



RHONDDA CYNON TAF

PENSIONS

ANNUAL REPORT

WATCH YOUR MONEY GROW



2020

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■ Councillor Mark Norris
Chair of the RCT Pension Fund Committee



Chairman's Foreword



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

I would like to take the opportunity to thank all Elected Members who have served on the Committee during the year and express my gratitude to the Fund's Pension Board who continue to assist and support the Fund to effectively discharge its governance and compliance responsibilities. Last, but not least, I would also like to pass on my appreciation for all the hard work and flexibility of our pension staff during what has been an extremely difficult year. Their dedication and willingness to go above and beyond the norms has been exemplary and I wholeheartedly thank all of them.

Investment performance experienced a spike in volatility during 2019/20, specifically in the final quarter of the year as global markets reacted to COVID-19. This resulted in a decrease in the total value of the Fund over the year from £3.4bn to £3.3bn at the 31st March 2020. During the year the Fund continued to realign assets in accordance with its latest asset allocation strategy, rebalancing risk/return when the opportunity is appropriate.

The Wales Pension Partnership (WPP) collaboration continues to make good progress against key milestones. Progress continues to be made developing and embedding the oversight arrangements and on the development of key policies of the WPP. This includes a Responsible Investment Policy, stressing the importance of voting and governance and the subsequent appointment of Robeco UK who will be working with the WPP to ensure that voting rights are exercised in line with the best interests of all stakeholders and that WPP's engagement with investee companies enhances long term value. During the year a UK Opportunities Fund (equities) has been launched and five Fixed Interest Sub Funds have been developed which have already launched during 2020/21.

The number of pensioners and dependants in the Fund have further increased; there are over 20,000 members/dependants now benefiting from this much valued scheme, with a total of £131.5m of pension benefits paid out during the year.

I am pleased to report the Fund's continued support of the apprenticeship scheme, having secured two apprentice appointments during 2019, and a further to be appointed during 2020/21. The ongoing commitment to develop the Fund's Pension Administration Team and to invest in new technologies, has helped the Service maintain business continuity and key performance levels during this extremely challenging year.

The Fund has and will continue to participate and respond to consultations, helping to ensure this valued scheme remains affordable, attractive and maintained into the foreseeable future.

A handwritten signature in black ink, appearing to read 'Mark Norris'.



Introduction

I am pleased to provide an overview of the Fund's investment performance and key activities during 2019/20.

The Fund value fell over the course of the financial year from £3.4bn at 1st April 2019 to £3.3bn at the 31st March 2020 as a consequence of the impact of the pandemic on global markets during the first quarter of the calendar year. Markets and the Fund value have rebounded well, with the valuation at the end of September (2020) being £4.03bn.

Investment performance for the year was negative 2.8% which was ahead of the benchmark of negative 3.3%. The fund has outperformed the benchmark over the one, three, five and ten year periods to 31st March 2020. Despite this short-term market uncertainty and negative performance, over the longer-term 10 year horizon the RCT Fund has returned an annualized 8.4% per annum compared to a benchmark of 7.2% and ranks 5th in a comparative universe of 63 funds.

The Wales Pension Partnership (WPP) continues to evolve and by the end of the financial year had assets under management amounting to £7.9bn, which represents 47% of the aggregate Wales Investment assets. The launch of the Emerging Market Equity Sub-Fund and the five Fixed Interest Sub-Funds will see this rise to approximately 66% during 2020/21.

The Fund Triennial Valuation was successfully concluded during 2019/20, which set Employer contribution rates through to 2022/23. This provided a significant improvement in the overall funding level between valuation cycles with an increase from 81% to 98.4%. I am aware that many of our Employers continue to face financial pressures and I will ensure that our monitoring and dialogue with the Fund Actuary and yourselves is effective and appropriate over the forthcoming period.

The Government and the LGPS Scheme Advisory Board have paused their respective 'cost cap' processes for the scheme, due to a Court of Appeal case (McCloud). An estimate of the impact on Fund liabilities has been factored into the 2019 Valuation, and the proposed remedy, whilst yet to be confirmed, will result in significant work over a protracted period for the Fund's Administration Team.

Looking ahead....

Following the completion of the 2019 valuation exercise, a review of the Fund's 'asset allocation strategy' will be undertaken during 2020/21. The review will consider the suitability of the existing strategy, together with opportunities and the wider macro-economic and geopolitical risks. The phased exercise to realign to our desired asset allocation balance will continue.

