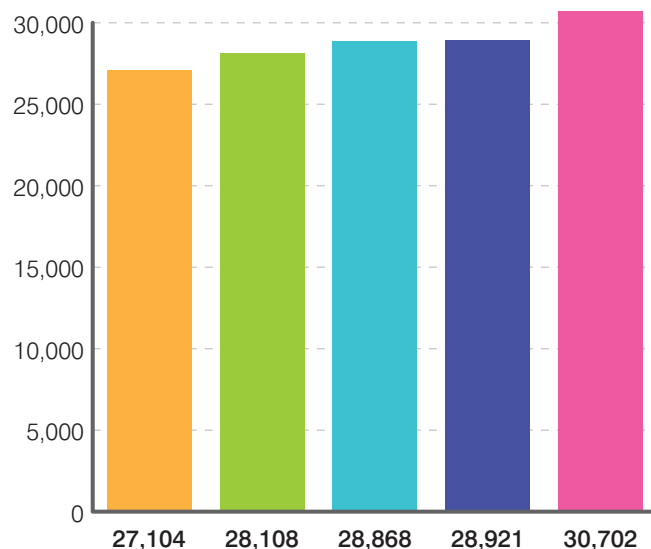
## Membership and Analysis of the Fund



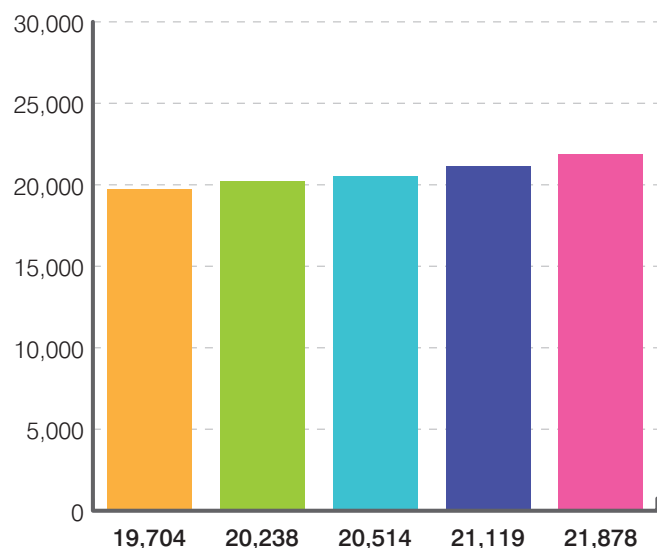
### Number of Contributing Members



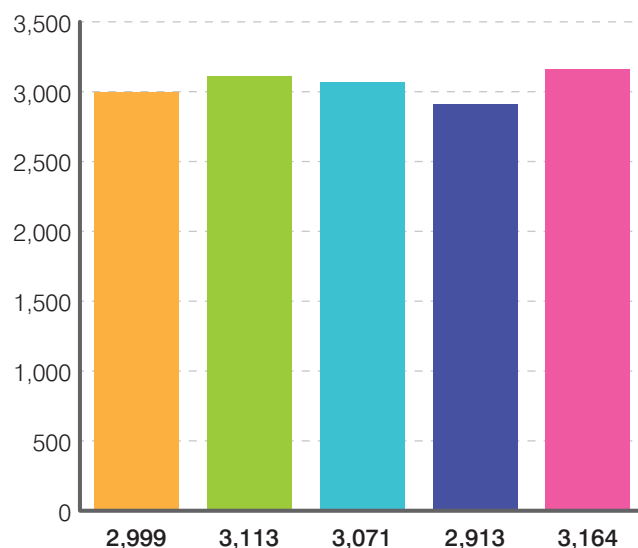
### Number of Deferred Members



### Number of Pensioner and Dependents



### Number of Undecided Withdrawals



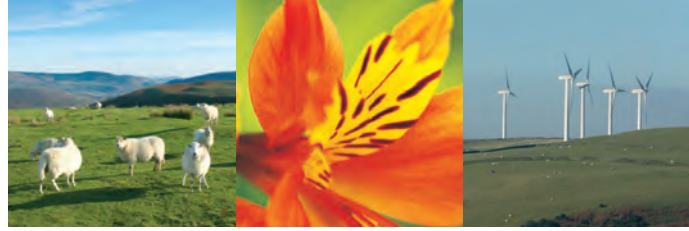
## Membership Analysis

| Leavers from active status          | 2021        | 2022        | 2023        |
|-------------------------------------|-------------|-------------|-------------|
| Refund of contributions             | 117         | 256         | 272         |
| Transfers to other schemes          | 0           | 0           | 0           |
| Death in Service                    | 20          | 27          | 27          |
| Ill Health retirements              | 28          | 50          | 70          |
| Early / normal retirements          | 164         | 287         | 313         |
| Redundancy / efficiency retirements | 83          | 341         | 68          |
| Flexible Retirement                 | 7           | 17          | 28          |
| Late Retirement                     | 81          | 133         | 139         |
| Opt outs                            | 146         | 120         | 132         |
| Preserved Benefits                  | 894         | 2070        | 2929        |
| Other Leavers                       | 195         | 301         | 415         |
| <b>TOTAL</b>                        | <b>1735</b> | <b>3602</b> | <b>4263</b> |

| Deferred Benefits – Exits                         | 2021       | 2022       | 2023        |
|---------------------------------------------------|------------|------------|-------------|
| Transfer to other schemes                         | 92         | 316        | 848         |
| Deaths                                            | 46         | 28         | 21          |
| Ill Health retirements                            | 4          | 6          | 11          |
| Early / normal retirements                        | 390        | 576        | 631         |
| Other benefits                                    | 0          | 45         | 66          |
| Number of deferred members re-entering the scheme | 0          | 0          | 27          |
| <b>TOTAL</b>                                      | <b>532</b> | <b>971</b> | <b>1034</b> |







# Investment Report

Yvonne Keitch

Principal Accountant, Treasury Management and Pension Fund



## Introduction

At the start of the financial year, the market value of the Rhondda Cynon Taf Pension Fund investments was £4,510.2 million. At 31<sup>st</sup> March 2023 the Fund had decreased in value to £4,256.4 million.

Rhondda Cynon Taf Pension Fund achieved an annual return of -5.8% in 2022/23. It had been a difficult year for investors, especially in the equity markets. RCT Pension Fund's longer returns are comfortably ahead of benchmark over both 10 and 20 year periods ranking in 9th percentile over 10 years and 8th percentile over 20 year of PIRC's Annual Local Authority Fund Statistical Universe.

## Investment Management

The Pension Fund Committee is responsible for the strategic management of the RCT Pension Fund in accordance with its term of reference.

The Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services (in his capacity as S151 Officer) supported by an Investment and Administration Advisory Panel, has delegated responsibility for all day to day operational matters.

The Pension Fund Investment and Administration Advisory Panel is chaired by the Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services, and consists of two independent investment advisors and other Senior Finance Officers.

The Panel meets quarterly to consider both administration and investment issues and determine policy in light of market movements and to question and challenge the Investment Managers on activities and performance.

There are currently seven separate investment mandates. Baillie Gifford Traditional Equities, Global Growth High Alpha Equities (WPP), Global Opportunities High Alpha Equities (WPP), Sterling Credit Fund (WPP), CBRE Property, BlackRock Passive mandate covering Low Carbon Equities and Passive Gilts and BlackRock Global Infrastructure Solutions.

## Investment Performance

The table below shows performance, at an asset class level, over historical periods measured to 31<sup>st</sup> March 2023.

|                     | 1 Year      |             | 3 Year     |            | 5 Year     |            |
|---------------------|-------------|-------------|------------|------------|------------|------------|
|                     | Benchmark   | Fund        | Benchmark  | Fund       | Benchmark  | Fund       |
|                     | %           | %           | %          | %          | %          | %          |
| Equities            | -0.6        | -3.0        | 15.0       | 14.2       | 8.6        | 8.9        |
| Total Bonds         | -13.0       | -12.6       | -6.0       | -5.2       | -1.8       | -1.4       |
| Property            | 15.0        | -10.0       | 10.6       | 0.7        | 8.8        | 2.4        |
| Infrastructure      | 8.1         | 8.1         | -          | -          | -          | -          |
| Cash                | 2.3         | 3.6         | 0.7        | 1.2        | 0.6        | 1.1        |
| <b>TOTAL ASSETS</b> | <b>-2.9</b> | <b>-5.8</b> | <b>8.4</b> | <b>8.3</b> | <b>5.9</b> | <b>6.1</b> |

## Asset Allocation and Performance

The table below shows the asset allocation and the performance of these asset allocations against their respective benchmarks for the year 2022/23.

|                                 | Opening Value    |            | Closing Value    |            | Net Performance (1year) | Benchmark   |
|---------------------------------|------------------|------------|------------------|------------|-------------------------|-------------|
|                                 | £'000            | %          | £'000            | %          | %                       | %           |
| <b>Equities</b>                 | 862,087          | 19.1       | 786,080          | 18.5       | -7.8                    | 2.0         |
| <b>Pooled Funds</b>             |                  |            |                  |            |                         |             |
| Global Growth Equities          | 1,540,312        | 34.2       | 1,526,579        | 35.9       | -0.9                    | -1.4        |
| Global Opportunities Equities   | 406,503          | 9.0        | 407,334          | 9.6        | 0.3                     | -1.4        |
| UK Credit                       | 574,241          | 12.7       | 520,721          | 12.2       | -9.4                    | -10.3       |
| <b>Other Pooled Investments</b> |                  |            |                  |            |                         |             |
| Passive UK Gilts                | 523,355          | 11.6       | 438,537          | 10.3       | -16.2                   | -16.3       |
| Passive Equities                | 233,295          | 5.2        | 223,739          | 5.3        | -4.1                    | -4.7        |
| Pooled Property                 | 331,485          | 7.3        | 290,130          | 6.8        | -10.0                   | 15.0        |
| Infrastructure                  | 12,549           | 0.3        | 29,613           | 0.7        | -                       | -           |
| <b>Cash</b>                     | 26,359           | 0.6        | 33,629           | 0.8        | 3.6                     | 2.3         |
| <b>TOTAL ASSETS</b>             | <b>4,510,186</b> | <b>100</b> | <b>4,256,362</b> | <b>100</b> | <b>-5.8</b>             | <b>-2.9</b> |

## Details of Fund Managers

The market values of investments held by the Fund Managers employed by the Fund are detailed in the following table:

|                                   | Market Value        |                     | Proportion of Fund |                 |
|-----------------------------------|---------------------|---------------------|--------------------|-----------------|
|                                   | 31/03/2022<br>£'000 | 31/03/2023<br>£'000 | 31/03/2022<br>%    | 31/03/2023<br>% |
| Baillie Gifford (Global Equities) | 866,979             | 790,914             | 19.2               | 18.6            |
| BlackRock (Passive Equities)      | 233,295             | 223,739             | 5.2                | 5.3             |
| BlackRock (Passive Bonds)         | 523,355             | 438,537             | 11.6               | 10.3            |
| BlackRock (Infrastructure)        | 12,549              | 29,613              | 0.3                | 0.7             |
| CBRE (Property)                   | 342,350             | 299,452             | 7.6                | 7.0             |
| Link (Global Growth)              | 1,540,312           | 1,526,579           | 34.2               | 35.9            |
| Link (Global Opportunities)       | 406,503             | 407,334             | 9.0                | 9.6             |
| Link (UK Credit)                  | 574,241             | 520,721             | 12.7               | 12.2            |
| Internally Managed                | 10,602              | 19,473              | 0.2                | 0.5             |
| <b>TOTAL ASSETS</b>               | <b>4,510,186</b>    | <b>4,256,362</b>    | <b>100.0</b>       | <b>100.0</b>    |

No single investment accounted for more than 5% of the Fund's assets.

