

2016

PENSIONS

ANNUAL REPORT

WATCH YOUR MONEY GROW



STRONG HERITAGE | STRONG FUTURE
RHONDDA CYNON TAF
TREFTADAETH GADARN | DYFODOL SICR

Contents

Introduction.....1

Summary.....2

Participating Employers
Contributors
Pension Panel Members
Pension Board Members

Administration Report7

Introduction
Actuarial Valuation
Governance
End of Contracting Out
HMRC Pension Tax Changes
Exit Payment Reform
Guaranteed Minimum Pension (GMP) Reconciliation
Tell Us Once Service
Performance Information
 Membership Numbers
 Membership Analysis

Investment Report15

Introduction
Investment Management
Investment Performance
Fund Manager Performance
Details of Fund Managers
Profits/Losses on Sale of Investments
Custodial Arrangements
Fund Manager and Advisor Fees
Analysis of Investments at Fair Value
Geographical Spread of the Fund
Analysis of Investment Income
Analysis of Fund Assets
Largest Share Holdings
Statement of Investment Principles
Myners Compliance Statement

Accounts Report.....27

Fund Account
Net Asset Statement
Notes to the Pension Fund Accounts
Contributions
Audit Opinion

Actuary's Report.....37

Introduction
Actuarial Position

Communication Report41

Annual Meetings
Helpdesk
Website
Presentations
Prudential
Annual Benefit Statements
Electronic Communications
LGPS2014
Cost of Living Increases

Pension Fund Governance43

Local Pension Board
Governance Structure
Pension Panel Attendance
Knowledge and Skills
Risk

Partners.....50

Contributors' Contact Information52



■ Christopher Lee, C.P.F.A.
Group Director Corporate and Frontline Services



Introduction



Welcome to this year's Pension Fund Report, which provides an overview of the Fund's Performance and key activities during 2015/16.

I am pleased to report another successful year, albeit achieved against a backdrop of further challenges in terms of markets and investment performance, with the RCT Fund achieving a return above the local authority average of 0.2%. As a local measure, the Fund achieved a return of 1.7% against a WM scheme specific benchmark of -0.3% and this saw the RCT Fund maintain its ranking in the top quartile of local authority pension funds over the last 3 years.

The UK Referendum result on the 23rd June 2016 to exit the European Union, has inevitably given rise to a period of uncertainty. Whilst the expectation is for some negative impact on investment returns over the short term, this will be limited by the Fund's diversification into sectors that are predominantly not exposed to such influences.

This year a significant focus nationally and locally has been on the pooling of investments across funds. The All Wales collaboration in Investment Pooling is progressing well, with the initial proposal submitted to Central Government in February 2016. The Government's response was positive to this initial proposal for a Wales 'Investment Pool' model. A more detailed proposal was subsequently submitted to Government on the 15th July 2016, setting out the intentions to appoint a regulated third party operator to administer the pooling arrangements and the establishment of a Joint Governance Committee formed from Elected Member representatives of the eight participating Welsh Funds. Confirmation is still awaited from Government on the final pool arrangements for England and Wales.

In respect of local governance issues, the Fund's Local Pension Board was established in April 2015 and Board Members have played an active role in supporting the governance arrangements of the Fund. Further enhancements to the Fund's governance arrangements were implemented during May 2016 with the Administering Body constituting a formal Pension Fund Committee.

Looking ahead, the triennial Fund Valuation exercise is currently underway, with member data submitted to the Actuary during August. As in previous years, we will be looking to communicate new 'Employer Contribution Rates' at the earliest opportunity, to help support budget setting processes across participating employers.

Thank you for your continued support and I hope that the information contained in the report is helpful; if you feel it could be improved we would welcome your suggestions.

A handwritten signature in black ink, appearing to read 'C Lee'.

Christopher Lee, C.P.F.A., Group Director Corporate and Frontline Services

Summary

Participating Employers

Administering Authority
Rhondda Cynon Taf County Borough Council
Admitted Bodies
Agored Cymru
Awen Cultural Trust
Capita Glamorgan Consultancy
Care Council for Wales
Careers Wales Association
Careers Wales - Mid Glamorgan and Powys Limited
Drive Ltd
Finance Wales Investment
Finance Wales Plc
Halo Leisure
Local Government Data Unit
Maesteg Town Hall
Merthyr Tydfil Institute for the Blind
Merthyr Tydfil Leisure Trust
Merthyr Valley Homes
Penywaun Enterprise Partnership
Trivallis (Formerly RCT Homes)
Valleys to Coast Housing
VINCI Construction UK Limited
Welsh Government (former Welsh Development Agency)
Welsh Joint Education Committee (WJEC)

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.

Scheduled & Designated Bodies
Amgen Cymru
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
Coychurch Crematorium Joint Committee
Garw Valley Community Council
Gelligaer Community Council
Llanbradach Community Council (no active members at present)
Llanharry Community Council (no active members at present)
Llantrisant Community Council
Llantwit Fardre Community Council
Llwydcoed Crematorium Joint Committee
Maesteg Town Council
Merthyr College
Merthyr Tydfil County Borough Council
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
Tonyrefail Community Council
University of South Wales

Contributors page (Who's Who)

Head of Service Pensions, Payroll & Payments - 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. More recently joined the Pensions Service in 2006 and is an active member of the Pension Fund Investment and Administration Panel.



Principal Accountant, Treasury and Pension Fund Investments - 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.



Acting Senior Accountant, 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 acting officer responsible for the maintenance and closure of the Pension Fund accounts.



Pension Communications Manager - Catherine Black

Catherine joined us in 2013. Previously she worked in an in-house pension administration department of a large multi-national retailer, where her role involved implementing regulatory changes, calculating member benefits and delivering presentations to scheme members.



Pension Panel Members

Pension Panel Member - Councillor Forey

Councillor Forey is the Cabinet Member for Health and Adult Services and is the representative for Aberdare East ward.



Pension Panel Member - Councillor Hopkins

Councillor Hopkins is Cabinet Member for Children's Social Services, Equalities and the Welsh Language and is the representative for Llanharan ward. Councillor Hopkins joined the Pension Panel in May 2014.



Group Director Corporate and Frontline Services & Section 151 Officer - Christopher Lee C.P.F.A.

Chris gained a BSC (Honours) degree from Swansea University in 1990 and went on to qualify as a Public Sector Chartered Accountant (CIPFA) in 1995 whilst working as a Group Accountant at Merthyr Tydfil Borough Council.

He joined Rhondda Cynon Taf in 1997 as a Finance Manager and was promoted in 1999 to the post of Chief Accountant for the Council. Chris also gained experience with the Audit Commission in 2001 before rejoining Rhondda Cynon Taf in 2002 as Divisional Director - Finance. He was appointed to Group Director of Corporate Services in March 2014.



Director of Financial Services & Deputy Section 151 Officer - Barrie Davies CIPFA/ACIS

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 Panel and was appointed to his current role in March 2014.



Head of Service Pensions, Payroll & Payments - 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. More recently joined the Pensions Service in 2006 and is an active member of the Pensions Investment and Administration Panel.



Principal Accountant, Treasury and Pension Fund Investments - 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.



Head of Finance, Education and Financial Reporting - 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 Panel during 2014.



Acting Senior Accountant, 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 acting officer responsible for the maintenance and closure of the Pension Fund accounts.



Carolyn Dobson

Carolyn 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 eight 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 the measurement of the performance of funds focussing on the public sector and in particular, the collation of long term statistics and trends on behalf of the collective LGPS.



Pension Board Members

Employer Representative

Professor Hugh Coombs (Chair)
University of South Wales



Employer Representative

Mr Gwyn Williams
South Wales Police Authority



Member Representative

Mr Rob Whiles
Pensioner of the RCT
Pension Fund



Member Representative

Mrs Angela Pring
Member of the RCT Pension
Fund and Trade Union (Unison)
representative



■ Ian Traylor

Head of Service Pensions, Payroll & Payments



Administration Report



Introduction

I would like to thank Employers for their support in relation to year end data submissions, which enabled the Service to successfully meet our Valuation, Government Actuary Department (GAD) and Annual Benefit Statement deadlines. Data quality issues remain a focus for the team and we will continue to work with individual employers to support further improvements moving forward.

Over the last year, workload volumes and general scheme complexity continue to prove challenging. To assist immediate pressures and compliment our longer term workforce development plans, I am pleased to announce that since September 2015, we have supported two apprenticeship opportunities within our administration team. A further restructure was undertaken in June 2016 to realign responsibilities and specific demand areas, which will help ensure that continuity of our service performance is maintained.

The Service has experienced a number of Fund Employer outsource exercises, new small employer admission requests as a result of auto enrolment requirements, and some of the larger Fund Employers now commencing their re-enrolment cycle.

Actuarial Valuation

The Triennial Valuation commenced in April 2016 with the data submissions provided to the Actuary and GAD by the agreed timeline and initial assumptions agreed. In setting the Valuation, the Administering Authority will consider and review its strategic and long-term financial objectives, including the Funding Strategy Statement. Due regard has been given to the new statutory requirement that employer contributions should be set so as “to ensure the long-term cost efficiency of the scheme, so far as relating to the pension fund”, in addition to the existing requirement of ensuring solvency.