The Pension Fund as a responsible investor, acknowledges that climate change and carbon emission management is one of the risk factors for our pension fund investments. The Fund is committed to an orderly carbon transition and have already agreed to move the Fund's passive investments into a low carbon tracker fund, are considering options for reducing carbon exposure across the WPP global equity sub-funds and developing options for an ESG Friendly Infrastructure Sub-Fund. This is in addition to our membership of the LAPFF, all our Fund Managers being signatories to the United Nations Principles of Responsible Investing and the developing role of Robeco UK as the WPP voting and engagement agent.

The complexity in the administration of the Local Government Pension Scheme (LGPS) continues to grow, from implementing the impact of the McCloud remedies within the scheme, to the recent scheme consultation proposals which whilst intended to address the new 'Restriction of Public Sector Exit Payments Regulations 2020' (£95k cap), do propose to go much further and have far wider impacts across the LGPS membership.

Finally, I do have to refer to this year's unprecedented operational challenges which we have all faced. Throughout the period the governance of the Fund has been appropriately maintained, engagement has continued with scheme members and employers and the Funds Committee and Board have continued to effectively discharge their responsibilities. The move to remote working was effectively put in place for the Pension Administration and Investment Teams and operational continuity was ensured with minimal disruption to key scheme member activities. We continue to monitor these arrangements in light of national restrictions, continue to develop and implement technical solutions and most importantly ensure that scheme members and employers are supported.

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

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

A handwritten signature in black ink, appearing to read 'B. Davies'.

Barrie Davies, C.P.F.A., Director of Finance and Digital Services (Section '151' Officer)

Summary

Participating Employers

Administering Authority

Rhondda Cynon Taf County Borough Council

Admitted Bodies

Agored Cymru

Awen Cultural Trust

Capita Glamorgan Consultancy

Careers Wales Association

Careers Wales - Mid Glamorgan and Powys Limited

Compass Cymoedd Contract Services (Abercerdin) Ltd

Compass Cymoedd Contract Services (Cymoedd) Ltd

DBW FM Ltd (Formerly Finance Wales Investment Ltd)

Development Bank of Wales Plc
(Formerly Finance Wales Plc)

Drive Ltd

Halo Leisure

Local Government Data Unit

Merthyr Tydfil Institute for the Blind

Merthyr Tydfil Leisure Trust

Merthyr Valley Homes

Social Care Wales (Formerly Care Council for Wales)

Trivallis

Valleys to Coast Housing

Welsh Government
(former Welsh Development Agency)

Welsh Joint Education Committee (WJEC)

Scheduled & Designated Bodies

Amgen Cymru

Bedlinog Community Council

Brackla Community Council

Bridgend College

Bridgend County Borough Council

Bridgend Town Council
(no active members at present)

Central South Consortium

Chief Constable South Wales

Coleg Y Cymoedd

Coity Higher Community Council

Coychurch Crematorium Joint Committee

Garw Valley Community Council

Gelligaer Community Council

Hirwaun & Penderyn Community Council

Laleston Community Council

Llanbradach Community Council
(no active members at present)

Llanharan Community Council

Llanharry Community Council
(no active members at present)

Llantrisant Community Council

Llantwit Fardre Community Council

Llwydcoed Crematorium Joint Committee

Maesteg Town Council

Merthyr Tydfil College

Merthyr Tydfil County Borough Council

Police and Crime Commissioner for South Wales

Pontyclun Community Council

Pontypridd Town Council

Royal Welsh College of Music & Drama

South Wales Fire Authority

South Wales Valuation Tribunal

St Brides Minor Community Council

Tonyrefail Community Council

University of South Wales

Ynysawdre Community Council

Definition of Bodies

Scheduled Bodies

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

Designated Bodies

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

Admitted Bodies

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

Contributors page (Who's Who)

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

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



Principal Accountant, Treasury 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.



Accountant, Treasury and Pension Fund - Vanessa Thomas

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



Senior Team Manager - 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 Fund Committee Members

Chairman Pension Fund Committee - Councillor Mark Norris

Councillor Norris is the Cabinet Member for Corporate Services and Elected Member representing the ward of Cwm Clydach. Councillor Norris has been Chairman of the Pension Fund Committee since its inaugural meeting on 5th July 2016.



Pension Committee Member - Councillor Gareth Caple

Councillor Caple is Vice Chair of the Planning & Development Committee, and a member of Democratic Services, Finance & Performance Scrutiny Committee, Overview & Scrutiny Committee, Audit Committee, Cwm Taf Community Health Council (Outside Body), Cwm Taf Public Service Board Joint Overview & Scrutiny Committee and a Local Member for Cymmer. Councillor Caple has been a member of the Pension Fund Committee since May 2017.