The market value of investments shown in this table includes short-term investments such as cash balances and money deposits, and so differs from the total of long-term investments only.

Investment risk is mitigated by employing a number of fund managers to diversify manager risk, with mandates covering a variety of assets including equities, bonds and property. Managers must maintain a diversified portfolio of investments and comply with the LGPS investment regulations, and any additional restrictions within their mandates. The underlying investments are further diversified by country and industry sector.

Each manager's performance is monitored quarterly against a target linked to an asset allocation benchmark, effectively constraining managers from deviating significantly from the intended approach, while still permitting some flexibility to enhance returns.

## Profits and Losses on Investments

|                                           | 2021/22         | 2022/23          |
|-------------------------------------------|-----------------|------------------|
|                                           | £'000           | £'000            |
| Profit on sales                           | 193,160         | 64,796           |
| Loss on sales                             | (9,429)         | (42,272)         |
| <b>Net profit / (loss) on sales</b>       | <b>183,731</b>  | <b>22,524</b>    |
| Change in market value                    | (204,211)       | (321,726)        |
| <b>Net increase / (decrease) in value</b> | <b>(20,480)</b> | <b>(299,202)</b> |

## Custodial Arrangements

Rhondda Cynon Taf Pension Fund has appointed State Street to act as custodian for the shares of the pension fund held outside of pooling arrangements. Shares are held to the order of the custodian for the benefit of Rhondda Cynon Taf Pension Fund.

State Street is regulated in the UK by the Financial Conduct Authority and the Prudential Regulatory Authority.

Link, the operator of the Wales Pension Partnership (WPP), has appointed Northern Trust to act as custodian for shares held within the sub funds of the WPP.

## Fund Manager and Advisor Fees

Fund manager fees are charged on a reducing scale based upon the market value of the fund.

In addition to fund manager fees, the indirect costs of the investments in the WPP are reflected in the net asset value of the pooled units.

The Fund's advisors receive a fixed annual fee for their services and attendance at quarterly meetings. Any additional meetings incur an extra charge.

## Largest Share Holding

The ten largest holdings for the equity fund manager Baillie Gifford as at 31<sup>st</sup> March 2023 are:

| Share             | £          |
|-------------------|------------|
| AstraZeneca       | 15,504,990 |
| Rio Tinto         | 14,173,928 |
| Diageo            | 14,136,518 |
| Bunzl             | 13,532,086 |
| St. James's Place | 12,075,099 |
| Unilever          | 11,502,901 |
| Prosus N.V.       | 10,679,117 |
| Prudential        | 10,426,309 |
| RELX              | 10,251,496 |
| Legal and General | 9,685,008  |



# Wales Pension Partnership (WPP)

The WPP was established in 2017 with the objective to deliver:

- **economies of scale**
- **strong governance and decision making**
- **reduced costs and excellent value for money, and**
- **an improved capacity and capability to invest in infrastructure**

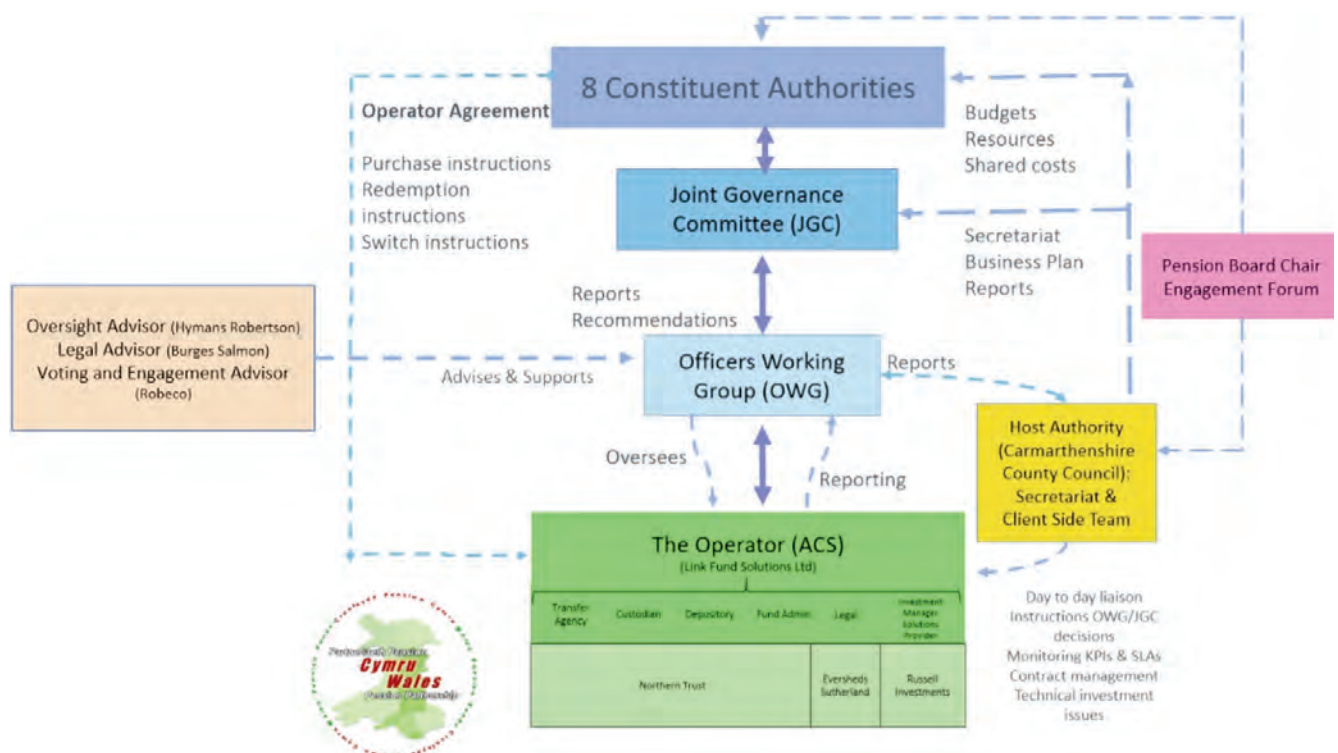
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taf and Swansea. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government's pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

## Governance

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:





## The eight Constituent Authorities of the WPP are:

1. Carmarthenshire County Council (Host)
2. City and County of Swansea Council
3. City of Cardiff Council
4. Flintshire County Council
5. Gwynedd Council
6. Powys County Council
7. Rhondda Cynon Taf County Borough Council
8. Torfaen County Borough Council

The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and workplan, as well as its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities.

The OWG provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Link Fund Solutions (Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles & sub-funds, performance reporting, transition implementation and manager monitoring and fee negotiations. There is an Operator Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Link Fund Solutions carries out on behalf of the WPP. Link engages with the Constituent Authorities by:

- **Direct engagement** – attendance at annual committee meetings
- **Indirect engagement** – with CAs collectively, through the JGC and OWG

In collaboration with Link Fund Solutions, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles.

Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP's Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP's legal advisors and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP's Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP's portfolio and undertaking engagement activity on behalf of the WPP.

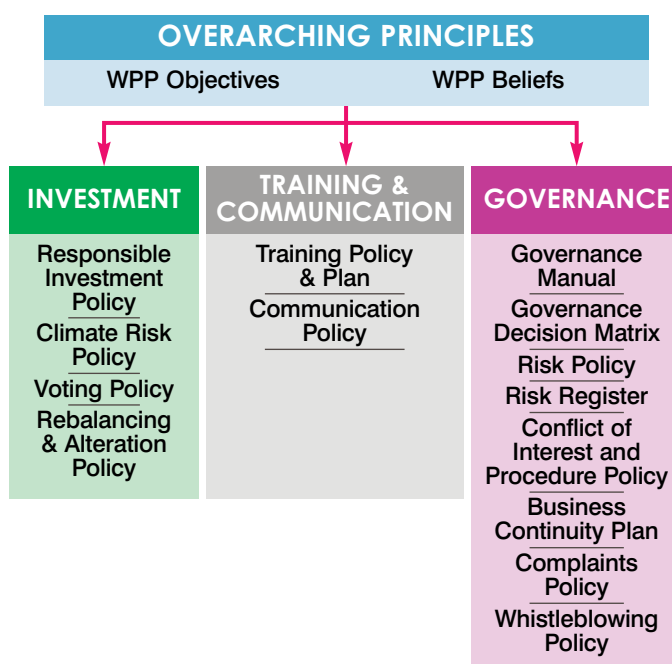
The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans are listed below and can be found on the WPP website.

Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP's ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP RI Sub-Group has been established to take ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP's RI and Climate Risk Policies.

The WPP's Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website:

→ [www.walespensionpartnership.org](http://www.walespensionpartnership.org)



## Risk

Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks.

The WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis.

## Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans.

Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

## Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders.

The WPP have made significant progress towards delivering on this objective. The launching of WPPs first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that the WPP has pooled 70% of assets.

As at 31<sup>st</sup> March 2023, WPP has total assets worth £22.5bn, £15.6bn of which sits within the pool, see breakdown below:

| Asset Class                                         | Managed by          | Launch Date    | 31 <sup>st</sup> March 2023<br>£000 | %          |
|-----------------------------------------------------|---------------------|----------------|-------------------------------------|------------|
| Global Growth Equity Fund                           | Link Fund Solutions | January 2019   | 3,274,153                           | 14.6       |
| Global Opportunities Equity Fund                    | Russell Investments | January 2019   | 3,269,124                           | 14.6       |
| UK Opportunities Equity Fund                        | Russell Investments | September 2019 | 760,143                             | 3.4        |
| Emerging Markets Equity Fund                        | Russell Investments | October 2021   | 354,601                             | 1.6        |
| Global Credit Fund                                  | Russell Investments | July 2020      | 693,665                             | 3.1        |
| Global Government Bond Fund                         | Russell Investments | July 2020      | 481,417                             | 2.1        |
| UK Credit Fund                                      | Link Fund Solutions | July 2020      | 520,721                             | 2.3        |
| Multi-Asset Credit Fund                             | Russell Investments | July 2020      | 655,191                             | 2.9        |
| Absolute Return Bond Fund                           | Russell Investments | September 2020 | 559,107                             | 2.5        |
| Passive Investments                                 | BlackRock           | March 2016     | 5,074,366                           | 22.6       |
| Investments not yet pooled                          |                     |                | 6,812,892                           | 30.3       |
| <b>TOTAL INVESTMENTS ACROSS ALL 8 PENSION FUNDS</b> |                     |                | <b>22,455,380</b>                   | <b>100</b> |

Investment assets split between Rhondda Cynon Taf Pension Fund and WPP.

| Share                                | 31 <sup>st</sup> March 2023<br>£000 | %          |
|--------------------------------------|-------------------------------------|------------|
| Global Equity Funds                  | 1,933,913                           | 45.4       |
| UK Credit Fund                       | 520,721                             | 12.2       |
| Passive Equities                     | 223,739                             | 5.3        |
| Passive UK Gilts                     | 438,537                             | 10.3       |
| Infrastructure held outside the pool | 29,613                              | 0.7        |
| Investments not yet pooled           | 1,090,366                           | 25.6       |
| Internal Cash                        | 19,473                              | 0.5        |
| <b>TOTAL INVESTMENT ASSETS</b>       | <b>4,256,362</b>                    | <b>100</b> |

The above table summarises the Pension Fund's investments in the WPP, together with the assets that remain under the direct oversight of the Fund as at 31<sup>st</sup> March 2023.