Governance

The Scheme Advisory Board was established as a statutory body from 1st April 2015, with the aim to seek to encourage best practice, increase transparency and coordinate technical and standards issues in respect of the LGPS. At a local level from 1st April 2015, under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended) the RCT Fund established a Local Pension Board.

End of Contracting Out (5th April 2016)

Employers will be aware that Contracting-Out ended on 5th April 2016, resulting in additional national insurance pressures for Employers and Employees alike. As required by regulation, the Fund formally notified all its ‘Active’ Members of this significant change during December 2015.

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 has reduced the level of the standard LTA further from 6th April 2016 from £1.25m to £1m for the tax years 2016/17 and 2017/18.

The lifetime allowance tax charge is 55% of any amount you take from your pension savings as a lump sum that is over the lifetime allowance and 25% of any amount you take from your pension savings as pension income that is over the lifetime allowance.

There is an opportunity to protect any pensions savings built up before 6th April 2016 from LTA charges (for savings over £1m to an overall maximum of £1.25m at 5th April 2016), if you meet the relevant HMRC criteria. Applications for LTA Fixed Protection or Individual Protection can now be made via HMRC new online service, accessed via

<https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#individual-protection-2016>

Annual Allowance

Announcements made in the Summer Budget on the 8th of July 2015 had a considerable impact on the Annual Allowance for 2015/2016 tax year, as the government introduced transitional provisions to bring about the alignment of all Pension Input Periods with the standard 6th of April to the 5th April ‘tax-year’ (the Pension Input Period is the period over which contributions/benefit accrual are assessed for the purposes of measurement against the Annual Allowance). Transitional provisions were made for 2015/16, with the £40,000 Annual Allowance limit being reapplied in respect of the 2016/17 tax year.

The Fund’s Communication team have issued letters during October 2016, to individual members that may be impacted by these changes.

On 6th April 2016 the government introduced the 'Tapered Annual Allowance' for individuals with "adjusted income" of over £150,000. To provide certainty for individuals with lower salaries who may have one off spikes in their pension savings, a "threshold income" of £110,000 will apply. If the individual's net income is no more than £110,000 they will not normally be subject to the tapered annual allowance. The rate of reduction in the annual allowance is by £1 for every £2 that the adjusted income exceeds £150,000, up to a maximum reduction of £30,000.

HMRC have recently launched an online calculator to help members determine how much annual allowance they have used <https://www.tax.service.gov.uk/paac>

Exit Payment Reform (Public Sector Bodies)

Exit Caps

Further to the Central Government's proposals to introduce a cap of £95,000 on the total value of exit payments for 'public sector bodies', there will be a further consultation this autumn on the regulations; as such the regulations will not be in force in October 2016 as originally anticipated. Following this consultation it is expected that regulations will be published and in force early next year.

Whilst the policy extends to all bodies where employment and remuneration practices are the responsibility of UK government, it will be for Welsh Government to determine if and how they want to take forward similar arrangements in relation to devolved bodies and workforces.

Exit Payment Recovery

The introduction of the Government's policy which will require high earners (earning £80,000 or more) who leave employment in the public sector with an exit payment to repay the exit payment, or a proportion of it, if they return to public sector employment within 12 months, has been delayed (the regulations were due to take effect from April 2016). The recovery regulations are now expected to be published and in force this year, subject to being passed by both Houses of Parliament under the affirmative process.

The Government have indicated that they will consider the case for protection for those with exits formally agreed on the terms applied before new workforce exit compensation arrangements come into effect.

Given that the compensation arrangements and employer-funded early access to pension are both contained within statutory instruments for the LGPS it is likely that the implementation timeline will be challenging.

Guaranteed Minimum Pension (GMP) Reconciliation

Following the option to contract-out of the additional State Pension ending in April 2016 and the new single tier State Pension being introduced, protections for scheme members' existing contracted out rights will be maintained. However, HMRC's support services will be scaled down and eventually withdrawn and as such they will no longer track contracted out rights but instead, issue closure schedules to schemes in order to compare against the contracted-out date and GMP amounts held on scheme records. This is known as GMP contracted-out reconciliation.

In December 2018 HMRC plan to send individuals information about their contracted-out history and potentially their GMP amount (reconciled or not).

Therefore it is important that the Fund reconciles member data against the data held by HMRC, whilst there is a service in existence to amend anomalies. During 2015, the Service commenced the reconciliation project in liaison with the Scheme Reconciliation Service (SRS) which is a support service designed to help administrators with the reconciliation process.

Tell Us Once Service

During the year, the Fund and other local government pension schemes joined the national 'Tell Us once Service'. The service is designed to quickly and securely pass information on behalf of the citizen to over 30 different parts of local and central Government. The benefits to the Fund include easier access to electronic Death Certificate details directly from the Registrar service; Next of Kin / Executors consent to share their details with the Fund and therefore any outstanding queries in relation to the former member's benefits can be concluded and help avoid any overpayment scenarios.

In order to facilitate the 'Tell Us Once Service', a national LGPS database was established, which provides the additional benefits in relation to death grant entitlement reviews to avoid potential unauthorised payments:

- search for matching pension records in other funds in cases where there may be a potential duplicate death grant, and
- contact funds where a match is found to check on the death grant entitlement.



Performance Information

The results of key performance indicators identified and agreed by the Pension Panel for the period up to 31st March 2016 are listed in the adjacent table.

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.

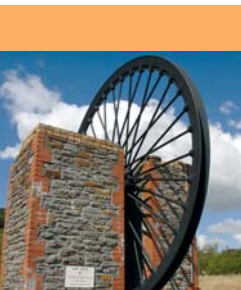
We participate in the Chartered Institute of Public Finance and Accountancy (CIPFA) Benchmarking Club which measures the service provided by Rhondda Cynon Taf Pension Fund against industry standards.

This table shows our actual performance against the benchmark standard.

Disputes

In line with legislation the Pension Fund has an Internal Disputes Resolution Procedure (IDRP) which deals with formal complaints against the Scheme. During 2015/16 no complaints were received under the procedure.

Procedure Description	Performance Target	Intervention Target	Actual Performance	Number of cases Processed
Divorce Estimate (calculation for members)	10 days	95%	97.73%	176
Preserved Benefit (notification to leavers)	10 days	90%	81.96%	2668
Refund of Contributions (payment back to scheme members)	10 days	95%	97.77%	1119
Employer Request for Retirement Estimate	5 days	95%	97.46%	986
Retirement Payment (from active membership)	5 days	95%	94.27%	837
Preserved Benefit into Payment on Retirement	5 days	95%	94.41%	501
Transfer In (calculation from previous pension scheme including late transfer applications)	10 days	90%	77.17%	328
Transfer Out (payment to receiving pension scheme)	10 days	95%	98.43%	441



Membership of the Fund

Number of Employers

	Active	Ceased	Total
Scheduled Body	25	22	47
Admitted Body	21	8	29
Total	46	30	76

Fund membership at 31st March is as follows:-

Number of Contributing Members

Years	2012	2013	2014	2015	2016
Numbers	23669	24969	27432	25491	25501

Number of Deferred Beneficiaries

Years	2012	2013	2014	2015	2016
Numbers	15966	17758	18831	20255	22358

Number of Pensioners and Dependants

Years	2012	2013	2014	2015	2016
Numbers	17023	17354	17626	18043	18470

Number of Undecided Withdrawals

Years	2012	2013	2014	2015	2016
Numbers	2408	2390	2421	2646	2400

Membership Trends

	2011/12	2012/13	2013/14	2014/15	2015/16	% Increase/ Decrease from 14/15
Active Employers	42	44	43	43	46	
Contributors	23669	24969	27432	25491	25501	+0.04%
Pensioners	14391	14730	15005	15499	15830	+2.14%
Dependants	2632	2624	2621	2544	2640	+3.77%
Deferred Beneficiaries	15966	17758	18831	20255	22358	+10.38%

Fund Costs per Member

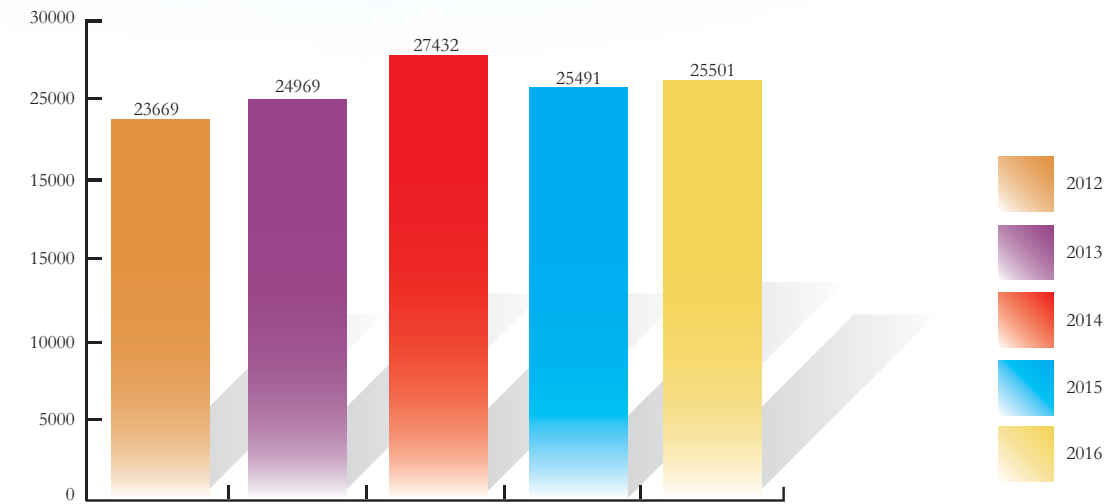
	Cost per member (£)	Cost per member (£)
	2014/2015 Restated	2015/2016
Administration Costs	25.14	26.23
Investment Management Expenses	93.26	113.21
Oversight and Governance Costs	2.17	1.95
TOTAL	120.57	141.39

The Pension Fund currently employs 26 full time equivalent staff in administration and 2 in Pension Fund investments and accounts.