Pension Committee Member - Councillor Emyr Webster

Councillor Webster is a member of the Audit Committee and Standards Committee and is the Local Member representing the ward of Treorchy. Councillor Webster has been a member of the Pension Fund Committee since its inaugural meeting on 5th July 2016.



Pension Committee Member - Councillor Lewis Hooper

Councillor Lewis Hooper is a member of the Licensing Committee, is a Local Member representing the ward of Tonteg and has been a member of the Pension Fund Committee since January 2018.



Pension Committee Member - Councillor Margaret Griffiths

County Borough Councillor M Griffiths is a member of the Overview & Scrutiny Committee, Children & Young People Scrutiny Committee, Corporate Governance & Constitution Committee, Capita Joint Committee and is a Board Member for Trivallis. Councillor Griffiths has been the local Member for Pontyclun since 2012. Councillor Griffiths has been a member of the Pension Fund Committee since 2019 and is now Vice Chair to the Committee.



Pension Advisory Panel Members

Director of Finance and Digital Services & Section 151 Officer - Barrie Davies C.P.F.A

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



Service Director Finance & Deputy Section 151 Officer - Paul Griffiths C.P.F.A

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



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

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



Principal Accountant, Treasury 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 Investment and Administration Advisory Panel during 2014.



Accountant, Treasury and Pension Fund - Vanessa Thomas

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

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



Carolan Dobson

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



David Cullinan

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



Pension Board Members

Employer Representative

Professor Hugh Coombs (Chair)
University of South Wales



Employer Representative

Mr David Francis
Coleg Y Cymoedd



Member Representative

Mr Rob Whiles
Pensioner of the RCT
Pension Fund



Member Representative

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



■ Ian Traylor

Service Director, Pensions, Procurement and Transactional Services



Administration Report



Introduction

2019/20 has certainly been a challenging year for the Service and in particular responding to events since March 2020. The Pension Team have responded well, quickly adjusting to home working and implementing other necessary business continuity measures. All staff currently continue to work remotely and longer-term processes and technical solutions are being considered. For example, all scheme membership outbound mail is now processed through an automated hybrid print and dispatch solution.

The Scheme Advisory Board and Local Government Association continue to support Pension Fund Administrators and Employers throughout the pandemic. The Fund has participated in a number of impact surveys and data requests around service resilience, governance arrangements and key statistics to help inform decisions and support activity during the pandemic. <https://www.lgpsregs.org/news/covid-19-news-2020.php>

Progress against the Fund's Data Improvement Plan has resulted in a further improvement in membership data scores provided to the Pensions Regulator in the Annual Scheme Return. We will continue to work with the Fund Actuary and Employers on an annual basis to continually improve our data sets.

One such improvement is finalising the rollout of 'i-connect' monthly data submissions. The majority of Fund Employers are now live on the system, the Fund will work with the small number of implementations outstanding.

The Fund's "My Pension Online" member self-service solution is a key secure digital platform accessible directly by the membership. During the year, the system was enhanced to include the online payslip facility for our Pensioner members.

To ensure the Service is adequately resourced to meet the expectations of our key stakeholders, we continue to support, invest and develop the Pension Team, through technical training and further recruitment through the apprenticeship programme. The team have continued to access skills and knowledge resources throughout the pandemic via relevant webinar events.

Actuarial Valuation

The Triennial Valuation was concluded by March 2020, with all new contribution rates for the next 3 years issued to all Fund Employers in accordance with agreed timescales.

The growth in the fund value since the last valuation cycle significantly improved the overall funding position of the RCT Pension Fund at 98.4%. As the Fund continues to mature and move closer to its 100% funding target, the cashflow position will continue to be monitored closely.

Consideration and appropriate provision was made in respect of the implications on public sector scheme liabilities as a result of the McCloud legal case.

The Government Actuary Department (GAD) continue to request annual valuation data from the Fund as part of refreshing the 'Cost Management' process.

Governance

During 2019, the Pensions Regulator published its survey findings on governance and administration of public sector pension schemes. The Fund has reviewed its own compliance against relevant recommendations of good practice in order to enhance the activities already in place at the Fund.

Since the publication of the Scheme Advisory Board (SAB) 'Good Governance' report in July 2019, a number of workstreams have been progressed. Phase II of the Good Governance report makes recommendations for new standards of governance and administration and proposes how they can be measured and assessed independently. The recommendations cover the areas below:

- general governance
- conflicts of interest
- representation
- skills and training
- service delivery for the LGPS function
- compliance and improvement.

At their November meeting the SAB agreed that phase III of the project, including draft statutory guidance on governance compliance statements and developing a set of key performance indicators.