## Pooling costs

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs, the running costs are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. Details of the costs incurred by RCT Pension Fund in respect of the WPP are detailed in 14.0 of the Statement of Accounts.

## Investment Fee Savings from Pooling

| Investments managed by the Wales Pension Partnership | Value as at 31 <sup>st</sup> March 2023<br>£000 | 2022/23 Actual Fee Savings<br>£000 | Cumulative Fee Saving<br>£000 |
|------------------------------------------------------|-------------------------------------------------|------------------------------------|-------------------------------|
| Link Global Growth Equity Fund                       | 1,526,579                                       | 1150                               | 4,853                         |
| Link Global Opportunities Equity Fund                | 407,334                                         | (103)                              | (338)                         |
| Link UK Credit Fund                                  | 520,721                                         | 261                                | 752                           |
| <b>TOTAL</b>                                         |                                                 | <b>1,308</b>                       | <b>5,267</b>                  |

Assets were moved from the segregated global equity managers during January 2019 into the WPP Global Equity funds. The segregated bond manager was transitioned into the WPP Credit Fund and the passive UK gilt fund of BlackRock during July 2020. Therefore savings of bond investments is partly due to a strategy decision by the RCT Pension Fund.

Saving analysis is based on the assumption that the managers have achieved their performance target of 2.5%.

## Objectives 2022/23

Following the launch of a number of sub-funds to date, progress will continue to be made with significant rationalisation of the existing range of mandates. The operator / allocators will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the eight constituent funds and facilitate a significant move of the assets to be pooled.

In establishing the WPP pool, the prime focus has been on pooling the most liquid assets, namely equities and fixed income. In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisors and they have assisted the WPP with the identification of Private Markets Allocators for the Private Market Asset Classes. The Infrastructure, Private Credit and Private Equity allocators have been appointed and work is underway with Real Estate.

WPP's Infrastructure and Private Credit investment programmes have been launched with the Private Equity investment programme due to launch in 2023/24. No funds have yet transitioned into these programmes.

A transition timetable has been provided below:

| Investment Portfolio          | Timeline for Launch / Implementation |
|-------------------------------|--------------------------------------|
| Sustainable Equities          | Launch due mid-2023                  |
| Private Debt / Infrastructure | Investments to commence in 2023/24   |
| Private Equity                | Investments to commence in 2023/24   |

During 2022/23, the WPP published its second annual Stewardship Report, remaining a signatory to the 2020 UK Stewardship Code. This year has seen an enhanced approach as a responsible investor with the establishment of an engagement framework to review its engagement themes, enhanced reporting in accordance with the requirements of the UK Stewardship Code, and continued reviews of the existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs. 2023/24 will see further enhancements, with the delivery of a WPP climate report, in preparation for the upcoming Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements. WPP is also working closely with its service providers to further its responsible-investment aims, including evolving its Voting Policy towards a more-encompassing Stewardship Policy, with plans to establish an appropriate Escalation Policy.

There will also be a focus on the review and development of additional WPP policies, as well as the provision of timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

## Securities Lending

Securities lending commenced in March 2020. Revenue is split on a 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split.

A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. Total revenue of LF Wales Revenue during 2022/23 was £1,328,759 (gross) / £1,129,506 (net) with £454,055,992 out on loan as at 31 March 2023.

More detailed information can be found in WPP's Annual Return which is published on the WPP website -

→ [www.walespensionpartnership.org](http://www.walespensionpartnership.org)

# 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 Deputy Chief Executive / Group Director – Finance, Digital & Frontline Services as the officer with Section 151 responsibilities to exercise delegated powers to make decisions in respect of operational matters of the Pension Fund investments and administration. An Investment and Administration Advisory Panel has been formed to support him in this capacity. This is made up of:

- Service Director – Finance and Improvement Services
- Service Director – Pensions, Procurement and Transactional Services
- Service Director – Finance Services
- Principal Accountant, Treasury and Pension Fund Investments
- Senior Accountant, Treasury and Pension Fund Investments
- Independent Advisors

Both the Committee and the Panel meets quarterly. The Council is not strictly a trustee (technically, this is the Department for Levelling Up, Housing and Communities (DLUHC)) 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:

→ [www.rctpensions.org.uk/EN/RelatedDocuments/GovernanceAndInvestments/GovernanceDocuments/PensionFundGovernancePolicy.pdf](http://www.rctpensions.org.uk/EN/RelatedDocuments/GovernanceAndInvestments/GovernanceDocuments/PensionFundGovernancePolicy.pdf)

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

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





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

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

The Fund is diversified into the following asset classes:

- Equities
- UK Gilts
- Corporate Bonds
- Property
- Infrastructure
- Cash

The Fund commissioned an Asset / Liability review in 2020, 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 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.

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           | Pension Fund's allocation (31/03/2022) | STEP 1<br>Reduction in Equities, increase in Govn and Corp Bonds | STEP 2<br>Reduction in Equities for infrastructure investment | STEP 3<br>Reduction in equities for additional infrastructure investment |
|-----------------------|----------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------|
| Total Equities        | 68%                                    | 64%                                                              | 59%                                                           | 54%                                                                      |
| Infrastructure        | 0                                      | 0                                                                | 5%                                                            | 10%                                                                      |
| Property              | 8%                                     | 7%                                                               | 7%                                                            | 7%                                                                       |
| Government Bonds (UK) | 11%                                    | 12%                                                              | 12%                                                           | 12%                                                                      |
| Corporate Bonds (UK)  | 12%                                    | 15%                                                              | 15%                                                           | 15%                                                                      |
| Cash                  | 1%                                     | 2%                                                               | 2%                                                            | 2%                                                                       |

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:

| Asset Class      | Target % of | Max. % of |
|------------------|-------------|-----------|
| Equities         | 54%         | 75%       |
| Government Bonds | 12%         | 35%       |
| Corporate Bonds  | 15%         | 15%       |
| Property         | 7%          | 15%       |
| Infrastructure   | 10%         | 10%       |
| Cash             | 2%          | 5%        |

The target in the adjacent table 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 2022:

|                                 | % of Fund Invested |
|---------------------------------|--------------------|
| <b>Equities</b>                 | 19.2               |
| <b>Pooled Funds</b>             |                    |
| WPP Global Equities             | 43.2               |
| WPP UK Credit                   | 12.7               |
| <b>Other Pooled Investments</b> |                    |
| Passive UK Gilts                | 5.2                |
| Passive Equities                | 11.6               |
| Pooled Property                 | 7.6                |
| Infrastructure                  | 0.3                |
| Cash & Deposits                 | 0.2                |

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 be 100% funded, 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 the Passive UK Gilt 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:

| Portfolio                       | Portfolio Benchmark Index                                                                                                                                    | Portfolio Target                                   |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <b>Traditional Equity</b>       | UK - FTSE All Share<br>US – FTSE All World<br>Europe – FTSE All World Europe<br>Far East – FTSE All World Developed Asia<br>Other Intl – MSCI Emerging Index | Composite Index + 1% pa over rolling 3 year period |
| <b>Global passive equity</b>    | MSCI World Low Carbon Target Reduced Fossil Fuel Select 12 BST                                                                                               | Index                                              |
| <b>Global high alpha equity</b> | MSCI All Countries World Index                                                                                                                               | Index + 2% over rolling 3 year period              |
| <b>Infrastructure</b>           |                                                                                                                                                              | 9% IIR (net of fees with a 4% p.a. cash yield)     |
| <b>Passive UK Gilt</b>          | FTSE Actuaries UK Conventional Gilts All Stock                                                                                                               | Index                                              |
| <b>UK Credit</b>                | ICE BofA ML Eur-Sterling                                                                                                                                     | Index plus 0.65%                                   |
| <b>Property</b>                 | CPI plus 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:

| Portfolio                            | Max. 10% in any single holding | Max. of 10% held in cash | Max. of 5% held in cash | No single overseas equity exceeds 5% of total value of fund | Max. holding of 25% in trust scheme | Max 25% in Emerging Markets |
|--------------------------------------|--------------------------------|--------------------------|-------------------------|-------------------------------------------------------------|-------------------------------------|-----------------------------|
| Baillie Gifford Traditional Equities | •                              | •                        |                         | •                                                           | •                                   |                             |
| WPP Global Growth Fund               | •                              | •                        |                         |                                                             | •                                   |                             |
| WPP Global Opportunities Fund        | •                              |                          |                         |                                                             | •                                   | •                           |
| WPP UK Credit                        | No limits as pooled funds      |                          |                         |                                                             |                                     |                             |
| BlackRock Passive Equities           | No limits as pooled funds      |                          |                         |                                                             |                                     |                             |
| BlackRock Passive UK Gilts           | No limits as pooled funds      |                          |                         |                                                             |                                     |                             |
| BlackRock GIS4 Solutions             | No limits as pooled funds      |                          |                         |                                                             |                                     |                             |
| CBRE Property                        | •                              |                          | •                       |                                                             |                                     |                             |

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 related to Fixed Interest with five sub funds being launched during July 2020 (Global gilts, global corporates, UK corporates, multi asset credit and absolute return bonds). The fourth sub fund related to emerging market equities and was launched October 2021

## 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:**

1. We will incorporate Environmental, Social and Governance issues into investment analysis and decision-making processes;
2. We will be active owners and incorporate Environmental, Social and Governance issues into our ownership policies and practices;
3. We will seek appropriate disclosures on Environmental, Social and Governance issues by the entities in which we invest;
4. We will promote acceptance and implementation of the Principles within the investment industry;
5. We will work together to enhance our effectiveness in implementing the Principles; and
6. 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 provides 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

## APPENDIX A

### 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

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## 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.

# Myners Investment Principles

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## PRINCIPLE 1: Effective Decision Making

Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

➡ **FULL COMPLIANCE**

## PRINCIPLE 2: Clear Objectives

An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities and the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

➡ **FULL COMPLIANCE**

## PRINCIPLE 3: Risk and liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

➡ **FULL COMPLIANCE**

## PRINCIPLE 4: Performance assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

➡ **FULL COMPLIANCE**

## PRINCIPLE 5: Responsible ownership

Administering authorities should :

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents
- Include a statement of their policy on responsible ownership in the statement of investment principles
- Report periodically to scheme members on the discharge of such responsibilities.

➡ **FULL COMPLIANCE**

## PRINCIPLE 6: Transparency and reporting

Administering authorities should :

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Provide regular communication to scheme members in the form they consider most appropriate.