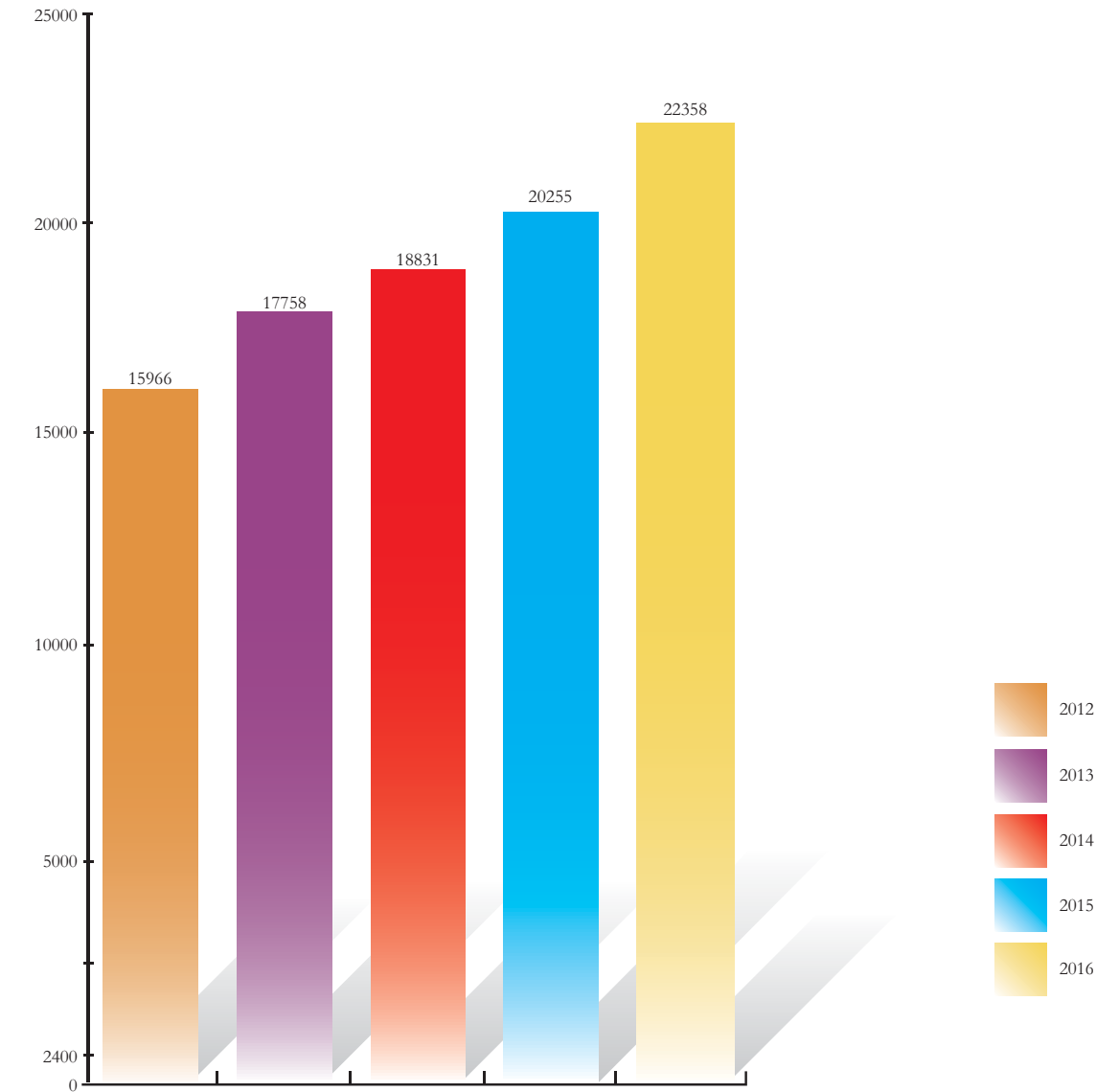
Membership and Analysis of The Fund

Fund membership at 31st March is as follows: -

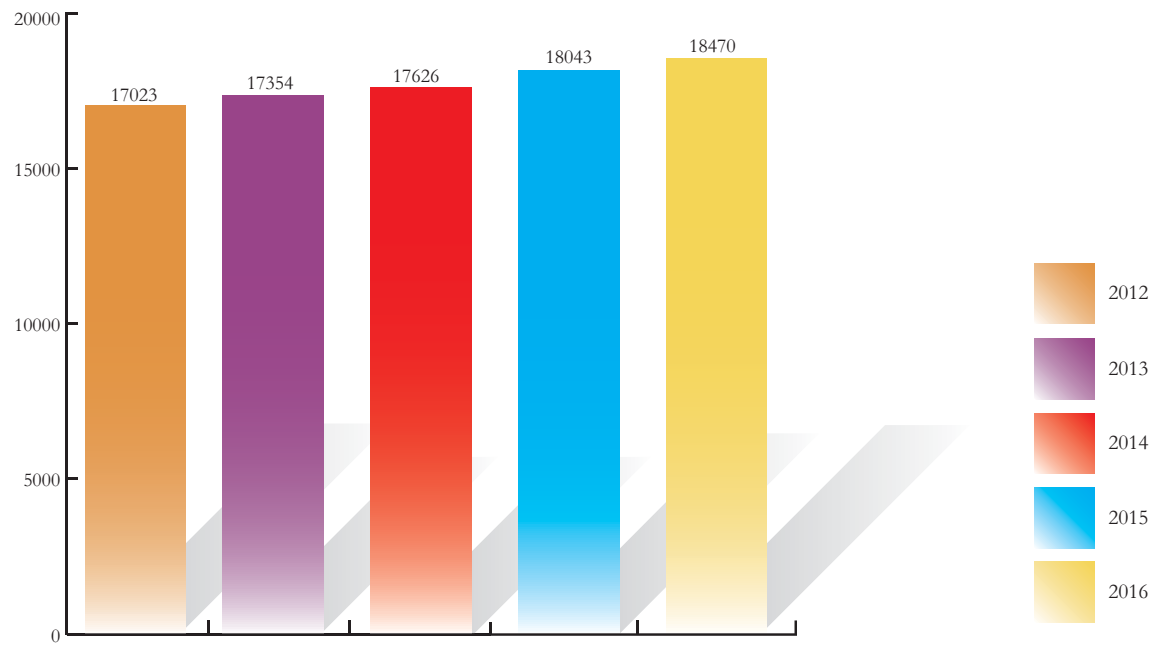
Number of Contributing Members



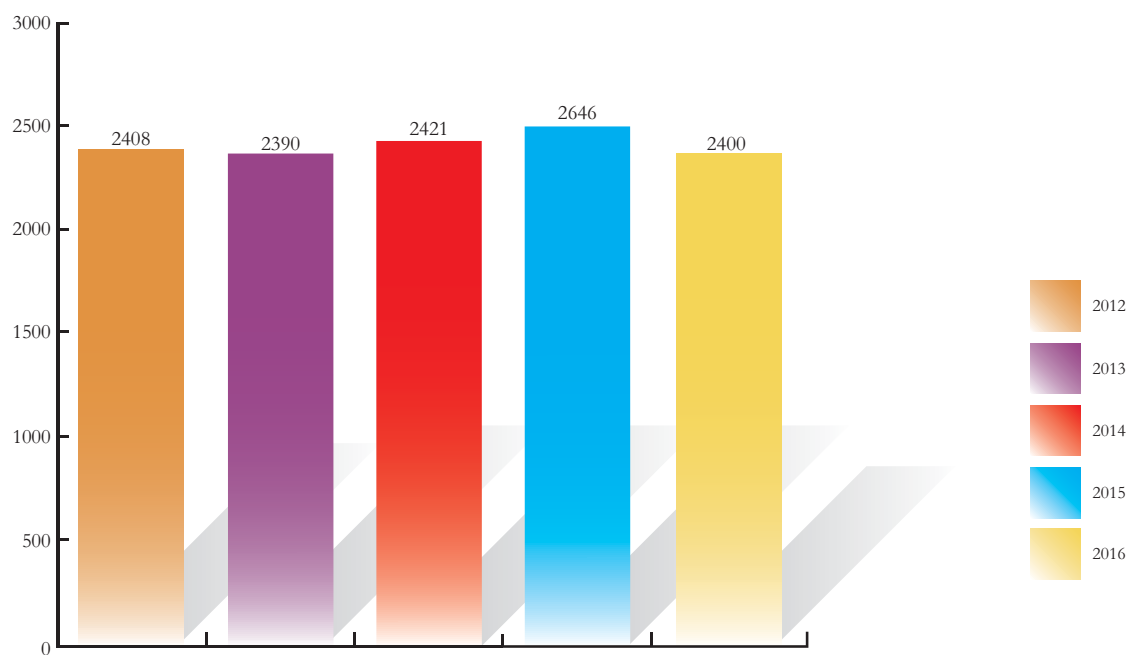
Number of Deferred Beneficiaries



Number of Pensioners and Dependants



Number of Undecided Withdrawals



Membership Analysis

Leavers from active status

	2014	2015	2016
Refund of Contributions	110	366	296
Transfers to other Schemes	5	1020	50
Death in Service	28	24	17
Ill Health Retirements	38	32	44
Early / Normal Retirements	161	152	175
Redundancy / Efficiency Retirements	150	445	295
Flexible Retirements	33	28	20
Late Retirement	80	101	85
Opt Outs	577	324	298
Preserved Benefits	1878	1529	2423
Other Leavers	43	74	172
Total	3103	4095	3875



Deferred Benefits – Exits

	2014	2015	2016
Transfer to other Schemes	165	633	120
Deaths	20	23	22
Ill Health Retirements	8	7	9
Early / Normal Retirements	320	227	236
Other Benefits	0	7	25
Number of Deferred Members Re-entering the Scheme	72	0	6
Total	585	897	418

■ Yvonne Keitch

Principal Accountant, Treasury and Pension Fund Investments



Investment Report



Investment Report

At the start of the financial year, the market value of the Rhondda Cynon Taf Pension Fund investments was £2,388.9 million. By the 31st March 2016 the Fund had increased in value to £2,467.6 million.

Rhondda Cynon Taf Pension Fund produced a return of 1.7% in 2015/16, ranking in the 14th percentile. Most of the Fund's outperformance has been due to strong equity stock selection. RCT Pension Fund was well ahead of benchmark over 3, 5, and 10 years, ranking in 15th percentile over 3 years, 13th percentile over 5 years, and 12th percentile over 10 years.

Investment Management

Investment strategy is considered and agreed by the Pension Fund Investment and Administration Panel, which is chaired by the Rhondda Cynon Taf Group Director, Corporate and Frontline Services and consists of two Rhondda Cynon Taf Council Cabinet Members, two independent 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 their activities and performance. The Fund managers carry out the actual day-to-day investment management of the Fund. There are currently eight separate investment mandates.

Baillie Gifford Traditional Equities, Newton High Alpha Equities, Baillie Gifford High Alpha Equities, BlackRock UK Equities, Invesco UK Equities, BMO GAM Bonds (formerly known as F & C Management), CBRE Property and Legal & General Passive Equities.

Investment Performance

For the year ending 31st March 2016, the Fund achieved a return of 1.7% against a WM scheme specific benchmark of -0.3%. The following analysis provides returns by asset class for 2015/16

	Benchmark 2015/16 %	RCT 2015/16 %
UK Equities	-3.9	-1.7
Overseas Equities		
US	3.6	5.8
Continental Europe	-4.3	2.0
Other Intl Equities	-8.8	-7.2
UK Bonds	1.8	1.8
Overseas Bonds		6.8
Property	6.1	12.1
Cash	0.3	0.3
Total Assets	-0.3	1.7

Fund Manager Performance

The table below shows the relative performance of each manager against their respective benchmarks for the year ending 31st March 2016

	Benchmark %	Manager's Return %
Baillie Gifford (Traditional Equities)	-2.8	1.8
Baillie Gifford (High Alpha Equities)	-0.6	-0.4
Newton (High Alpha Equities)	-0.6	3.1
Invesco (UK Equities)	-3.9	-2.3
BlackRock (UK Equities)	-3.9	-0.5
Legal & General (Passive Equities)	-0.5	-0.7
BMO GAM (bondiau)	1.8	1.6
CBRE (eiddo)	6.1	11.7

All fund managers have customised benchmarks.



Details of Fund Managers

The market values of investments held by the fund managers employed by the fund are detailed in the following table.

Fund Manager	Market Value		Proportion of Fund	
	31/03/15 £'000	31/03/16 £'000	31/03/15 %	31/03/16 %
Baillie Gifford (Traditional Equities)	500,376	510,410	20.9	20.7
Baillie Gifford (High Alpha Equities)	490,510	489,916	20.5	19.9
Newton (High Alpha Equities)	391,312	404,498	16.4	16.4
Invesco (UK Equities)	133,811	131,535	5.6	5.3
BlackRock (UK Equities)	118,218	117,889	5.0	4.8
Legal & General (Passive Equities)	60,230	101,052	2.5	4.1
BMO GAM (bondiau)	521,906	531,141	21.9	21.5