The Fund's governance forums have continued to operate effectively during the pandemic. Officers work closely with the RCT Pension Board to jointly consider any new and existing items of risk and compliance. Meetings of the Chairs of Welsh Pension Boards are facilitated, which include an update from the 'host' authority in respect of the Wales Pension Partnership (WPP) activity

Regulatory

McCloud

On 15 July 2019, the Chief Secretary to the Treasury announced in a written statement that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes.

In response, the Ministry of Housing, Communities & Local Government (MHCLG) published a consultation on amendments to the statutory underpin. The consultation sought views on proposed changes to the LGPS in England and Wales to remove the unlawful age discrimination identified in the McCloud judgment. In July 2020 MHCLG published a consultation on amendments to the statutory underpin.

The Fund amended its annual benefit statements in relation to McCloud, in line with wording agreed nationally by MHCLG and HM Treasury to help provide a consistent message to LGPS members.

Valuation Cycle and Management of Employer Risk

In May 2019, Government consulted on 'Changes to the Local Valuation Cycle and the Management of Employer Risk'. The proposals consider amending the local valuation cycle to 4 yearly, which would align the local and scheme valuations. The second part of the consultation deals with the issues encountered by some Employers around the crystallisation of exit payments and proposes some flexibility subject to appropriate risk assurances.

Further partial consultation was issued during 2020, and the resulting Regulation amendments were laid on 27th August 2020. These changes provide greater flexibility on employer exit payments and the ability to review employer contributions between valuations. Guidance is currently being developed by SAB/LGA to support Funds around these new flexibilities.

Exit Payment Reform 95k CAP

Last years update referenced HM Treasury's (HMT) launch of a consultation 'Restricting exit payments in the public sector', which closed in July 2019. On 21 July 2020, HMT published the Government response to the consultation, which was quickly followed (on 22 July 2020) by the publication of draft regulations for capping public sector exit payments.

The Public Sector Exit Payments Regulations 2020 were signed on the on 14th October 2020 and subsequently came into force on 4th November 2020.

As the current LGPS Regulations are not aligned with the above changes, on 7th September 2020, MHCLG launched a consultation with a number of proposed changes to the scheme. The proposals appeared to extend far wider than anticipated, potentially impacting on a far greater cohort of membership. The Fund participated in the consultation which closed on 9th November 2020.

As there is a conflict between the two sets of Regulation, guidance has been provided to assist the Pension Team and Employers deal with 'Exits' during this interim period.

HMRC Pension Tax Changes

Lifetime Allowance

The Lifetime Allowance (LTA) is the maximum amount of pension savings that you can build up over your lifetime that benefit from UK tax relief. The Finance Act 2016 reduced the level of the standard LTA. The lifetime allowance for the 2019/20 tax year was £1.055m and is £1.073m for the 2020/21 tax year.

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

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

Annual Allowance

Since the reduction in Annual Allowance to £40,000 (unchanged for 2020/21), the Fund is experiencing more instances of members exceeding this allowance and incurring a tax charge. This results in a tax payable by members through their individual self-assessment process or there may be opportunity to arrange a 'scheme pays' option with the RCT Fund.

Annual allowance taper provisions will change from 6 April 2020. From that date, a member's pension growth will be measured against a tapered annual allowance if their Threshold income is more than £200,000 and their Adjusted income is more than £240,000.

The minimum tapered annual allowance will reduce from £10,000 to £4,000. This means that a member with Adjusted income of £312,000 or more will have their pension growth measured against the new minimum annual allowance of £4,000.

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

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

Freedom of Choice/Transfer Scams

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

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

The Fund is required to undertake due diligence safeguarding checks, however, this has caused friction between the Fund, and the scheme members (and their advisors) around potential delays that may arise around the transfer process.

The Pensions Regulator (TPR), working with the Financial Conduct Authority (FCA) and the Pensions Advisory Service, produced a letter template to issue to members requesting a Pension Transfer quotation. In support of the Regulator, the Fund has been actively monitoring the number of requests coming through.

The Pensions Regulator (TPR) published guidance on communicating to members during COVID-19. The guidance emphasises the importance of supporting members to make an informed decision when they are considering a pension transfer.

Prevention and Detection of Fraud

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

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

Forward Look

Due to the retrospective nature of the proposed remedies in respect of McCloud, the corrections have significant implication on resources for the Pensions Team, the Fund Employers and the Pension Software provider. It is now necessary to capture relevant historic membership service data in order to calculate comparative benefits for those members identified in scope.

The Fund will monitor the ever-changing legislative landscape in relation to the Scheme and continue to provide updates and guidance accordingly.