➡ **FULL COMPLIANCE**



# Accounts Report

Vanessa Thomas  
Accountant, Treasury and Pension Fund



## Fund Account

| 2021/22            |                                                                                                  | 2022/23        |                    |
|--------------------|--------------------------------------------------------------------------------------------------|----------------|--------------------|
| £'000              |                                                                                                  | £'000          | £'000              |
|                    | <b>Contributions</b>                                                                             |                |                    |
| (102,178)          | Employer contributions                                                                           | (112,985)      |                    |
| (31,121)           | Member contributions                                                                             | (34,416)       |                    |
| <b>(133,299)</b>   |                                                                                                  |                | <b>(147,401)</b>   |
|                    | <b>Transfers in from other Pension Funds</b>                                                     |                |                    |
| (6,583)            | Group Transfers in from other schemes or funds                                                   | (5,917)        |                    |
| (1,673)            | Individual Transfers from other schemes or funds                                                 | (1,945)        |                    |
|                    |                                                                                                  |                | <b>(7,862)</b>     |
| (2,865)            | <b>Other income</b>                                                                              | <b>(2,957)</b> |                    |
|                    |                                                                                                  |                | <b>(2,957)</b>     |
|                    | <b>Benefits</b>                                                                                  |                |                    |
| 112,224            | Pensions                                                                                         | 117,196        |                    |
| 18,105             | Commutation of pensions and lump sum retirement benefits                                         | 22,587         |                    |
| 3,196              | Lump sum death benefits                                                                          | 2,741          |                    |
| <b>133,525</b>     |                                                                                                  |                | <b>142,524</b>     |
|                    | <b>Payments to and on account of leavers</b>                                                     |                |                    |
| 217                | Refunds to members leaving scheme or fund                                                        | 279            |                    |
| (1)                | Payments for members joining state scheme or fund                                                | (1)            |                    |
| 11,749             | Individual transfers to other schemes of funds                                                   | 7,641          |                    |
| <b>11,965</b>      |                                                                                                  |                | <b>7,919</b>       |
| <b>145,490</b>     |                                                                                                  |                | <b>150,443</b>     |
| 1,070              | Net (addition)/withdrawals from dealings with members                                            |                | (7,777)            |
| 14,329             | Management Expenses                                                                              | 13,397         |                    |
|                    |                                                                                                  |                | <b>13,397</b>      |
| <b>15,399</b>      | <b>Net (additions)/withdrawals Including fund management expenses</b>                            |                | <b>5,620</b>       |
|                    | <b>Investment income</b>                                                                         |                |                    |
| (17,536)           | Dividends from equities                                                                          | (15,680)       |                    |
| (21,727)           | Dividends from WPP Global Equities*                                                              | (13,598)       |                    |
| (2,201)            | Income from WPP UK Credit Fund                                                                   | (10,423)       |                    |
| (10,682)           | Income from Pooled Property                                                                      | (10,777)       |                    |
| (6)                | Interest on cash deposits                                                                        | (298)          |                    |
| <b>(52,152)</b>    |                                                                                                  |                | <b>(50,776)</b>    |
| <b>20,480</b>      | <b>(Profits) &amp; losses on disposal of investments and changes in the value of investments</b> | 299,202        |                    |
|                    |                                                                                                  |                | <b>299,202</b>     |
| <b>258</b>         | <b>Taxes on income</b>                                                                           | 75             |                    |
|                    |                                                                                                  |                | <b>75</b>          |
| <b>(31,414)</b>    | <b>Net Returns on Investments</b>                                                                |                | <b>248,501</b>     |
| <b>(16,015)</b>    | <b>Net (increase)/decrease in net assets available for benefits during the year</b>              |                | <b>254,121</b>     |
| <b>(4,498,581)</b> | <b>Opening Net Assets</b>                                                                        |                | <b>(4,514,596)</b> |
| <b>(4,514,596)</b> | <b>Closing Net Assets</b>                                                                        |                | <b>(4,260,475)</b> |

\*The dividends from WPP Global Equities are accumulation units, of which only one accumulation took place during 2022/23 for the Global Growth Fund and is included within the £13.598m. From May 2022, income remained within the market value price. At year end the market value of the Global Growth Fund included £14.552m of income.

## Net Asset Statement

| 2021/22          |                                                                          | 31/03/2023 |                  |
|------------------|--------------------------------------------------------------------------|------------|------------------|
| £'000            |                                                                          | £'000      | £'000            |
|                  | <b>Investment Assets</b>                                                 |            |                  |
| 862,087          | Equities                                                                 | 786,080    |                  |
|                  | Pooled Funds                                                             |            |                  |
| 1,946,815        | WPP Global Equities                                                      | 1,933,913  |                  |
| 574,241          | WPP UK Credit Fund                                                       | 520,721    |                  |
|                  | Other Pooled Investments                                                 |            |                  |
| 523,355          | Passive UK Gilts                                                         | 438,537    |                  |
| 233,295          | Passive Equities                                                         | 223,739    |                  |
| 331,485          | Pooled Property                                                          | 290,130    |                  |
| 12,549           | Pooled Infrastructure                                                    | 29,613     |                  |
| 4,483,827        |                                                                          |            | 4,222,733        |
| <b>26,164</b>    | <b>Cash deposits</b>                                                     |            | <b>31,111</b>    |
|                  | <b>Other investment balances</b>                                         |            |                  |
| 3,882            | Investment debtors                                                       | 1,898      |                  |
| 712              | Tax recoverable                                                          | 685        |                  |
| <b>4,594</b>     |                                                                          |            | <b>2,583</b>     |
| <b>4,514,585</b> |                                                                          |            | <b>4,256,427</b> |
|                  | <b>Investment Liabilities</b>                                            |            |                  |
| <b>(4,400)</b>   | Investment creditors                                                     |            | <b>(65)</b>      |
| <b>4,510,185</b> | <b>Net Investment Assets</b>                                             |            | <b>4,256,362</b> |
|                  | <b>Current assets</b>                                                    |            |                  |
| 6,854            | Contributions due from employers and employees                           | 6,916      |                  |
| 600              | Other current assets                                                     | 615        |                  |
| <b>7,454</b>     |                                                                          |            | <b>7,531</b>     |
|                  | <b>Current Liabilities</b>                                               |            |                  |
| <b>(3,043)</b>   | Current liabilities                                                      |            | <b>(3,418)</b>   |
| <b>4,514,596</b> | <b>Net assets of the scheme available to fund benefits at period end</b> |            | <b>4,260,475</b> |



# Notes to the Pension Fund Accounts

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## Introduction

These accounts have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2022/23 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. A more detailed Pension Fund Annual Report is available on request from the Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services.

## Significant Accounting Policies

### Accruals of Expenditure and Income

Where material, accruals are made for employee and employer contributions, investment income, benefits paid, administration costs, investment management fees and advisors fees. Transfer values are accounted for on a cash basis, with the exception of material group transfers, which are accounted for during the year of effective date of transfer or the year in which the actuary values the transfer, if later.

### Investment Valuation of Financial Instruments

In terms of “Fair Value”, all investments have quoted prices in active markets, with the exception of Pooled Investment Vehicles managed by the WPP and Pooled Property Funds.

Listed securities are valued in accordance with IAS 39 – Financial Instruments, using bid prices as at 31<sup>st</sup> March 2023 obtained from recognised Stock Exchanges.

Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31<sup>st</sup> March 2023.

Pooled Investment Vehicles managed by the WPP are valued using net asset values provided by Link, the WPP operator. These are reported at the closing single price.

Pooled Property Funds are valued by Fund Managers using reliable valuation techniques to determine Fair Value. Property valuations are represented by unit prices, based on underlying independent professional valuations. No assets require significant judgements or assumptions to determine Fair Value.

### Acquisition and Disposal Costs

Transaction costs incurred in acquiring or disposing of investments are included as part of the purchase cost or netted off against sales proceeds, as appropriate. Transaction costs include fees, commissions and duties. Transaction costs incurred during 2022/23 amounted to £1.22m (£1.13m in 2021/22).

In addition to the direct costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

### Taxation

As a registered public service scheme, the Pension Fund is exempt from UK income tax and capital gains tax. Overseas investment income incurs withholding tax in the country of origin unless exemption is granted.

Irrecoverable tax is accounted for as an expense in the Fund Account, with any recoverable tax shown as an asset in the Net Assets Statement.

There is a small liability to income tax on refunds of contributions and compounded pensions (small pensions converted into lump sums). These amounts are paid to HMRC on a quarterly basis.

VAT is recoverable on all activities, so the accounts are shown exclusive of VAT.

# Statement of Responsibilities for the Pension Fund Accounts

## Rhondda Cynon Taf County Borough Council's Responsibilities

### The Council is required:

- › To make arrangements for the proper administration of the Pension Fund's financial affairs and to ensure one of its Officers has the responsibility for the administration of those affairs. In the Council, that Officer is the Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services.
- › To manage the Pension Fund's affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- › To approve the Pension Fund Accounts.

### I confirm that these accounts were approved by Council on:

Signature: 

Date: 29<sup>th</sup> November 2023

**Councillor Gareth Hughes**  
Presiding Officer

Rhondda Cynon Taf County Borough Council  
The Pavilions, Cambrian Park,  
Clydach Vale, Tonypany  
CF40 2XX

## The Deputy Chief Executive /Group Director – Finance, Digital and Frontline Services' Responsibilities

The Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services is responsible for the preparation of the Pension Fund Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the Pension Fund at the accounting date and its income and expenditure for the year.

### In preparing the Pension Fund Accounts, the Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services has:

- › Selected suitable accounting policies and applied them consistently.
- › Made judgements and estimates that were reasonable and prudent.
- › Complied with the code.

### The Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services has also throughout the financial year:

- › Maintained proper accounting records that were kept up to date.
- › Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of the Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services on the Accounts of Rhondda Cynon Taf Pension Fund for 2022/23

I certify that the accounts present a true and fair view of the financial position of Rhondda Cynon Taf Pension Fund as at 31<sup>st</sup> March 2023 and its income and expenditure for the year.

Signature: 

Date: 29<sup>th</sup> November 2023

**Barrie Davies**

Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services

Rhondda Cynon Taf County Borough Council  
The Pavilions, Cambrian Park,  
Clydach Vale, Tonypany  
CF40 2XX

# Contributions

## Employers' Contributions

Employers' contribution rates are determined by the Fund's actuary so as to maintain the fund in a state of solvency, having regard to existing and prospective liabilities. Valuations of the Fund's assets and liabilities for this purpose are carried out every three years. The latest Valuation was carried out as at March 2022 and the results will be implemented from 1<sup>st</sup> April 2023.

## Employees' Contributions

Employee contributions are tiered, so that higher earners pay a greater percentage of their salary into the scheme. The bands for the year 2022/2023 were:

| Full Time Equivalent Pay           | Contribution Rate |
|------------------------------------|-------------------|
| Up to £15,000                      | 5.5%              |
| More than £15,001, up to £23,600   | 5.8%              |
| More than £23,601, up to £38,300   | 6.5%              |
| More than £38,301, up to £48,500   | 6.8%              |
| More than £48,501, up to £67,900   | 8.5%              |
| More than £67,901, up to £96,200   | 9.9%              |
| More than £96,201, up to £113,400  | 10.5%             |
| More than £113,401, up to £170,100 | 11.4%             |
| More than £170,101                 | 12.5%             |

From 1<sup>st</sup> April 2014 there is a 50/50 option which allows members to pay half the normal rate of contributions shown above, and build up pension at half the normal rate.