CBRE (eiddo)	136,172	162,530	5.7	6.6
Rheoli'n fewnol	36,389	18,621	1.5	0.7
Cyfanswm	2,388,924	2,467,592	100.00	100.00

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 set by the Investment and Administration Panel. The underlying investments are further diversified by country and industry sector.

Each manager's performance is monitored quarterly by the Investment and Administration Panel 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

For the year ending 31st March 2016, the Fund obtained a return of 1.7% against a WM Local Authority Average of 0.5%, which ranked in the 14th place. The Fund's three-year return was 7.9% p.a. against the WM average of 6.5%, ranking in the 15th percentile of Funds measured.

	2014/15 £'000	2015/16 £'000
Profits on sales	144,676	89,719
Losses on sales	(22,453)	(31,259)
Net profit / (loss) on sales	122,223	58,460
Change in market value	152,880	(71,494)
Net increase/ (decrease) in value	275,103	(13,034)

Custodial Arrangements

Rhondda Cynon Taf Pension Fund has appointed State Street to act as custodian for the shares of the pension fund. Shares are held to the order of the custodian for the benefit of Rhondda Cynon Taf. State Street is regulated in the UK by the Financial Conduct Authority and the Prudential Regulatory Authority.

Fund Manager and Advisor Fees

Fund manager fees are charged on a reducing scale based upon the market value of the fund. Some managers also have an additional performance fee element, if agreed outperformance targets are achieved.

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

Analysis of Investments at Fair Value

	2014/15		2015/16	
	£'000	£'000	£'000	£'000
Equities				
UK	355,911		360,050	
Overseas	1,029,883		1,052,581	
		1,385,794		1,412,631
Fixed interest				
UK	466,233		456,709	
Overseas	44,115		57,994	
		510,348		514,703
Index linked				
UK	0		0	
Overseas	0		0	
		0		0
Pooled investments				
UK - property	123,525		153,427	
Overseas - property	10,486		8,679	
UK – other	145,027		145,808	
Overseas - other	117,844		146,641	
		396,882		454,555
Total long-term investments		2,293,024		2,381,889

The Fund does not participate in any stock lending arrangements. All investments held are quoted investments with the exception of property, which is valued at Fair Value and no assets reclassified. Carrying values of assets held in the Net Assets Statement are the same as the Fair Values shown above.

All investments above are deemed to be Financial Instruments designated "Fair Value through Profit and Loss". All investment income, profits / losses on disposals of investments, and changes in the value of investments recognised in the Fund Account arise from Financial Instruments designated "Fair Value through Profit and Loss", with the exception of interest on cash deposits. Cash deposits are deemed to be Financial Instruments designated "Loans and Receivables".

Geographical Spread of the Fund

The Fund Managers invest in shares in a number of countries. The table below shows the value of shares held by the Fund Managers as at 31st March 2016:

	£'000	%
UK Equities	505,858	20.5
European Equities	297,590	12.1
US and Canadian Equities	611,454	24.7
Japanese Equities	103,331	4.2
Pacific Equities	75,339	3.1
Other International Equities	111,510	4.5
Bonds	514,703	20.9
Property	162,106	6.6
Cash & Equivalents	83,675	3.4
Total	2,465,566	100

The cash balance shown does not reflect uncleared funds.

Analysis of Investment Income accrued during 2015/2016

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	5,548	-	28,318	33,866
Bonds	22,061	1,077	-	23,138
Property (Direct Holdings)	-	-	-	-
Alternatives (Property Indirect)	5,877	75	-	5,952
Cash and Cash Equivalents	93	-	-	93
Other	-	-	-	-
Total	33,579	1,152	28,318	63,049

Analysis of Fund Assets as at 31st March 2016

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	245,434	-	1,459,648	1,705,082
Bonds	456,708	57,994	-	514,702
Property (Direct Holdings)	-	-	-	-
Alternatives (Property Indirect)	153,427	8,679	-	162,106
Cash and Cash Equivalents	39,474	-	46,228	85,702
Other	-	-	-	-
Total	895,043	66,673	1,505,876	2,467,592

The cash balance shown reflects uncleared funds.