Performance Information

The results of key performance indicators identified and agreed by the Pension Panel for the period up to 31st March 2020 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.

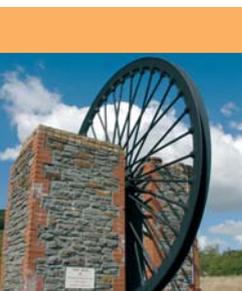
Providing this complex information in a timely and accurate manner has proved challenging but the demand has been met without a reduction in our published performance standards or to the detriment of other priority work.

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

Disputes

In line with legislation the Pension Fund has an Internal Disputes Resolution Procedure (IDRP) which deals with formal complaints against the Scheme. During 2019/20 one complaint was received under the procedure, which was not upheld.

Procedure Description	Performance Target	Intervention Target	Actual Performance	Number of cases Processed
Divorce Estimate (calculation for members)	10 days	95%	100%	242
Preserved Benefit (notification to leavers)	10 days	90%	98.97%	2140
Refund of Contributions (payment back to scheme members)	10 days	95%	97.43%	306
Employer Request for Retirement Estimate	5 days	95%	97.77%	314
Retirement Payment (from active membership)	5 days	95%	98.08%	520
Preserved Benefit into Payment on Retirement	5 days	95%	97.18%	850
Transfer In (calculation from previous pension scheme including late transfer applications)	10 days	90%	90.37%	301
Transfer Out (payment to receiving pension scheme)	10 days	95%	95.35%	215



Membership of the Fund

Number of Employers

	Active	Ceased	Total
Scheduled Body	32	23	55
Admitted Body	21	10	31
Total	53	33	86

Fund membership at 31st March is as follows:-

Number of Contributing Members

Years	2016	2017	2018	2019	2020
Numbers	25501	23918	24109	23329	23696

Number of Deferred Beneficiaries

Years	2016	2017	2018	2019	2020
Numbers	22358	24641	25956	27104	28108

Number of Pensioners and Dependants

Years	2016	2017	2018	2019	2020
Numbers	18470	18955	19262	19704	20238

Number of Undecided Withdrawals

Years	2016	2017	2018	2019	2020
Numbers	2400	2506	2667	2999	3113

Membership Trends

	2015/16	2016/17	2017/18	2018/19	2019/20	% Increase/ Decrease from 18/19
Active Employers	46	49	49	50	51	+2%
Contributors	25501	23918	24109	23329	23696	+1.57%
Pensioners	15830	16315	16609	17025	17512	+2.86%
Dependants	2640	2640	2653	2679	2726	+1.75%
Deferred Beneficiaries	22358	24641	25956	27104	28108	+3.70%

Fund Costs per Member

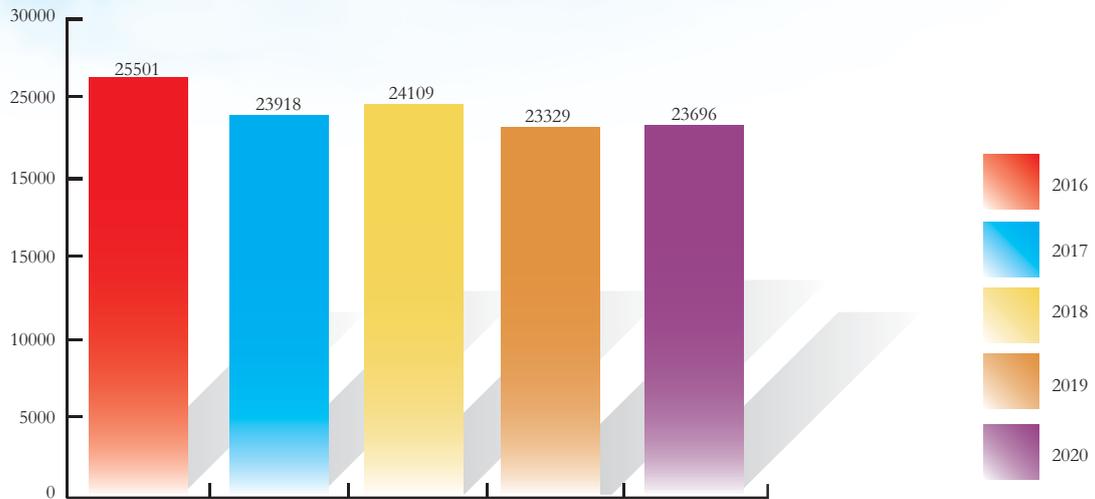
	Cost per member (£)	Cost per member (£)
	2018/2019	2019/2020
Administration Costs	25.15	24.55
Investment Management Expenses	122.69	146.38
Oversight and Governance Costs	3.11	3.66
TOTAL	150.95	174.59

The Pension Fund currently employs 24.5 full time equivalent staff in administration and 2 in Pension Fund Investments and Accounts.