## Contributions Receivable and Benefits Payable

Contributions received and benefits paid are shown in the table below:

| Type of Body  | Member Contributions |                  | Employer Contributions |                  | Pensions, Lump Sums and Death Benefits |                  |
|---------------|----------------------|------------------|------------------------|------------------|----------------------------------------|------------------|
|               | 2021/22<br>£'000     | 2022/23<br>£'000 | 2021/22<br>£'000       | 2022/23<br>£'000 | 2021/22<br>£'000                       | 2022/23<br>£'000 |
| Administering | 10,165               | 11,528           | 35,146                 | 39,690           | 38,175                                 | 40,804           |
| Admitted      | 3,867                | 4,261            | 17,863                 | 19,416           | 16,367                                 | 16,882           |
| Scheduled     | 17,089               | 18,627           | 49,169                 | 53,879           | 78,983                                 | 84,838           |
| <b>TOTAL</b>  | <b>31,121</b>        | <b>34,416</b>    | <b>102,178</b>         | <b>112,985</b>   | <b>133,525</b>                         | <b>142,524</b>   |

Included in employer contributions are £4,224k of deficit funding contributions (£4,154k in 2021/22).

## Contributions Received From Employers

|                                          | EMPLOYERS CONTRIBUTIONS | EMPLOYEE CONTRIBUTIONS |
|------------------------------------------|-------------------------|------------------------|
|                                          | £                       | £                      |
| Agored Cymru                             | 13,830.27               | 2,791.77               |
| Amgen Cymru (Cynon)                      | 250,122.64              | 86,093.58              |
| Awen Cultural Trust                      | 179,144.51              | 85,372.39              |
| Bedlinog Community Council               | 1,941.58                | 515.91                 |
| Brackla Community Council                | 7,037.17                | 2,292.58               |
| Bridgend College                         | 1,458,925.08            | 566,862.48             |
| Bridgend County Borough Council          | 18,466,567.18           | 5,740,110.69           |
| Capita Glamorgan Consultancy             | 0.00                    | 26,404.16              |
| Careers Wales                            | 1,087,550.60            | 198,969.54             |
| Careers Wales Association                | 486.79                  | 2,260.07               |
| Central South Consortium (JES)           | 273,567.61              | 371,004.02             |
| Chief Constable South Wales              | 13,112,457.43           | 5,321,179.70           |
| Coity Higher Community Council           | 5,272.17                | 1,426.62               |
| Coleg Y Cymoedd                          | 1,961,633.21            | 661,923.95             |
| Compass Contract Services (Cymoedd) Ltd  | 28,938.30               | 4,401.40               |
| Cornelly Community Council               | 2,030.47                | 656.64                 |
| Coychurch Crematorium                    | 48,513.51               | 18,269.32              |
| DBW FM Ltd                               | 779,743.68              | 218,503.80             |
| Development Bank of Wales Plc            | 241,380.85              | 49,319.57              |
| Drive Ltd                                | 1,923.74                | 9,298.04               |
| Garw Valley Community Council            | 7,031.37                | 2,023.40               |
| Gelligaer Community Council              | 2,050.88                | 1,252.09               |
| Halo Leisure Services Ltd                | 0.00                    | 45,979.82              |
| Hirwaun & Penderyn Community Council     | 8,786.77                | 2,693.03               |
| Laleston Community Council               | 13,991.03               | 3975.81                |
| Llangynwyd Middle Community Council      | 2,554.10                | 737.07                 |
| Llanharan Community Council              | 15,047.72               | 3,998.36               |
| Llantrisant Community Council            | 17,517.67               | 5,812.86               |
| Llantwit Fardre Community Council        | 24,449.49               | 9,399.44               |
| Llwydcoed Crematorium                    | 5,851.41                | 2,504.53               |
| Local Government Data Unit               | 58,053.83               | 61,414.10              |
| Maesteg Town Council                     | 8,992.75                | 3,958.87               |
| Merthyr Tydfil Leisure Trust             | 286,813.80              | 112,391.34             |
| Merthyr Tydfil College                   | 396,259.80              | 155,077.65             |
| Merthyr Tydfil County Borough Council    | 10,772,716.72           | 2,667,961.60           |
| Merthyr Tydfil Institute for the Blind   | 46,601.53               | 10,361.02              |
| Merthyr Valley Homes                     | 748,894.97              | 460,717.36             |
| Mrs Bucket Commercial Cleaning           | 15,311.78               | 1940.51                |
| Police & Crime Commissioner              | 286,810.75              | 127,946.47             |
| Pontyclun Community Council              | 16,237.48               | 5,335.41               |
| Pontypridd Town Council                  | 54,397.70               | 19,446.74              |
| Rhondda Cynon Taf County Borough Council | 39,690,119.10           | 11,527,895.12          |
| RWCMD                                    | 419,854.97              | 187,046.18             |
| Social Care Wales                        | 1,951,191.72            | 460,954.03             |
| South Wales Fire Authority               | 1,473,584.70            | 637,803.71             |
| South Wales Valuation Tribunal           | 15,404.25               | 7,078.77               |
| St Brides Minor Community Council        | 2,448.48                | 626.31                 |
| Tonyrefail Community Council             | 19,236.38               | 7,084.68               |
| Trivallis                                | 2,038,076.21            | 801,294.71             |
| University of South Wales                | 4,757,182.46            | 2,013,195.33           |
| Valleys to Coast Housing                 | 586,733.56              | 72,178.68              |
| Welsh Government                         | 6,203,470.33            | 641,825.87             |
| WJEC                                     | 5,116,038.14            | 986,199.77             |
| Ynysawdre Community Council              | 1,957.67                | 491.71                 |
| <b>TOTAL</b>                             | <b>112,984,736.31</b>   | <b>34,416,258.58</b>   |

Over 99.79% of contributions, in monetary terms, were received on time. Contributions were received late on 16 occasions.

Contributions received are monitored on a monthly basis and employers contacted if the statutory deadlines are missed.

## Management Expenses

The management expenses borne by the Fund in 2022/23 are set out below:

|                                | 2021/22<br>£'000 | 2022/23<br>£'000 |
|--------------------------------|------------------|------------------|
| Administrative Costs           | 2,217            | 2,181            |
| Investment Management Expenses | 11,724           | 10,775           |
| Oversight and Governance Costs | 388              | 441              |
| <b>TOTAL</b>                   | <b>14,329</b>    | <b>13,397</b>    |

Investment management expenses represent 0.25% (0.26% in 2021/22) of the value of the Pension Fund as at 31<sup>st</sup> March 2023. 2022/23 Audit Fees of £41k are included in Oversight and Governance Costs (£40k in 2021/22).

The investment management expenses borne by the Fund in 2022/23 are set out below:

|                                 | Total<br>£'000 | Management Fees<br>£'000 | Transaction Costs<br>£'000 |
|---------------------------------|----------------|--------------------------|----------------------------|
| <b>Equities</b>                 | 1,829          | 1,486                    | 343                        |
| <b>Pooled Funds</b>             |                |                          |                            |
| WPP Global Equities             | 7,295          | 6,024                    | 1,271                      |
| WPP UK Credit Fund              | 593            | 484                      | 109                        |
| <b>Other Pooled Investments</b> |                |                          |                            |
| UK Gilts                        | 24             | 24                       | 0                          |
| Passive Equities                | 21             | 21                       | 0                          |
| Pooled Property                 | 552            | 551                      | 1                          |
|                                 | <b>10,314</b>  | <b>8,590</b>             | <b>1,724</b>               |
| Custody Fees                    | 461            |                          |                            |
| <b>TOTAL</b>                    | <b>10,775</b>  |                          |                            |

Comparative Note for 2021/22:

|                                 | Total<br>£'000 | Management Fees<br>£'000 | Transaction Costs<br>£'000 |
|---------------------------------|----------------|--------------------------|----------------------------|
| <b>Equities</b>                 | 2,456          | 2,109                    | 347                        |
| <b>Pooled Funds</b>             |                |                          |                            |
| WPP Global Equities             | 7,472          | 6,289                    | 1,183                      |
| WPP UK Credit Fund              | 636            | 516                      | 120                        |
| <b>Other Pooled Investments</b> |                |                          |                            |
| UK Gilts                        | 31             | 31                       | 0                          |
| Passive Equities                | 22             | 22                       | 0                          |
| Pooled Property                 | 512            | 507                      | 5                          |
|                                 | <b>11,129</b>  | <b>9,474</b>             | <b>1,655</b>               |
| Custody Fees                    | 595            |                          |                            |
| <b>TOTAL</b>                    | <b>11,724</b>  |                          |                            |

The Fund incurs no performance related fees.



Included in the management expenses above, is the cost of the Fund's involvement in the WPP collective investment pooling arrangement, as set out below:

|                                           | 2021/22      | 2022/23      |
|-------------------------------------------|--------------|--------------|
|                                           | £'000        | £'000        |
| <b>WPP Oversight and Governance Costs</b> |              |              |
| Running Costs                             | 135          | 158          |
| <b>WPP Investment Management Expenses</b> |              |              |
| Fund Managers Fees                        | 7,328        | 6,961        |
| Transaction Costs                         | 780          | 880          |
| Custody Fees                              | 428          | 407          |
| <b>TOTAL</b>                              | <b>8,671</b> | <b>8,406</b> |

The oversight and governance costs are the annual running costs of the Pool, which includes the Host Authority costs and other external advisor costs. These costs are funded equally by all eight of the Local Authority Pension Funds in Wales. The investment management expenses are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees, transaction costs (which also includes the operator fee) and custody fees. These costs are based on each Fund's percentage share of the WPP pooled assets and are deducted from the Net Asset Value (NAV).

## Transactions with Related Parties

In the course of fulfilling its role as Administering Authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.6m (£1.6m in 2021/22). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year-end, contributions outstanding from the Employing Bodies in the Fund amounted to £6.9m (£6.9m in 2021/22), of which £5.2m related to employer contributions and £1.7m to employee contributions.

There are members of the Pension Fund Investment and Administration Advisory Panel, the Pensions Board and the Pension Fund Committee who are also members of the Rhondda Cynon Taf Pension Fund.

The administration of the Rhondda Cynon Taf Pension Fund is a function of full Council, with responsibility for day to day decisions being delegated to the Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services. As such, the post holders are required to declare any interests with related parties. The disclosure can be found in the Statement of Accounts of Rhondda Cynon Taf County Borough Council.

The Committee Members and Senior Officers that advise the Committee are required to declare their interest at each meeting.

Officer remuneration and Members allowances can be found in the Statement of Accounts of Rhondda Cynon Taf County Borough Council.

## Contingent Liabilities

There is a contingent liability of £1.165m (£981k in 2021/22) in respect of refundable contributions for leavers who have not yet claimed refunds.

# Audit Opinion

## The statement of the Auditor General for Wales to the members of Rhondda Cynon Taf Pension Fund on the Annual Report

I have examined the pension fund accounts and related notes contained in the 2022-23 Annual Report of Rhondda Cynon Taf Pension Fund to establish whether they are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts produced by Rhondda Cynon Taf Pension Fund for the year ended 2022-23 which were authorised for issue on 29<sup>th</sup> November 2023. The pension fund accounts comprise the Fund Account and the Net Assets Statement.

### Opinion

In my opinion the pension fund accounts and related notes included in the Annual Report of Rhondda Cynon Taf Pension Fund are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts produced by Rhondda Cynon Taf for the year ended 31<sup>st</sup> March 2023 which were authorised for issue on 29<sup>th</sup> November 2023 on which I issued an unqualified opinion.

I have not considered the effects of any events between the date on which I issued my opinion on the pension fund accounts included in the pension fund's Statement of Accounts, 30<sup>th</sup> November 2023 and the date of this statement.

## Respective responsibilities of the Administering Authority and the Auditor General for Wales

The Administering Authority, Rhondda Cynon Taf County Borough Council, is responsible for preparing the Annual Report. My responsibility is to report my opinion on whether the pension fund accounts and related notes contained in the Annual Report are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts of the Pension Fund. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the pension fund accounts. This other information comprises the Chairman's Foreword, Introduction, Summary, Administration Report, Investment Report, Actuary's Report, Communication Report and Pension Fund Governance.