Largest Share Holding

The ten largest holdings of each active equity fund manager as at 31st March 2016 are

Baillie Gifford's (Traditional Equities) Ten Largest Holdings

Share	£'000
St James Place	8,562
Nestle	7,986
Amazon	7,454
Prudential	7,452
Svenska Handelsbanken	7,434
GBL	7,262
British American Tobacco	6,554
Rightmove	6,337
Hexpol	6,054
Hargreaves Lansdown	5,870

Baillie Gifford's (High Alpha) Ten Largest holdings

Share	£'000
Amazon	17,540
Royal Caribbean Cruises	16,600
Naspers	14,865
Prudential	14,804
TSMC	13,222
CRH	12,865
Alphabet Inc	12,499
SAP	12,456
Anthem	10,694
Markel	10,582

Newton's (High Alpha) Ten Largest holdings

Share	£'000
Microsoft	16,173
Alphabet	13,004
Altria	11,842
Japan Tobacco	11,238
Dollar General	11,223
Express Scripts Holding	11,115
Apple	11,107
British American Tobacco	9,055
Toyota	8,326
Citigroup	8,190

BlackRock's (UK Equities) Ten Largest Holdings

Share	£'000
Relix	11,713
British American Tobacco	10,397
Compass	10,364
Wolseley	8,867
Reckitt Benckiser	7,907
Sky	7,520
Shire	7,360
Next	7,349
Easyjet	5,149
Royal Dutch Shell	4,877



Statement of Investment Principal

1. Overall Responsibility

Rhondda Cynon Taf County Borough Council is the designated statutory body responsible for administering the Rhondda Cynon Taf County Borough Council 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 appointed the Group Director - Corporate and Frontline Services with Section 151 responsibilities to exercise delegated powers to make decisions in respect of the Pension Fund investments and administration. An Investment and Administration Panel has been formed to advise him in this capacity. This is made up of:

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

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

2. Primary Objective

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

3. Funding Objectives

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

The assumptions used for this test correspond with the assumptions used in the latest Actuarial Valuation. This position will be reviewed at least at each triennial Actuarial Valuation.

4. Investment Objectives

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

The Investment and Administration 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 2009 to manage the assets of the Fund.



Contracts / mandates will be in place giving instructions to the Managers as to how the investment portfolio is to be managed.

The Investment and Administration Panel 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.

5. Types of Investments To Be Held

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 Investment and Administration Panel.

As at March 2016 the fund employs the following investment managers:

Traditional equity manager	21%
Global passive equity manager	3%
2 Global high alpha managers	37%
2 UK equity high alpha managers	11%
Fixed Interest Manager	22%
Property Manager	6%

The Investment and Administration Panel has agreed a benchmark which provides an effective balance between risk and return.

The Investment and Administration Panel has agreed not to invest in private equity at the present time.

The Investment and Administration Panel has agreed not to stock lend at the present time.

6. Policy on Risk

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 appointment of more than one investment manager introduces diversification of manager risk.

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

7. Expected Return on Investments

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

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

The Fund's assets are managed on an active basis (except the 3% Global Passive Equity mandate) and are expected to outperform their benchmarks over the long term. In this way the investment performance achieved by the Fund is expected to exceed the rate of return assumed by the Actuary in funding the Fund on an ongoing basis.

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

Portfolio	Portfolio Benchmark Index	Portfolio Target
Traditional equity manager	UK - FTSE All Share US – FTSE All World Europe – FTSE All World Europe Far East – FTSE All World Dev Asia Other Intl – MSCI Emerging Index	Composite Index +1% pa over rolling 3 year period
Global passive equity manager	FTSE A W All World	Index
Global high alpha managers	MSCI All Countries World Index	Index + 2% over rolling 3 year period
UK equity high alpha managers	FTSE All Share Index	Index +2% over rolling 3 year period
Fixed Interest Manager	UK Govn Bonds – FTS UK Govn All Stocks UK Corporate – IBoxx GBP Non Gilts	Composite Index +0.5% pa over rolling 3 year period
Property Manager	RPI	Index +4.5%

Review of the investment managers is ongoing based on the quarterly and annual performance data supplied to the Panel by the State Street Global Services.

8. Realisation Of Investments

Fund Managers are required to invest only assets that are readily realisable. Any investment within a pooled fund that is not readily tradeable requires specific approval.

9. Socially Responsible Investments

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

However, the Investment and Administration Panel expects the Fund's investment managers to consider environmental, social and governance issues when assessing investment opportunities.

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 Panel also expects the Fund's active investment managers to proactively engage with the companies that they invest in to encourage good corporate governance.

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

10. Exercise Of Voting Rights

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

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

11. Custody

Rhondda Cynon Taf C.B.C has appointed a global custodian. All the investments are held by the custodian to the account of the Pension Fund. The Council holds an appropriate working cash balance.

12. Advisors

Rhondda Cynon Taf C.B.C has appointed two independent advisors. The Advisors are employed to give strategic advice to the Panel on investment matters.

13. Actuary

Rhondda Cynon Taf C.B.C has appointed an independent actuary. The main purpose of the actuary is to ascertain the Fund's financial position.

14. Administration

On behalf of Rhondda Cynon Taf County Borough Council, the Group Director, Corporate and Frontline Services exercises continual monitoring of the fund managers' investment related actions and administration. This includes:

- maintaining the investment ledger and suitable accounting procedures for the Fund's assets
- preparing a quarterly report to the Investment and Administration Panel
- preparing an audited annual report and accounts
- maintaining an up to date record of in-house managed cash balances to ensure surplus cash is invested promptly or that resources are available to cover benefit payments

15. Pensions Board

Rhondda Cynon Taf C.B.C. has appointed a Pensions Board. The function of the Pensions Board is to assist the Council as 'Scheme Manager' in :-

- Securing compliance with the principal regulations and any other legislation related to the governance and administration of the Local Government Pension Scheme;
- Securing compliance with the requirements imposed in relation to the Local Government Pension Scheme by the Pensions Regulator; and
- Ensuring the effective and efficient governance and administration of the Local Government Pension Scheme by the Scheme manager.

16. Fees Of Advisors And Fund Managers

Fund Managers fees are charged on a reducing scale basis based on the market value of the Fund. Some managers have performance related fees. Fees are paid quarterly.

Advisors fees are fixed and are paid quarterly.

17. Review Of Structure

The Investment and Administration Panel reviews its structure and composition on a three - yearly basis.

18. Annual Business Plan

Rhondda Cynon Taf C.B.C produces annual business plans covering all areas of service including Pensions Administration and Fund Investment.

Myners Investment Principles - Compliance Statement

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



■ Vanessa Thomas

Acting Senior Accountant, Pension Fund



Accounts Report



Fund Account

2014/15 Restated		2015/16	
£'000		£'000	£'000
	Dealings with members, employers and others directly involved with the fund		
	Contributions		
(95,017)	Employer contributions	(85,799)	
(26,834)	Member contributions	(25,663)	
(121,851)			(111,462)
(45,994)	Transfers in from other pension funds	(4,047)	
(8,050)	Other income	(9,112)	
(54,044)			(13,159)
	Benefits		
91,700	Pensions	94,818	
25,886	Commutation of pensions and lump sum retirement benefits	24,198	
2,855	Lump sum death benefits	2,684	
120,441			121,700
	Payments to and on account of leavers		
170,902	Transfers out to other pension funds	6,312	
220	Other payments	487	
171,122			6,799
8,010	Management expenses		9,718
123,678			13,596
	Returns on investments		
	Investment income		
(23,865)	Income from fixed interest securities	(23,137)	
(28,935)	Dividends from equities	(31,142)	
2	Income from index-linked securities	0	
(8,278)	Income from pooled investment vehicles	(8,677)	
(89)	Interest on cash deposits	(93)	
(61,165)			(63,049)
(275,103)	(Profits) and losses on disposal of investments and changes in the value of investments	13,034	
			13,034
1,363	Taxes On Income		1,610
(334,905)	Net Returns On Investments		(48,405)
(211,227)	Net (increase)/decrease in net assets available for benefits during the year		(34,809)
(2,237,112)	Opening net assets		(2,448,339)
(2,448,339)	Closing net assets		(2,483,148)

The restatement of prior year comparatives is disclosed in the Notes to the Pension Fund Accounts.

Net Asset Statement

31/03/15 Restated		31/03/16	
£'000		£'000	£'000
	Investment Assets		
	Fixed interest securities		
230,670	Public Sector	242,357	
279,678	Corporate Bonds	272,346	
			514,703
1,385,794	Equities		1,412,631
	Index Linked Securities		
0	Public sector	0	
	Pooled Investment Vehicles		
			0
68,830	Open Ended Investment Companies	59,862	
194,041	Managed Funds	232,587	
134,011	Property	162,106	
			454,555
99,024	Cash Deposits		86,063
	Other Investment Balances		
6,140	Accrued interest	5,753	
6,338	Investment debtors	7,662	
2,192	Tax recoverable	2,940	
			16,355
2,406,718			2,484,307
	Investment Liabilities		
(5,297)	Investment Creditors		(5,828)
2,401,421	Net Investment Assets		2,478,479
	Current Assets		
5,489	Contributions Due from Employers	5,118	
2,281	Cash Balances	2,161	
0	Amount owed from RCT	389	
45,493	Other current assets	1,638	
			9,306
	Current Liabilities		
(5,555)	Current liabilities	(4,637)	
(790)	Amount owed to RCT	0	
			(4,637)
2,448,339	Net assets of the scheme available to fund benefits at the period end		2,483,148

The restatement of prior year comparatives is disclosed in the Notes to the Pension Fund Accounts.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

A summary of the actuarial position of the scheme, which takes account of these obligations, is included, in the Annual Report. These accounts should be read in conjunction with that report.