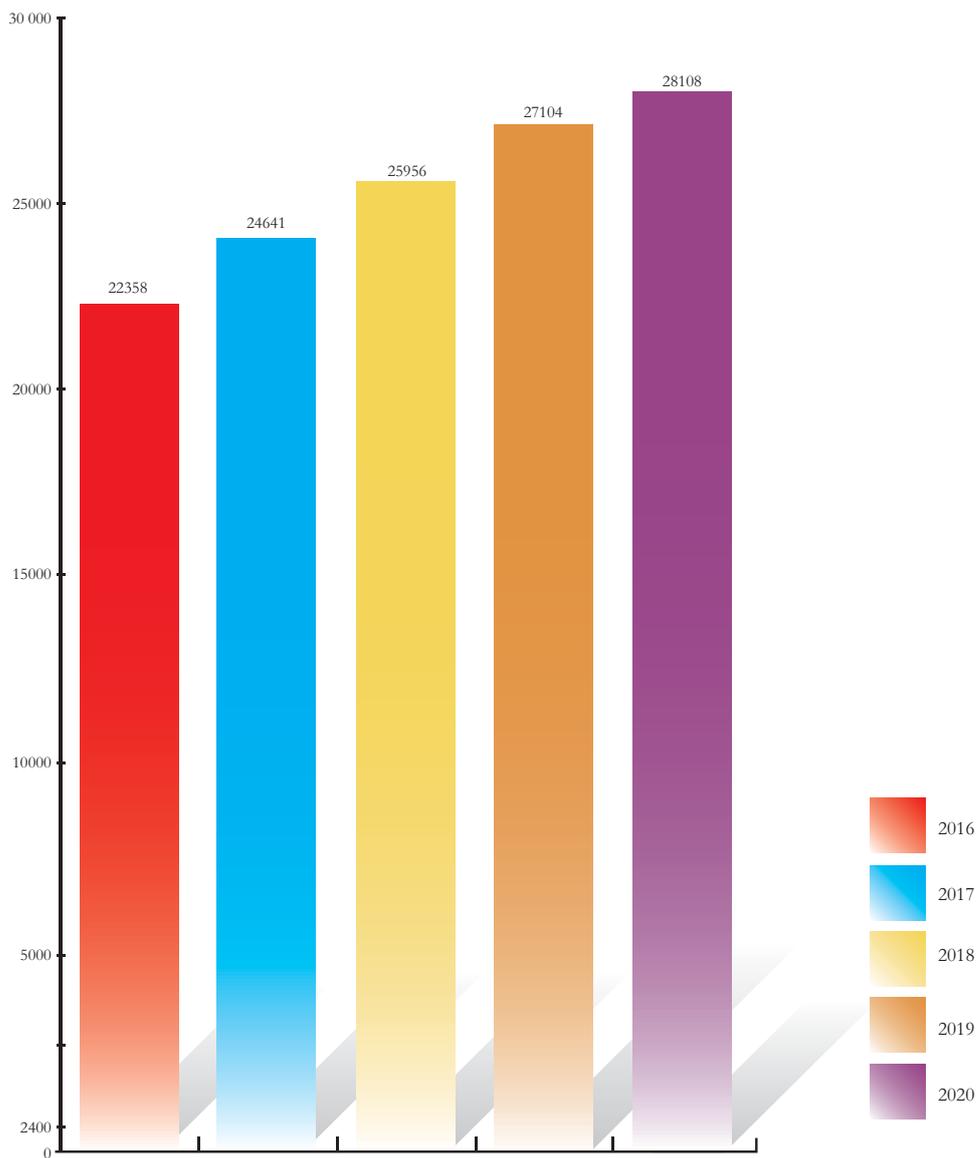
Membership and Analysis of The Fund

Fund membership at 31st March is as follows: -

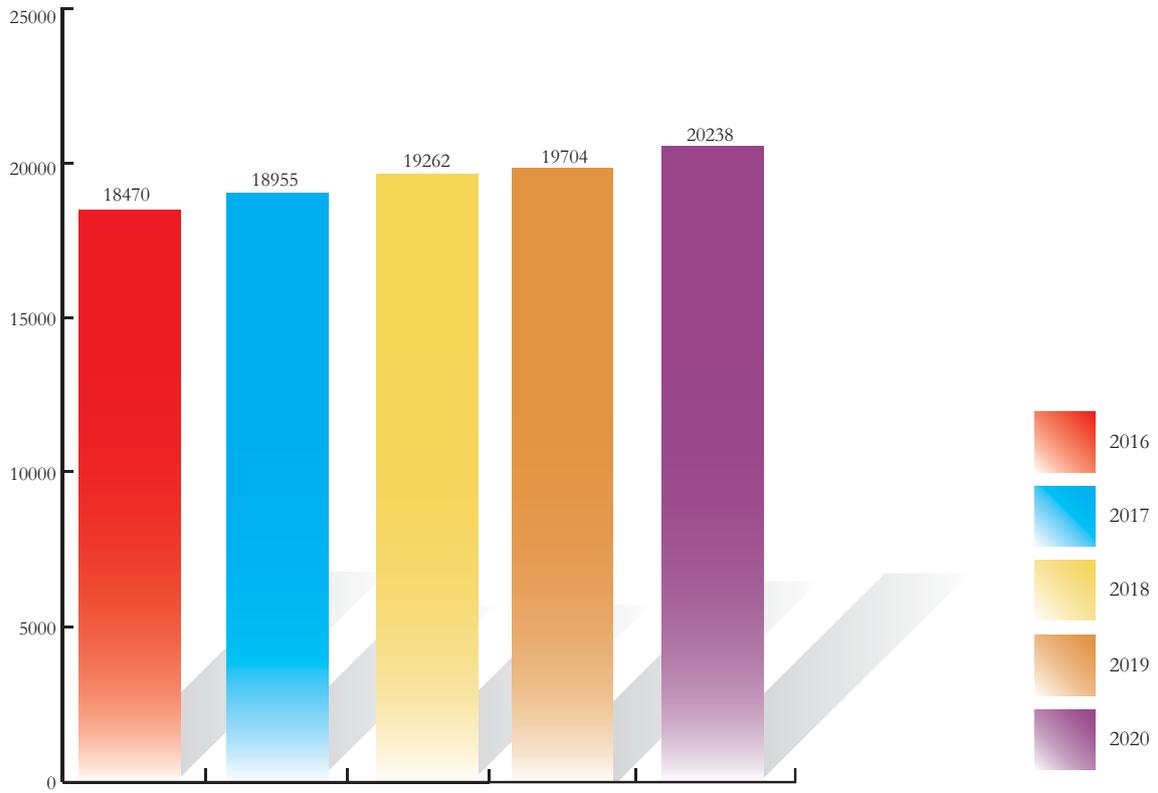
Number of Contributing Members



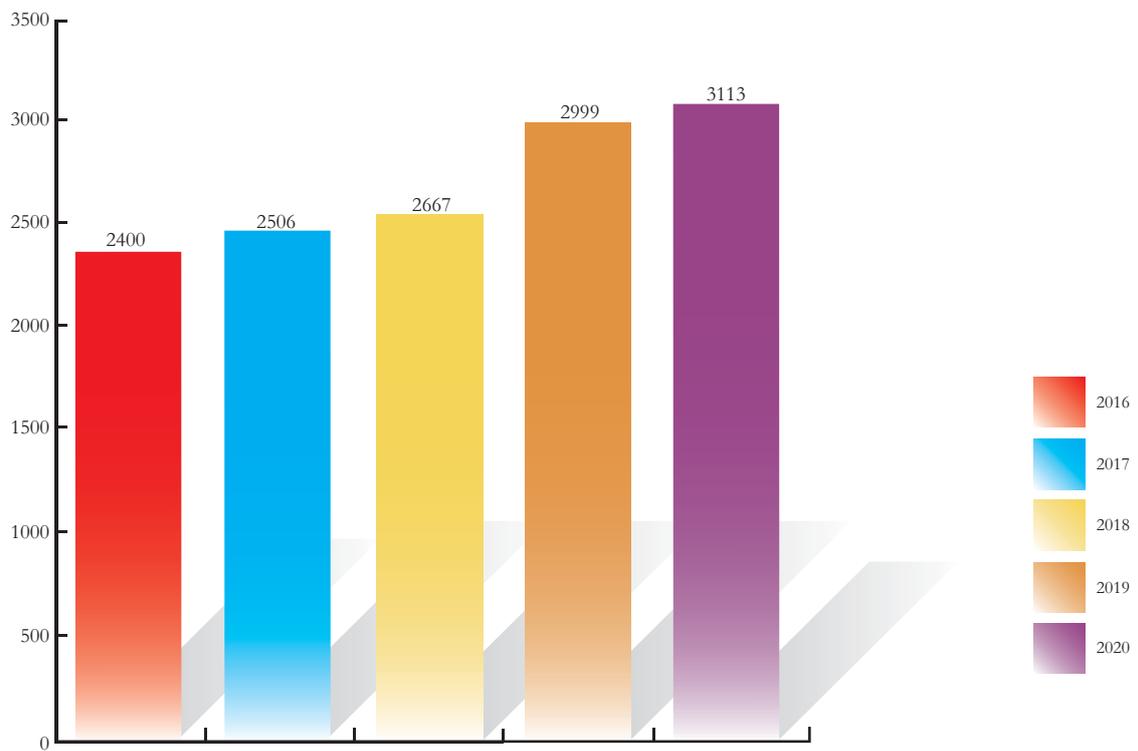
Number of Deferred Beneficiaries



Number of Pensioners and Dependents



Number of Undecided Withdrawals



Membership Analysis

Leavers from active status

	2018	2019	2020
Refund of Contributions	265	116	81
Transfers to other Schemes	7	4	4
Death in Service	19	18	35
Ill Health Retirements	44	30	24
Early / Normal Retirements	134	157	176
Redundancy / Efficiency Retirements	124	193	125
Flexible Retirements	19	18	20
Late Retirement	54	64	56
Opt Outs	276	224	428
Preserved Benefits	2036	2017	1545
Other Leavers	160	272	522
Total	3138	3113	3016



Deferred Benefits – Exits

	2018	2019	2020
Transfer to other Schemes	163	144	198
Deaths	20	32	42
Ill Health Retirements	6	8	4
Early / Normal Retirements	320	484	431
Other Benefits	12	2	4
Number of Deferred Members Re-entering the Scheme	6	10	3
Total	527	680	682

■ 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 £3,456.6 million. By the 31st March 2020 the Fund had decreased in value to £3,350.2 million.