**Adrian Crompton**  
Auditor General for Wales  
30<sup>th</sup> November 2023

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

The maintenance and integrity of Rhondda Cynon Taf County Borough Council's website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



# Actuary's Report

By  
Aon Hewitt Limited



## Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Rhondda Cynon Taf Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

## Actuarial Position

**1** The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £4,512.1 M) covering 105% of the liabilities.

**2** The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

**Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:**

| Year from<br>1 April | % of<br>pensionable pay | Plus total contribution<br>amount (£M) |
|----------------------|-------------------------|----------------------------------------|
| 2023                 | 19.1%                   | 0.906                                  |
| 2024                 | 19.1%                   | 0.938                                  |
| 2025                 | 19.1%                   | 0.971                                  |

**3** The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

**4** The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

### Discount rate for periods in service

|                                                 |            |
|-------------------------------------------------|------------|
| Scheduled body and subsumption funding target * | 4.30% p.a. |
| Intermediate funding target                     | 3.90% p.a. |
| Ongoing orphan funding target                   | 3.90% p.a. |

### Discount rate for periods after leaving service

|                                                                                          |            |
|------------------------------------------------------------------------------------------|------------|
| Scheduled body and subsumption funding target *                                          | 4.30% p.a. |
| Intermediate funding target                                                              | 3.80% p.a. |
| Ongoing orphan funding target                                                            | 1.30% p.a. |
| Rate of pay increases                                                                    | 3.55% p.a. |
| Rate of increase to pension accounts **                                                  | 2.30% p.a. |
| Rate of increases in pensions in payment **<br>(in excess of Guaranteed Minimum Pension) | 2.30% p.a. |

\* The secure scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

\*\* In addition, a 10% uplift has been applied to the past service liabilities on the scheduled body and subsumption and intermediate funding targets to make allowance for short-term inflation above the long-term assumption.

The discount rate and rate of increases to pensions for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.

The assets were valued at market value.

**5** The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was based on with standard self-administered pension scheme (SAPS) S3 Heavy mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons<sup>TM</sup> longevity model. The assumption includes an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

|                                                      | Men   | Women |
|------------------------------------------------------|-------|-------|
| Current pensioners aged 65 at the valuation date     | 21.5% | 24.1% |
| Current active members aged 45 at the valuation date | 22.8% | 25.6% |

Further details of the assumptions adopted for the valuation, including the other demographic assumptions, are set out in the actuarial valuation report.

**6** The valuation results summarised in paragraphs 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

**7** The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

**8** This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, Rhondda Cynon Taf County Borough Council, the Administering Authority of the Fund, in respect of this Statement.

**9** The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address:

→ [www.rctpensions.org.uk/EN/GovernanceAndInvestment/AnnualReports.aspx](http://www.rctpensions.org.uk/EN/GovernanceAndInvestment/AnnualReports.aspx)

**Aon Solutions UK Limited**  
May 2023





# Communication Report

Tim Jenkins

Senior Team Manager – Digital, Comms and Governance



## Annual Meetings

The 2022 Annual General Meeting was held in November with representatives from our major fund employers attending.

Presentations included an update on Pension Fund Performance and an Actuarial update.

## Helpdesk

Our Helpdesk continues to assist with pension queries and calls can be made between the hours of 9am to 5pm Monday to Friday.

You can contact the Helpdesk on  
➔ **01443 680 611**

## Website

The Pension Fund website is a useful tool in our communication strategy and allows us to provide information about the Fund and the LGPS to our members and prospective members.

It contains information for existing and previous members as well as pensioners. All Wales Factsheets, LGA Factsheets, commonly used forms and our governance documents are all up-loaded to the site, as well as minutes of meetings of the Local Pension Board meetings.

A dedicated General Data Protection Regulation page has been added to the website which contains the Fund's Privacy Statement and Memorandum of Understanding.

The website is reviewed and updated when changes to legislation are implemented.

The Helpdesk regularly refers members to the web-site to download forms or to get information.

Our Fund Employers have a specific section of the RCT website with relevant staff having their own unique log-in details. This section of the website includes all the necessary forms and documents required for the administration of members benefits e.g. new starter forms, termination forms etc

The website can be viewed at  
➔ **[www.rctpensions.org.uk](http://www.rctpensions.org.uk)**

Pensions Made Simple member videos are now available to view on both the desktop and mobile versions of [www.lgpsmember.org](http://www.lgpsmember.org) and on the RCT Pension Fund Website. There are eight videos in total with English and Welsh versions available.

## Presentations

The Team are happy to provide presentations as required.

Either to provide members with information regarding the scheme and their pension benefits or to educate employers on the administration requirements of the scheme.

## Annual Benefit Statements

In line with regulations the Fund issues Annual Benefit Statements to all active and deferred members.

The statements for the 2022/2023 scheme year were issued within the deadline required by the scheme regulations and complied with Scheme Advisory Board Guidance.

## Home Visits

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

## Electronic Communications

**Member Self Service (My Pension Online)** is available to all the Fund's active, deferred and pensioner members.

The facility allows members to be able to view and change some of their personal details and deferred and active members can run estimates of future pension benefits.

We continue to encourage communication to and from the Pension Section electronically and continually work to ensure that data being sent or received from our Fund employers is secure.

The Fund now receives monthly electronic data submissions from most employers which allows member data and pay information to be uploaded directly into our Pension software. Going forward, we will be rolling this facility out to all remaining employers.

## LGPS 2014

The Team continually reviews the Local Government Pension Scheme Regulations 2013 were laid before Parliament on 19<sup>th</sup> September 2013 which outlined the structure of the LGPS from 1<sup>st</sup> April 2014.

- Benefits are based on Career Average Re-valued Earnings (CARE)
- Accrual rate of 1/49th
- Definition of pensionable pay to include non- contractual overtime
- Introduction of a new 50/50 option where members can pay less for short periods of time and build up pension at half the rate they would normally
- Increased contribution rates for higher earners
- Normal Pension Age linked to State Pension Age

Benefits from membership in the scheme prior to April 2014 will maintain a final salary link with a members final salary (based on the pensionable pay definition in force before April 2014) being determined when they leave the scheme.

The RCT Pension Fund website includes a link to [www.lgpsmember.org](http://www.lgpsmember.org) which has been set up and maintained by the Local Government Association as a central source of information and includes various calculators which members can use.

The Team continually reviews our processes and correspondence to ensure that the Fund is compliant with the regulations, that the details we receive from employers when members join or leave the fund include the information required and that our members fully understand how their benefits are calculated. We have maintained our communications with our contributing employers so that they are kept up to date with changes to the LGPS and any other relevant technical changes.

## Cost of Living Increases

**Pensions payable to members who retire on health grounds and to members' spouses and children are increased annually in line with the Consumer Price Index (CPI), as at 30<sup>th</sup> September from the preceding year.**

The LGPS Pension Increase is formally confirmed by HM Treasury in January and paid from the first Monday of each new tax year.

Pensions payable to other members who have reached the age of 55 also benefit from annual inflation proofing.

The end of contracting out has led to changes in who has the responsibility for increasing any pension which includes an entitlement to a Guaranteed Minimum Pension (GMP) (relating to membership up to 5<sup>th</sup> April 1997). Prior to 2016 some or all of the statutory inflation proofing was provided by the Department of Work and Pensions. Since April 2016 the Fund will now be responsible for the full pension increases on any GMP benefits.

**The 2022/23 increase was 10.1%.**

# Pension Fund Governance

**Administering authorities must ensure that existing 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 engagements within the scheme
- We are committed to providing a comprehensive communication and information service to participating employers and members of the pension scheme and services we provide can be found in our Communications Policy Statement.
- A Pension Administration Strategy which seeks to improve efficiency in the delivery of agreed standards of quality and to ensure compliance with statutory requirements
- The Investment Strategy Statement which shows, in detail how we manage the Fund's investments.
- The Funding Strategy which provides a summary of how we will fund our pension liabilities and includes an overview of how any risks to the fund are identified, managed and reviewed.

These documents are reviewed annually, apart from the Funding Strategy Statement which is reviewed every three years, and the latest versions can be found under the Governance & Investment section of our pension website, or alternatively, please contact our Pension Helpdesk for a copy.

The 2022 Valuation Report which explains the assumptions data and the results of the latest valuation exercise is available in the Employers Section of the website.

# Local Pension Board

In accordance with the Public Services Pensions Act 2013 the Pension Fund was required to appoint, by 1<sup>st</sup> April 2015, a Local Pension Board to assist Rhondda Cynon Taf County Borough Council Administering Authority as 'Scheme Manager' 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

## Membership of the Pension Board

The Pension Board consists of 4 members and is constituted as two employer representatives and two member representatives:

### • Employer Representatives:

Responsible for representing all the Fund Employers (Scheduled, Designated, and Admitted Bodies)

- **Professor Hugh Coombs (Chair)**  
University of South Wales
- **Mr David Francis**  
Coleg Y Cymoedd

### • Member Representatives:

Responsible for representing all Scheme Members (Active, Deferred, and Pensioner Members)

- **Mr Rob Whiles**  
Pensioner
- **Mrs Sindy Absalom**  
Active Member and Trade Union (Unison) representative

## Role of the Pension Board

The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme.

Within this extent, the Board will consider areas including, but not restricted to:

- Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Pension Regulators Code of Practice.

The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent, the Board will consider areas including but not restricted to:

- Assist with the development of improved customer services.
- Monitor performance of administration, governance and investments against key performance targets and indicators.
- Monitor internal and external audit reports.
- Review the outcome of actuarial reporting and valuations.



## Chairman's Update

**This statement represents a review of the activities of the Pension Board covering the period of this Annual Report.**

In accordance with the Public Service Pensions Act 2013 the Pension Board's role is to assist the Adminstrating Authority 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 Pension Regulator; and,
- Ensuring the effective and efficient governance and administration of the LGPS by the scheme manager.

The Pension Board has no decision-making powers.

The Board continued to meet regularly over the financial year 2022/23 although these meetings took place using a hybrid format through use of relevant technology and face to face meetings. A number of members of the Board also attended the Annual General Meeting.

As in previous financial years all Pension Board meetings were quorate. There were four meetings of the Pension Board over the relevant financial year. In addition, as has become normal practice, the Pension Committee and Pension Board met jointly in March with a major item on that agenda being the annual review of the Pension Fund's strategic policy documents. Pension Board members took the opportunity to feed in their comments to these documents both prior to the Pension Committee and at the Committee itself. Thus, at this meeting the Board is able to contribute directly to the development and review of various essential strategy documents for the Fund.

There remains a positive relationship between the Pension Board and Pension Committee for which the Board is grateful.

In undertaking its remit, the Pension Board reviews a wide range of the Pension Fund's activities with regular areas of discussion including such items as supporting risk monitoring arrangements, fund investment performance and strategy, fees and charges, compliance with statutory legislation, the Pension Regulator's 'Code of Practice' requirements and monitoring administrative performance. The Board pays particular attention to monitoring the achievement of relevant deadlines for specific activities (e.g. issuing the Annual Benefit Statements by the required due date). There were no breaches of regulations during the course of the year which required a referral to the Pension Regulator. Here the Board would like to pay tribute to the way in which the administration of the Fund operates. During the year it was observed that there is momentum in the development of governance procedures as the pension environment changes rapidly around the Fund.