There have been no significant post balance sheet events.

Notes to the Pension Fund Accounts

Introduction

These accounts have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2015/16 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

Accounting Policies

Accruals Concept

Where material, accruals are made for employee and employer fund 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 Property Funds. Listed securities are valued in accordance with IAS 39 – Financial Instruments, using bid prices as at 31st March 2016 obtained from recognised Stock Exchanges. Fixed interest securities are valued "clean", excluding accrued interest. Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2016.

Pooled Property Funds are valued 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.

Additional Voluntary Contributions (AVC's)

Scheme members may elect to make additional voluntary pension contributions from their salaries. These AVCs are not included in the Pension Fund Accounts in accordance with regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

The amount of AVCs paid during the year amounted to £1,273k (£1,200k in 2014/15) and the market value of separately invested AVCs at the Balance Sheet date was £6,939k (£6,909k in 2014/15).

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 incurred during 2015/16 amounted to £0.7m (£0.6m in 2014/15).

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.

Prior Period Adjustment

The 2014/15 comparators in the Pension Fund Financial Statements have been amended to take account of group transfers with effective dates prior to 2015/16.

The impact of the adjustment is as follows:

	2014/15 £'000	2014/15 Restated £'000	Value of adjustment
Transfers in from other pension funds	(4,068)	(45,994)	(41,926)
Transfers out to other pension funds	169,078	170,902	1,824
Closing net assets	(2,408,237)	(2,448,339)	(40,102)
Other current assets	3,567	45,493	41,926
Other current liabilities	(3,731)	(5,555)	(1,824)

Certificate of the Group Director Corporate & Frontline Services, Rhondda Cynon Taf CBC on the Accounts of Rhondda Cynon Taf Pension Fund for 2015/16.

I certify that the accounts present a true and fair view of the financial position of the Rhondda Cynon Taf Pension Fund at 31st March 2016 and its income and expenditure for the year.



Christopher Lee C.P.F.A

Group Director Corporate and Frontline Services



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 31st March 2013 and the results were implemented from 1st April 2014.

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 2015/16 were:

Full Time Equivalent Pay	Contribution Rate
Up to £13,600	5.5%
More than £13,601, up to £21,200	5.8%
More than £21,201, up to £34,400	6.5%
More than £34,401, up to £43,500	6.8%
More than £43,501, up to £60,700	8.5%
More than £60,701, up to £86,000	9.9%
More than £86,001, up to £101,200	10.5%
More than £101,201, up to £151,800	11.4%
More than £151,801	12.5%



From 1st 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	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Administering	8,541	8,171	29,046	28,243	33,142	33,015
Admitted	3,091	3,281	13,437	13,814	12,258	12,707
Scheduled	15,202	14,211	52,534	43,742	75,041	75,978
Total	26,834	25,663	95,017	85,799	120,441	121,700

Included in employer contributions are £10,879k of deficit funding contributions (£16,811k in 2014/15) and £26k of augmented contributions (£262k in 2014/15).

Contributions Received From Employers

	Employer Contributions (£)	Employee Contributions (£)
Agored Cymru	16,944.65	4,837.04
Amgen Cymru (Cynon)	192,350.90	69,768.43
Awen Cultural Trust	166,864.62	53,258.69
Brackla Community Council	7,008.31	2,685.01
Bridgend College	812,325.29	329,439.65
Bridgend County Borough Council	18,364,122.76	4,531,439.43
Capita Glamorgan Consultancy	175,160.68	66,013.72
Care Council For Wales	686,232.33	193,823.62
Careers Wales Association	26,128.23	9,760.50
Careers Wales Mid Glam & Powys	896,520.08	156,111.11
Chief Constable South Wales	8,124,272.98	3,542,259.29
Coleg Y Cymoedd	1,139,033.93	442,500.43
Coychurch Crematorium	35,831.75	10,575.24
Drive Ltd	11,682.44	2,861.87
Finance Wales Investment	412,249.28	171,506.59
Finance Wales Plc	268,664.70	95,862.98
Garw Valley Community Council	1,964.34	746.98
Gelligaer Community Council	2,607.15	927.68
Halo Leisure Services Ltd	238,826.08	89,781.86
Joint Education Service	491,982.64	269,472.46
Llantrisant Community Council	14,092.66	3,589.44
Llantwit Fardre Community Council	17,715.32	4,514.11
Llwydcoed Crematorium	24,684.86	7,222.20
Local Govt Data Unit	76,576.28	46,766.70
Maesteg Town Council	5,376.59	1,666.70
Maesteg Town Hall	1,550.21	428.46
Merthyr Tydfil Leisure Trust	179,237.29	90,310.18
Merthyr College	315,550.51	136,104.81
Merthyr Tydfil Blind Institute	29,068.21	5,069.31
Merthyr Tydfil County Borough Council	7,678,299.62	1,947,879.18
Merthyr Valley Homes	358,969.40	283,777.12
Penywaun Enterprise Council	22,849.75	5,020.98
Police & Crime Commissioner South Wales	91,890.46	56,914.54
Pontyclun Community Council	8,739.35	2,588.28
Pontypridd Town Council	56,172.02	15,056.84
Trivallis (Formerly RCT Homes)	949,787.22	564,873.34
Rhondda Cynon Taff County Borough Council	28,243,079.06	8,171,198.52
Royal Welsh College of Music & Drama	303,236.71	162,340.91
South Wales Fire Authority	1,279,127.66	515,021.51
South Wales Valuation Tribunal	26,587.17	8,995.30
Tonyrefail Community Council	23,985.84	7,118.70
University Of South Wales	4,724,976.78	2,142,108.54
Valleys To Coast Housing	417,050.38	192,862.51
Vinci Construction UK Ltd	12,556.86	4,422.56
Welsh Government (Former WDA)	6,332,688.03	722,725.44
WJEC	2,534,126.89	520,671.19
Total	85,798,748.27	25,662,879.95

Over 99.93% 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 statutory deadlines are missed.

Management Expenses

The management expenses borne by the Fund in 2015/16 are set out below:

	2014/15 Restated £'000	2015/16 £'000
Administrative Costs	1,670	1,803
Investment Management Expenses	6,196	7,781
Oversight and Governance Costs	144	134
Total	8,010	9,718

The 2015/16 CIPFA Accounting Code of Practice have amended the classification of management expenses. The 2015/16 and the 2014/15 costs have been re-categorised in line with these changes. Management Expenses represents 0.39% (0.33% in 2014/15) of the value of the Pension Fund as at 31st March 2016.

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 (£1.4m in 2014/15). 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 £5.1m (£5.5m in 2014/15), of which £3.8m related to employer contributions and £1.3m to employee contributions.

There are members of the Pension Fund Investment & Administration Panel and the Pension Fund Board 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 being delegated to the Group Director, Corporate and Frontline Services. As such, the Group Director is required to declare any interests with related parties. The disclosure can be found in the main accounts of the Rhondda Cynon Taf County Borough Council.

Contingencies

There is a contingent liability of £375k (£348k in 2014/15) in respect of refundable contributions for leavers who have not yet claimed refunds.

Group Transfers

No material group transfers are recognised in 2015/2016. However, the Fund is currently processing inward and outward group transfers. Such transfers are either not material to the financial statements or are in the initial stages of actuarial discussions.

Amounts are also due in respect of final settlement of transfers recognised in 2014/2015. Estimates are not yet available.

Audit Opinion

Auditor General for Wales' statement to the Members of Rhondda Cynon Taf Pension Fund

I have examined the pension fund accounts and related notes contained in the 2015-16 Annual Report of Rhondda Cynon Taf Pension Fund to establish whether they are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by Rhondda Cynon Taf County Borough Council for the year ended 31 March 2016 which were authorised for issue on 29 September 2016. The pension fund accounts comprise the Fund Account and the Net Assets 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 the consistency of the pension fund accounts and related notes contained in the Annual Report with the pension fund accounts and related notes included in the Statement of Accounts of the Administering Authority. 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 Administration Report, Investment Report, Actuary's Report, Communication Report and Pension Fund Governance.

I conducted my work based on the requirements of Bulletin 2008/3 issued by the Financial Reporting Council. My report on the pension fund accounts and related notes included in the Statement of Accounts produced by Rhondda Cynon Taf County Borough Council describes the basis of my opinion on those accounts.

Opinion

In my opinion the pension fund accounts and related notes included in the Annual Report of Rhondda Cynon Taf Pension Fund are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by Rhondda Cynon Taf County Borough Council for the year ended 31 March 2016 which were authorised for issue on 29 September 2016 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 authority's Statement of Accounts, 29 September 2016, and the date of this statement.