In the interests of the Board's activities being transparent the agendas and minutes for the Pension Board's meetings are available on the Pension Fund's website.

This year's agenda continued the practice of previous years of monitoring the progress of the Wales Pension Partnership (WPP). This activity, in addition to monitoring the progress of the Partnership against defined objectives and deadlines, continued to cover such important items as reviewing the development of its governance arrangements. These governance arrangements are continuing to evolve, and a number of positive developments took place over the last financial year in these respects. These arrangements will inevitably continue to develop.

The six-monthly meetings of all pension board chairs in Wales with the WPP also continued during 2022/23 and this helps give an all-Wales perspective in terms of governance. These meetings are attended by all chairs and the RCT Pension Board is given feedback on the outcomes of these meetings. In addition, the member representative for the WPP attends these meetings giving the opportunity for direct feedback on the functioning of the Joint Governance Committee

Members of the Pension Board attended regular training both internally and externally through the Welsh Pension Partnership to ensure they are kept up to date with developments in what is becoming an increasingly complex and demanding field. Other ad hoc training is undertaken with external providers as necessary. This is obviously important and it is anticipated that such requirements will be increasingly enhanced over time as the Pension Regulator further develops its governance requirements for pension funds. As an example of complexity, the Board is kept up to date with the constantly changing issues around the McCloud judgement and the Fund's responses.

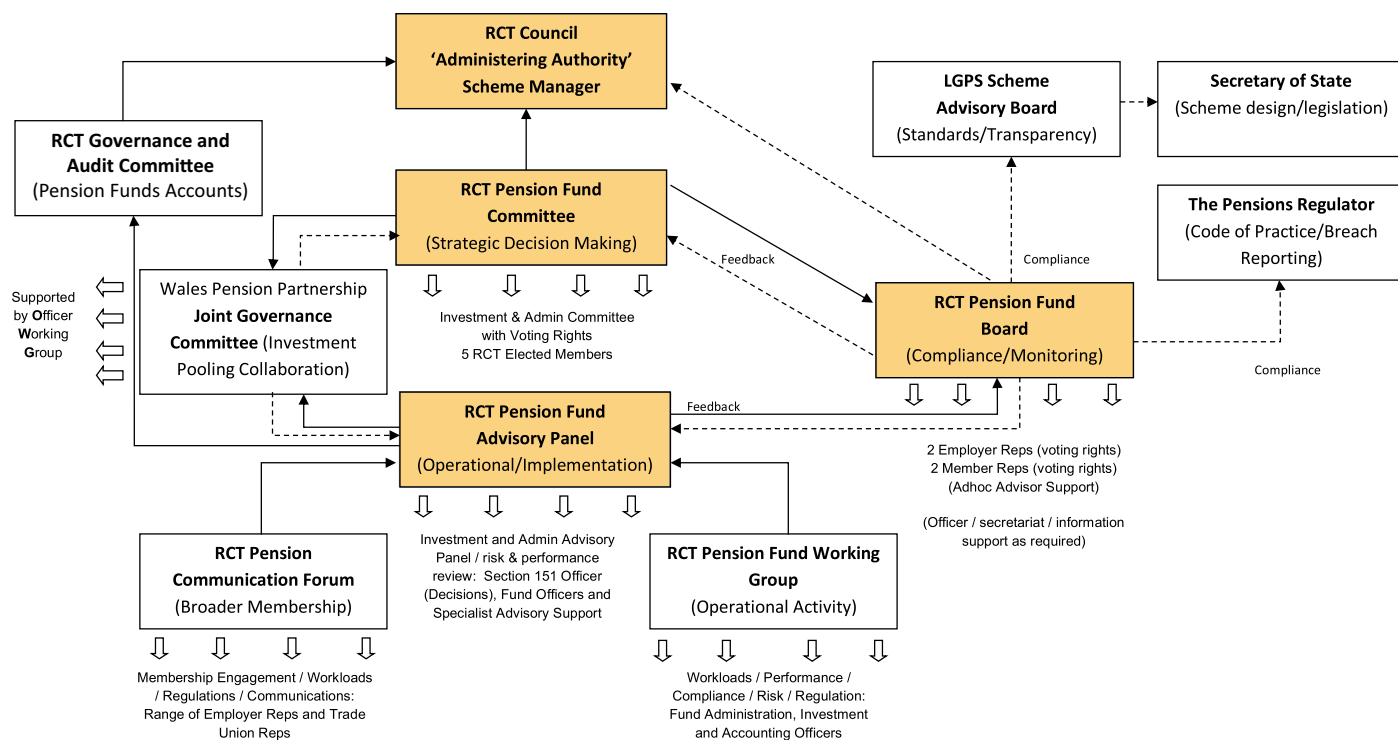
At the time of writing we await the Pension Regulator's revised final code of practice document dealing with the governance and administration of pension funds. This will inevitably impact of the operation of all pension boards. A complete record of all training is kept for each member and is discussed at each Pension Board. In addition, in relation to such training, processes are in place to disseminate the outcomes of any such individual training to all Board members and, as appropriate, within the Adminstrating Authority.

Finally, I am grateful to my fellow pension board members and the officers and staff supporting the Board for their work, contributions and continued support.

**Professor Hugh Coombs**  
Chair, RCT Pension Board



## Governance Structure



## Pension Governance Attendance 2022/2023

This table shows the attendance at meetings during the year.

|                         | Investment and Administration Panel | Pension Fund Working Group | Pension Fund Communications Forum | Pension Fund Discretion Panel |
|-------------------------|-------------------------------------|----------------------------|-----------------------------------|-------------------------------|
|                         | Total meetings held:<br>4           | Total meetings held:<br>4  | Total meetings held:<br>2         | Total meetings held:<br>0     |
| <b>Barrie Davies</b>    | 3                                   | 3                          | 0                                 | -                             |
| <b>Paul Griffiths</b>   | 4                                   | 4                          | -                                 | -                             |
| <b>Ian Traylor</b>      | 4                                   | 4                          | 2                                 | 0                             |
| <b>Stephanie Davies</b> | 4                                   | 4                          | -                                 | 0                             |
| <b>Yvonne Keitch</b>    | 4                                   | 4                          | 2                                 | -                             |
| <b>Vanessa Thomas</b>   | 4                                   | 4                          | -                                 | -                             |
| <b>Catherine Black</b>  | -                                   | 4                          | 0                                 | -                             |
| <b>Gemma Penning</b>    | -                                   | 4                          | -                                 | -                             |
| <b>Tim Jenkins</b>      | -                                   | -                          | 2                                 | -                             |

## Knowledge and Skills

To identify the skills required by decision makers for the Local Government Pension Scheme CIPFA have developed a knowledge and skills framework which the Fund have adopted to ensure all panel and working group members have the required level of knowledge.

The core requirements are

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

Members of panels and working groups for the Rhondda Cynon Taf Fund regularly attend training sessions to ensure a full understanding of the Local Government Pension Scheme, including legislation, scheme benefits, investment strategy, actuarial methods and pensions accounting.

| Audience                                                                                                                                                                               | Area of Framework                                                              | Delivered by             | Date                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------|-------------------------------------------------|
| Councillor Norris, Service Director, Pension, Procurement and Transactional Services, Service Director, Finance and Improvement Services, Principal Accountant Treasury & Pension Fund | Pensions Legislative and Governance                                            | DG Publishing            | 6 <sup>th</sup> April 2022                      |
| Councillor Norris, Service Director, Pension, Procurement and Transactional Services, Service Director, Finance and Improvement Services, Principal Accountant Treasury & Pension Fund | Financial Markets and Products Knowledge                                       | DG Publishing            | 6 <sup>th</sup> April 2022                      |
| Pension Service Manager, Digitalisation and Communications Manager                                                                                                                     | Pensions Legislative and Governance                                            | HMRC                     | 7 <sup>th</sup> April 2022                      |
| Councillor Norris, Service Director, Pension, Procurement and Transactional Services, Service Director, Finance and Improvement Services, Principal Accountant Treasury & Pension Fund | Pensions Legislative and Governance                                            | DG Publishing            | 4 <sup>th</sup> May 2022                        |
| Councillor Norris, Service Director, Pension, Procurement and Transactional Services, Service Director, Finance and Improvement Services, Principal Accountant Treasury & Pension Fund | Financial Markets and Products Knowledge                                       | DG Publishing            | 4 <sup>th</sup> May 2022                        |
| Service Director - Finance Services, Education Finance and Financial Reporting                                                                                                         | Actuarial Methods, Standards and Practices                                     | Aon                      | 4 <sup>th</sup> May 2022                        |
| Principal Accountant Treasury & Pension Fund                                                                                                                                           | Pensions Legislative and Governance Context – Socially Responsible Investments | LGPS Cross Pool RI Group | 11 <sup>th</sup> May 2022                       |
| Service Director, Pension, Procurement and Transactional Services, Service Director, Finance and Improvement Services, Principal Accountant Treasury & Pension Fund                    | Pensions Legislative and Governance                                            | DG Publishing            | 1 <sup>st</sup> June 2022                       |
| Service Director, Pension, Procurement and Transactional Services, Service Director, Finance and Improvement Services, Principal Accountant Treasury & Pension Fund                    | Financial Markets and Products Knowledge                                       | DG Publishing            | 1 <sup>st</sup> June 2022                       |
| Principal Accountant Treasury & Pension Fund                                                                                                                                           | Financial Markets and Products Knowledge                                       | Russell Investments      | 21 <sup>st</sup> and 22 <sup>nd</sup> June 2022 |

| Audience                                                                                  | Area of Framework                          | Delivered by                  | Date                                                                                             |
|-------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------|--------------------------------------------------------------------------------------------------|
| Pension Fund Service Manager                                                              | Pensions Legislative and Governance        | Heywoods                      | 30 <sup>th</sup> June 2022                                                                       |
| Members of Pension Fund Investment & Administration Advisory Panel                        | Pensions Legislative and Governance        | Fund managers                 | 30 <sup>th</sup> June 2022                                                                       |
| Members of Pension Fund Investment & Administration Advisory Panel                        | Financial Markets and Products Knowledge   | Fund managers                 | 30 <sup>th</sup> June 2022                                                                       |
| New Committee Member                                                                      | All aspects of Pension Fund                | Internal                      | End of June 2022                                                                                 |
| Councillor Norris                                                                         | Financial Markets and Products Knowledge   | LAPFF                         | 4 <sup>th</sup> to 6 <sup>th</sup> July 2022                                                     |
| Principal Accountant Treasury & Pension Fund                                              | Financial Markets and Products Knowledge   | WPP RI Sub Group              | 19 <sup>th</sup> September 2022                                                                  |
| Various Pension Committee Members and Officers of the Investment and Administration Panel | Financial Markets and Products Knowledge   | Hymans, WPP Oversight Advisor | 22 <sup>nd</sup> September 2022                                                                  |
| Members of Pension Fund Investment & Administration Advisory Panel                        | Pensions Legislative and Governance        | Fund managers                 | 28 <sup>th</sup> September 2022                                                                  |
| Members of Pension Fund Investment & Administration Advisory Panel                        | Financial Markets and Products Knowledge   | Fund managers                 | 28 <sup>th</sup> September 2022                                                                  |
| Various Pension Committee members                                                         | Pensions Legislative and Governance        | LGA                           | 18 <sup>th</sup> October 2022, 22 <sup>nd</sup> November 2022 and 20 <sup>th</sup> December 2022 |
| Various Pension Committee members                                                         | Financial Markets and Products Knowledge   | LGA                           | 18 <sup>th</sup> October 2022, 22 <sup>nd</sup> November 2022 and 20 <sup>th</sup> December 2022 |
| Various Pension Committee members                                                         | Actuarial Methods, Standards and Practices | LGA                           | 18 <sup>th</sup> October 2022, 22 <sup>nd</sup> November 2022 and 20 <sup>th</sup> December 2022 |
| Various Pension Committee members                                                         | Investment Performance and Risk Management | LGA                           | 18 <sup>th</sup> October 2022, 22 <sup>nd</sup> November 2022 and 20 <sup>th</sup> December 2022 |
| Various Pension Committee members                                                         | Pensions Legislative and Governance        | Pension Fund Advisor          | October 2022                                                                                     |
| Various Pension Committee members                                                         | Financial Markets and Products Knowledge   | WPP Fund Manager              | October 2022                                                                                     |
| Councillor Norris and Principal Accountant Pension Fund & Treasury Management             | Pensions Legislative and Governance        | LAPFF                         | 5 <sup>th</sup> October 2022                                                                     |
| Councillor Norris and Principal Accountant Pension Fund & Treasury Management             | Financial Markets and Products Knowledge   | LAPFF                         | 5 <sup>th</sup> October 2022                                                                     |

| Audience                                                                                                                                                                                                 | Area of Framework                           | Delivered by                  | Date                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------|----------------------------------------------------|
| Service Director, Pension, Procurement and Transactional Services and Principal Accountant Pension Fund & Treasury Management                                                                            | Financial Markets and Products Knowledge    | DG Publishing                 | 5 <sup>th</sup> October 2022                       |
| Various Pension Committee Members and Officers of the Investment and Administration Panel                                                                                                                | Pensions Legislative and Governance         | Hymans, WPP Oversight Advisor | 19 <sup>th</sup> October 2022                      |
| Service Director, Pension, Procurement and Transactional Services and Principal Accountant Pension Fund & Treasury Management                                                                            | Financial Markets and Products Knowledge    | DG Publishing                 | 2 <sup>nd</sup> November 2022                      |
| Councillor Norris and Service Director, Pension, Procurement and Transactional Services                                                                                                                  | Financial Markets and Products Knowledge    | Baillie Gifford               | 9 <sup>th</sup> and 10 <sup>th</sup> November 2022 |
| Councillors of Pensions Committee, Members of Pension Fund Investment & Administration Advisory Panel, Pensions Service Manager, Senior Team Manager (Pensions)                                          | Pensions Legislative and Governance Context | Annual General Meeting        | 14 <sup>th</sup> November 2022                     |
| Councillors of Pensions Committee, Members of Pension Fund Investment & Administration Advisory Panel, Pensions Service Manager, Senior Team Manager (Pensions)                                          | Investment Performance and Risk Management  | Annual General Meeting        | 14 <sup>th</sup> November 2022                     |
| Councillors of Pensions Committee, Members of Pension Fund Investment & Administration Advisory Panel, Pensions Service Manager, Senior Team Manager (Pensions)                                          | Pensions Legislative and Governance Context | Annual General Meeting        | 14 <sup>th</sup> November 2022                     |
| Pension Service Manager and Senior Team Leader (Pensions)                                                                                                                                                | Pensions Legislative and Governance         | Pensions Managers Conference  | 14 <sup>th</sup> to 16 <sup>th</sup> November 2022 |
| Members of Pension Fund Investment & Administration Advisory Panel                                                                                                                                       | Pensions Legislative and Governance         | Fund managers                 | 25 <sup>th</sup> November 2022                     |
| Members of Pension Fund Investment & Administration Advisory Panel                                                                                                                                       | Financial Markets and Products Knowledge    | Fund managers                 | 25 <sup>th</sup> November 2022                     |
| Councillor Norris and Principal Accountant Pension Fund & Treasury Management                                                                                                                            | Pensions Legislative and Governance         | Russell Investment Managers   | 29 <sup>th</sup> November 2022                     |
| Councillor Norris and Principal Accountant Pension Fund & Treasury Management                                                                                                                            | Financial Markets and Products Knowledge    | Russell Investment Managers   | 29 <sup>th</sup> November 2022                     |
| Senior Team Leader (Pensions)                                                                                                                                                                            | Pensions Legislative and Governance Context | LGA                           | 10 <sup>th</sup> to 12 <sup>th</sup> January 2023  |
| Service Director, Finance and Improvement Services, Service Director, Pension, Procurement and Transactional Services, Pensions Service Manager, Principal Accountant Pension Fund & Treasury Management | Pensions Legislative and Governance         | LGA                           | 19 <sup>th</sup> and 20 <sup>th</sup> January 2023 |
| Councillor Norris and Principal Accountant Pension Fund & Treasury Management                                                                                                                            | Pensions Legislative and Governance         | LAPFF                         | 25 <sup>th</sup> January 2023                      |
| Councillor Norris and Principal Accountant Pension Fund & Treasury Management                                                                                                                            | Financial Markets and Products Knowledge    | LAPFF                         | 25 <sup>th</sup> January 2023                      |
| Principal Accountant, Treasury Management & Pension Fund and Senior Accountant, Pension Fund & Charities / Trust Funds                                                                                   | Pensions Accounting and Auditing Standards  | CIPFA                         | 7 <sup>th</sup> and 8 <sup>th</sup> February 2023  |

| Audience                                                                                                                                                           | Area of Framework                        | Delivered by                  | Date                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------|--------------------------------------------------|
| Councillor Norris, Deputy Chief Executive / Group Director of Finance, Digital and Frontline Services and Principal Accountant, Treasury Management & Pension Fund | Financial Markets and Products Knowledge | Hymans                        | 13 <sup>th</sup> February 2023                   |
| Various Pension Committee Members and Officers of the Investment and Administration Panel                                                                          | Pensions Legislative and Governance      | Hymans, WPP Oversight Advisor | 27 <sup>th</sup> February 2023                   |
| Deputy Chief Executive / Group Director of Finance, Digital Services and Frontline Services and Principal Accountant, Treasury Management & Pension Fund           | Financial Markets and Products Knowledge | WPP                           | 9 <sup>th</sup> March 2023                       |
| Deputy Chief Executive / Group Director of Finance, Digital Services and Frontline Services and Principal Accountant, Treasury Management & Pension Fund           | Financial Markets and Products Knowledge | WPP                           | 10 <sup>th</sup> March 2023                      |
| Members of Pension Fund Investment & Administration Advisory Panel                                                                                                 | Pensions Legislative and Governance      | Fund managers                 | 23 <sup>rd</sup> March 2023                      |
| Members of Pension Fund Investment & Administration Advisory Panel                                                                                                 | Financial Markets and Products Knowledge | Fund managers                 | 23 <sup>rd</sup> March 2023                      |
| Pension Committee and officers                                                                                                                                     | Pensions Legislative and Governance      | LAPFF                         | 27 <sup>th</sup> March 2023                      |
| Pension Committee and officers                                                                                                                                     | Financial Markets and Products Knowledge | Link Fund Solutions           | 27 <sup>th</sup> March 2023                      |
| Councillor Norris, Service Director, Finance and Improvement Services                                                                                              | Financial Markets and Products Knowledge | LGC                           | 30 <sup>th</sup> and 31 <sup>st</sup> March 2023 |
| Councillor Norris, Service Director, Finance and Improvement Services                                                                                              | Pensions Legislative and Governance      | LGC                           | 30 <sup>th</sup> and 31 <sup>st</sup> March 2023 |

## Risk

**The primary objective of the Fund is to ensure that there are sufficient assets to match pension scheme liabilities, accrued in accordance with past and present LGPS scheme design.**

In evaluating the risks associated with this objective, the Fund through its governance arrangements and discussion with the appointed Actuary, produce a Investment Strategy Statement, a Funding Strategy Statement and agree prudent valuation assumptions on a triennial basis. Whilst recognising that scheme contributions, investment and liability discharge are by nature, long term, the 'Funding' position is nevertheless reviewed and progress monitored throughout each valuation cycle.

A robust approach to 'Risk Management' is a fundamental principle within the Fund's governance framework. To help discharge this responsibility, risks are identified, monitored and control measures implemented to help mitigate the likelihood or impact of such risks materialising. The Fund's Risk Register captures all risks, under the following categories; Funding, Investment, Governance, Operational and Regulatory. A copy of the RCT Fund's Risk Register can be obtained from the Fund website.

The Fund operations are subject to annual audit by both external and internal audit parties, where the robustness of our control mechanisms, procedures and accounting are independently scrutinised and reported to audit committee.

The Fund also participates in the National Fraud Initiative (NFI), where substantial data matching exercises are conducted across government data sources, identifying items requiring further investigation.



# Partners



## Scheme Actuary - Aon Hewitt Limited

The primary role of the actuary is to provide the fund with information about the fund's liabilities and the best way of meeting these liabilities.

A valuation of the fund takes place every three years that enables the actuary to calculate liabilities versus the fund's assets. The actuary will then recommend appropriate contribution rates for employers to help prevent any future shortfalls.

Hewitt were appointed as the scheme's actuary in October 2003.

## Fund Managers

The investment of the Pension Fund's assets is the responsibility of external Fund Managers appointed by the Fund.

These Fund Managers are given specific mandates and performance targets, which are monitored by the Rhondda Cynon Taf Investments Panel at quarterly meetings.



## Baillie Gifford Asset Management

Baillie Gifford is an Edinburgh based investment management partnership founded in 1908.

They were appointed by the fund to manage global equities in 2005, and now have two separate equity mandates.



## BlackRock Investment Management

BlackRock Investment Management BlackRock is one of the largest asset management firms in the world, across a broad range of investment assets.

They were appointed to a UK equity mandate by the fund in 2010, a fixed interest mandate in 2020 and an infrastructure mandate in 2022.



## CBRE

CBRE is the world's leading commercial real estate advisor.

They have managed a property portfolio for the fund since they acquired the previous manager ING in October 2011.



## State Street

State Street is a leading U.S. based provider of financial services to institutional investors.

State Street provides a custody and performance measurement service for the RCT Pension Fund



## Audit Wales

Audit Wales is independent of government and is responsible for the annual audit of some £21 billion of annual public expenditure.

Its mission is to promote improvement, so that people in Wales benefit from accountable, well-managed public services that offer the best possible value for money.



## Link Fund Solutions Ltd

The FCA authorised operator of the Wales Pension Partnership appointed January 2018



## AVC Provider: Prudential

Prudential were appointed as the fund's Additional Voluntary Contributions (AVC) provider in 2002.

As a leading Local Government AVC provider, they work closely with our Pensions Section in ensuring members are aware of their options in topping up their existing pension provision.



## Fund Legal Advisors: Eversheds

# Further information

More information about the Scheme can be found in the Members Guide available at [www.rctpensions.org.uk](http://www.rctpensions.org.uk)

## Contributors' Contact Information

For information about the Local Government Pension Scheme and pension matters in general please contact:

### **The Pensions Helpdesk** ☎ 01443 680611

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

or write to:

#### **Pension Section**

Rhondda Cynon Taf County Borough Council,  
Oldway House, Porth  
CF39 9ST

### **Pensions Administration Policy** **Mr Ian Traylor**

Service Director Pensions, Procurement & Transactional Services

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