Anthony Barrett
For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
9 November 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ



■ By Aon Hewitt Limited

Actuary's Report



Introduction

The Scheme 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 County Borough Council 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 review into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

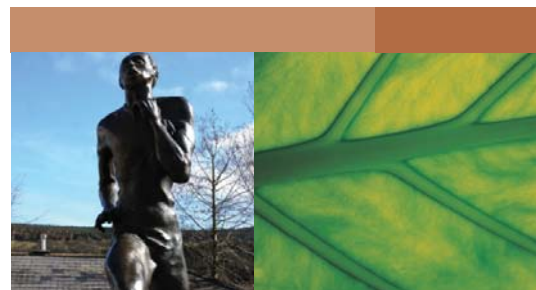
1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets (of £2,080.4M) covering 78% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 is:
 - 13.8% of pensionable pay p.a. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 25 years from 1 April 2014, amounting to £29.4M in 2014/2015, and increasing by 3.9% p.a. thereafter.

This would imply an average employer contribution rate of about 20.6% of pensionable pay in total, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 3.9% p.a.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contribution rate shown, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement in force at that time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.



5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in Service	
In service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	5.2% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	3.6% p.a.
Rate of long term pay increases *:	3.9% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.4%p.a.

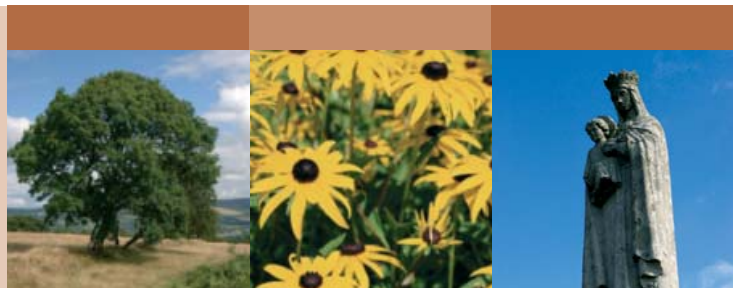
* A short term Pensionable Pay increase assumption was adopted for scheduled bodies of 1.0% p.a. for the three year period after the valuation date.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed off on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.



8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, 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 2013. 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 Hewitt Limited 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.

Aon Hewitt Limited

4 October 2016

9. The actuarial valuation report is available on the Fund's website at the following address:

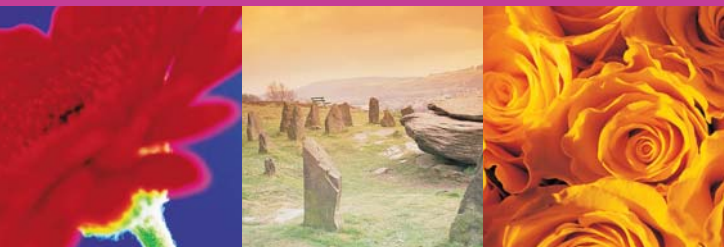
<http://www.rctpensions.org.uk/EN/RelatedDocuments/Governance--Investments/2013-Valuation-Report.pdf>



■ Catherine Black
Pension Communications Manager



Communication Report



Annual Meetings

The 2015 Annual General Meeting was held in November with representatives from our major fund employers attending. Presentations covered Legislative Updates and Pension Fund Performance.

Helpdesk

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

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

Website

The Pension Fund website has proved to be a useful tool to communicate with members. It contains information for existing and previous members as well as pensioners. All pension fund literature is up-loaded to the site and content is kept up to date with changes. Commonly used forms are available to download. The Helpdesk regularly refers members to the web-site to download forms or to get information.

The website can be viewed at www.rctpensions.org.uk

Presentations

The Communications Team is happy to provide seminars based on the following lifestyle changes: -

- Induction
- Mid Life Planning
- Pre Retirement

Prudential

Our Regional Prudential Workplace Consultant has links to a number of the larger Fund employers and runs annual seminars which explains the LGPS and the importance of planning for retirement and the benefits of paying AVC's.

Annual Benefit Statements

In line with regulations the Fund issues Annual Benefit Statements to all active and deferred members. The statements for the 2015/2016 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

The RCT Fund website has been updated during the year with updates on the new Freedom and Choice legislation which came into affect on 1st April 2015.

The LGA regularly produces Factsheets covering different topics and these are available via the RCT Fund website.

Email continues to be a popular method of communicating with the department

This year Member Self Service (My Pension Online) has been launched for our pensioners and we plan to expand this facility to our deferred and active members. The facility gives the Fund the opportunity to send communications, such as newsletters and Annual Benefit Statements electronically.

The Fund has also introduced a electronic data transfer system with some employers this year which allows member data and pay information to be uploaded directly into our Pension software. Going forward we will investigate rolling this facility out to more employers.

LGPS 2014

The Local Government Pension Scheme Regulations 2013 were laid before Parliament on 19th September 2013 which outlined the structure of the LGPS from 1st 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 which has been set up and maintained by the Local Government Association as a central source of information. This central website includes calculators which members can use to calculate the cost and benefits of moving to the new 50/50 section and the cost of buying additional pension.

The Communication and Administration Teams continually review 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 30th September from the preceding year.

Pensions payable to other members who have reached the age of 55 also benefit from annual inflation proofing. Where a pensioner has an entitlement to a Guaranteed Minimum Pension (relating to membership up to 5th April 1997), some or all of the statutory inflation proofing may be provided by the Department of Work and Pensions.

As the Consumer Price Index at September 2015 was minus 0.1%, the 2015/2016 increase was 0%.

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 Statement of Investment Principles which shows, in detail how we manage the Fund's investments.
- The Funding Strategy Statement which provides a summary of how we will fund our pension liabilities and includes an overview of how any risks to the fund are identified, managed and reviewed.
- The 2013 Valuation Report which explains the assumptions, data and the results of the latest valuation exercise

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

Local Pension Board

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

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

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 Gwyn Williams, South Wales Police Authority

Member Representatives:

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

- Mr Rob Whiles, Pensioner
- Mrs Angela Pring, 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.
- 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

During this, our first year, the RCT Pension Board has met formally on 3 occasions as well as attending the Fund's AGM. The initial focus for the Board has been developmental, from attendance at relevant training / networking events, familiarisation with legislative and governance requirements, as well as establishing a forward work plan. Detailed discussions have also taken place at Board on matters within the Board's remit.

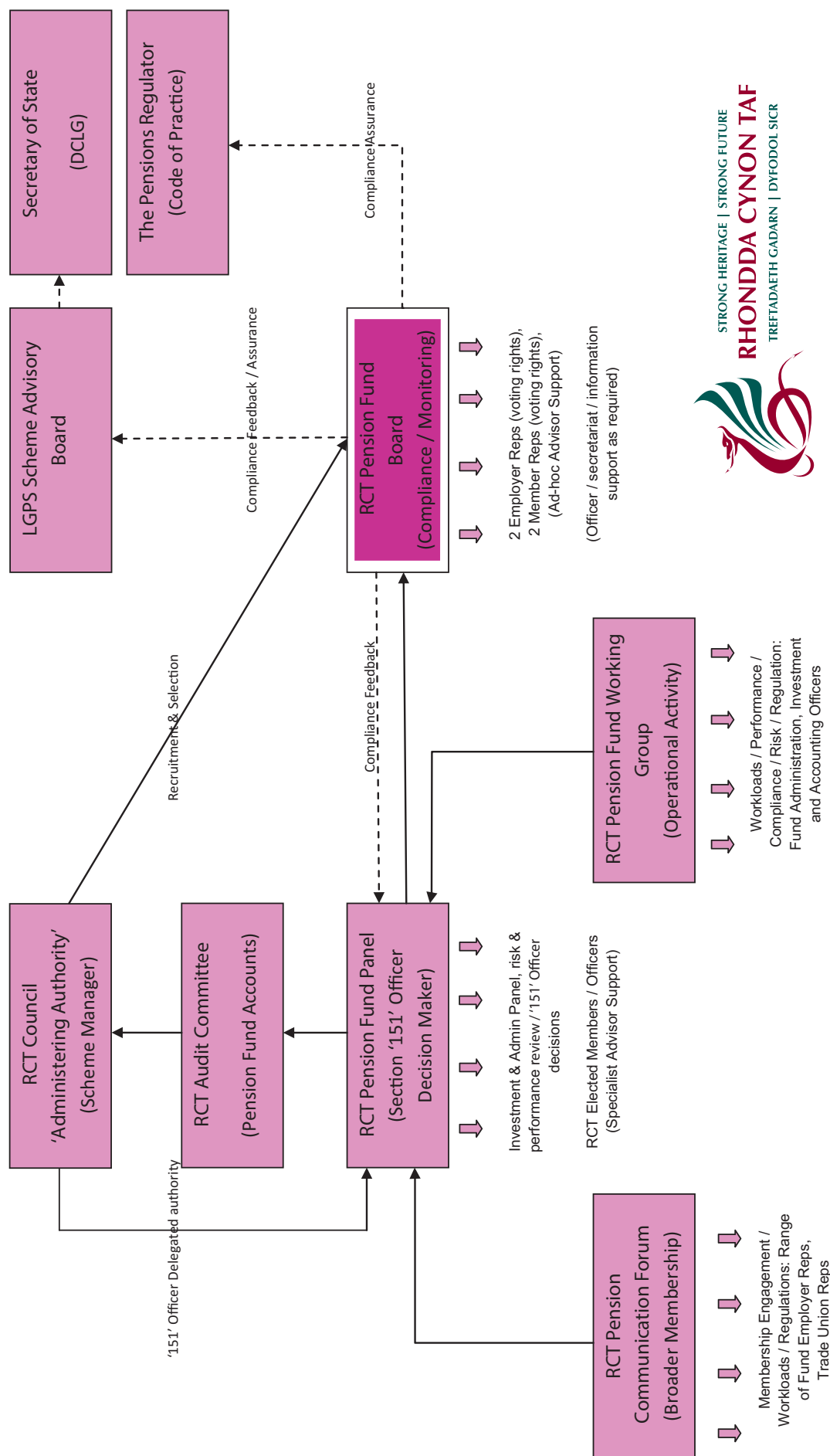
The Pension Board reviews a wide range of Fund activity with regular areas of discussion including such items as supporting risk monitoring arrangements, compliance with statutory legislation and the Pension Regulator 'Code of Practice' requirements.

The Board has worked closely with the Fund's Pensions Panel and look forward to establishing similar relations with the newly formed Pensions Committee over the coming years.

Board Meeting agenda and minutes are published on the RCT Pension Fund website.

Prof Hugh Coombs
Chairman, RCT Pension Board

Including the New Pension Board from 01st April 2015



Pension Panel Attendance 2015/2016

This table shows the attendance at meetings during the year

	Investment and Administration Panel (Total meetings held = 4)	Pension Fund Working Group (Total meetings held = 4)	Pension Fund Communications Forum (Total meetings held = 2)	Pension Fund Discretion Panel (Total meetings held = 0)
Cllr Forey	4	-	-	-
Cllr Cllr Hopkins	2	-	-	-
Chris Lee	4	-	-	-
Barrie Davies	4	4	2	-
Nick Jones	-	4	-	0
Ian Traylor	4	4	2	0
Stephanie Davies	4	4	-	0
Yvonne Keitch	4	4	2	-
Ryan Emmett*	4	4	-	-
Denise Stone	-	4	-	-
Catherine Black	-	4	2	-

*Ryan Emmett held the role of Senior Accountant: Pension Fund throughout 2015/16. The postholder has subsequently changed to Vanessa Thomas with effect from May 2016.



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.

The table below outlines the training received during the year

Audience	Area of Framework	Delivered by	Date
Pensions Communications Manager	Pensions Legislative and Governance Context Investment Performance and Risk Management Financial Markets and Products Knowledge Actuarial Methods, Standards and Practices	Local Govn Employers Meeting for local pension board member training	9th June 2015
Group Director, Corporate and Frontline Services and Head of Service Pensions, Payroll and Payments	Pensions Legislative and Governance Context Investment Performance and Risk Management Financial Markets and Products Knowledge Actuarial Methods, Standards and Practices	Annual Trustee Conference	25th and 26th June 2015
Members of Pension Fund Investment & Administration Panel	Investment Performance and Risk Management Financial Markets and Products Knowledge Pensions Legislative and Governance Context	Fund Managers	29th June 2015
Senior Accountant, Pension Fund & Treasury Management and Accountant	Financial Markets and Products Knowledge	Nordea Investment Management	13th July 2015
Group Director, Corporate and Frontline Services and Director of Financial Services, Head of Service Pensions, Payroll and Payments	Financial Markets and Products Knowledge Pensions Legislative and Governance Context	Welsh CIPFA Pensions Workshop	14th July 2015
Senior Accountant, Pension Fund & Treasury Management	Pensions Legislative and Governance Context Financial Markets and Products Knowledge Pensions Accounting and Auditing Standards	SWT – Pension Sub Group Practitioners Group meeting	31st July 2015
Senior Accountant, Pension Fund & Treasury Management	Financial Markets and Products Knowledge	Fidelity Investment Management	4th August 2015
Group Director, Corporate and Frontline Services and Director of Financial Services	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	LGC	10th and 11th September 2015

Audience	Area of Framework	Delivered by	Date
Head of Service Pensions, Payroll and Payments and Pensions, Pensions Administration Manager, Pensions Communications Manager	Pensions Legislative and Governance Context	Heywood Public Sector	16th September 2015
Pensions Administration Manager, Pensions Team Manager	Pensions Legislative and Governance Context	South Wales Pensions Officer Group	23rd September 2015
Members of Pension Fund Investment & Administration Panel	Investment Performance and Risk Management Financial Markets and Products Knowledge Pensions Legislative and Governance Context	Fund Managers	25th September 2015
Head of Education & Financial Reporting and Head of Service Pensions, Payroll and Payments	Pensions Legislative and Governance Context	Pensions Communications Manager at Pensions Board Meeting	5th November 2015
Senior Accountant, Pension Fund & Treasury Management and Accountant	Financial Markets and Products Knowledge	Partners Investment Managers	16th November 2015
Head of Service Pensions, Payroll and Payments and Pensions Administration Manager	Pensions Legislative and Governance Context	Pensions Managers Conference	17th and 18th November 2015
Members of Pension Fund Investment & Administration Panel	Financial Markets and Products Knowledge Actuarial Methods, Standards and Practices Pensions Legislative and Governance Context	Pension Fund AGM	23rd November 2015
Members of Pension Fund Investment & Administration Panel	Investment Performance and Risk Management Financial Markets and Products Knowledge Pensions Legislative and Governance Context	Fund Managers	30th November 2015
Pensions Administration Manager, Pensions Team Manager	Pensions Legislative and Governance Context	South Wales Pensions Officer Group	16th December 2015
Head of Service Pensions, Payroll and Payments	Pensions Legislative and Governance Context Actuarial Methods, Standards and Practices	Aon Hewitt	17th December 2015
Pensions Team Manager	Pensions Legislative and Governance Context	Local Government Employers Group	19th January 2016
Head of Education & Financial Reporting, Senior Accountant, Pension Fund & Treasury Management and Accountant	Pensions Legislative and Governance Context Financial Markets and Products Knowledge	Arlingclose Treasury Management Consultants	25th January 2016
Pensions Communications Manager	Pensions Legislative and Governance Context	All Wales Communications Group	26th January 2016
Pensions Communications Manager	Pensions Legislative and Governance Context	Prudential User Group	9th February 2016

Risk

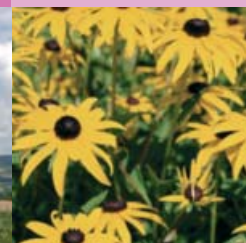
The primary objective of the Fund is to ensure that there are sufficient assets to match pension scheme liabilities, accrued in accordance with past and present LGPS scheme design. In evaluating the risks associated with this objective, the Fund through its governance arrangements and discussion with the appointed Actuary, produce a Statement of Investment Principles, 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 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.



BMO Global Asset Management (Formerly F & C Management)

BMO Global Asset Management is a major asset management company and a leading authority on responsible investments. Their relationship with the fund originally dates from 1994, and they currently manage a global bond mandate.



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.



Invesco Perpetual

Invesco Perpetual is an investment company based in Henley-on-Thames. They were appointed in 2010 to manage a UK equity mandate for the fund.



Legal & General Investment Management

Legal & General Investment Management is a major investment manager, and one of the largest index-tracking managers in the world. They were appointed by the fund to manage a global passive equity/bond mandate in 2010.



Newton Investment Management

Newton is a major investment house, best known for its distinctive thematic investment approach. They have managed a high-performance global equity mandate for the fund since 2008.



Partners

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



Wales Audit Office

The Wales Audit Office is independent of government and is responsible for the annual audit of some £20 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.



AVC Provider - Prudential

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



Bankers to the Fund - Barclays



Further information

More information about the Scheme can be found in the Members Guide available from any of the participating employers or from the Pensions Section.

Contributors' Contact Information

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

The Pensions Helpdesk

Tel: 01443 680611 Fax: 01443 680717 or write to:-Group Director Corporate Services, Pension Section,
Rhondda Cynon Taf County Borough Council, Bronwydd, Porth, CF39 9DL.
Email: pensions@rhondda-cynon-taff.gov.uk

Pensions Administration Policy

Mr Ian Traylor – Head of Service for Pensions, Payroll & Payments
Tel: 01443 680611
Email: ian.d.traylor@rhondda-cynon-taff.gov.uk

Fund Investments

Miss Yvonne Keitch - Principal Accountant, Treasury and Pension Fund Investments
Tel: 01443 680563
Email: yvonne.keitch@rhondda-cynon-taff.gov.uk

Pension Fund Accounts

Mrs Vanessa Thomas - Acting Senior Accountant, Pension Fund
Tel: 01443 680608
Email: vanessa.g.thomas@rhondda-cynon-taff.gov.uk

Pensions Presentations or Training Sessions

Mrs Catherine Black - Communications Manager
Tel: 01443 680646
Email: catherine.black@rhondda-cynon-taff.gov.uk