Rhondda Cynon Taf Pension Fund produced a return of -2.8% in 2019/20, ranking in the 23rd percentile. The Fund benefitted from strong equity performance by the global equity portfolio managed by Baillie Gifford. RCT Pension Fund was well ahead of benchmark over 3, 5, and 10 years, ranking in 2nd percentile over 3 years, 5th percentile over 5 years, and 5th percentile over 10 years.

Investment Management

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

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

The Pension Fund Investment and Administration Advisory Panel, is chaired by the Director of Finance and Digital Services, and consists of two independent investment advisors and other Senior Finance Officers.

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

There are currently six separate investment mandates.

Baillie Gifford Traditional Equities, Global Growth High Alpha Equities (WPP), Global Opportunities High Alpha Equities (WPP), BMO GAM Bonds, CBRE Property and BlackRock Passive Equities.

Investment Performance

The table below shows performance, at an asset class level, over historical periods measured to 31st March 2020.

	1 Year		3 Years		5 Years	
	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund
	%	%	%	%	%	%
Equities	-9.0	-6.5	0.7	3.6	5.4	7.6
Bonds	5.8	5.2	3.4	3.5	4.0	3.9
Property	6.0	3.0	6.6	6.9	6.7	7.6
Cash	0.5	1.2	0.4	0.7	0.4	0.5
Total Assets	-3.3	-2.8	2.3	4.1	5.4	6.8

Fund Manager Performance

The table below shows the relative performance of each manager against their respective benchmarks over historical periods measured to 31st March 2020.

Mandate	Fund Manager	1 Year		3 Years		5 Years	
		Benchmark	Fund	Benchmark	Fund	Benchmark	Fund
Bonds	BMOGAM	5.8	5.2	3.4	3.5	4.0	3.9
Equities (Traditional)	Baillie Gifford	-11.7	-6.2	-0.9	4.7	4.0	8.4
Equities (High Alpha)	WPP Global Growth	-6.7	-7.3	-	-	-	-
Equities (High Alpha)	WPP Global Opportunities	-6.7	-4.7	-	-	-	-
Equities (Passive)	BlackRock	-6.2	-6.1	2.2	2.4	-	-
Property	CBRE	3.00	6.0	6.6	6.9	6.7	7.6

BlackRock was appointed passive equity manager during November 2016.

The high alpha mandates of Newton and Baillie Gifford were terminated in January 2019. Assets were transitioned into the Wales Pension Partnership.

Following an asset liability review, the UK equity mandates were terminated in August 2018, to increase the Fund's allocation in bonds and property.



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	
	31/03/19 £'000	31/03/20 £'000	31/03/19 %	31/03/20 %
Baillie Gifford (Global Equities)	799,135	728,101	23.2	21.7
BlackRock (Passive Equities)	153,809	144,528	4.4	4.3
BMOGAM (Bonds)	857,306	903,811	24.8	27.0
CBRE (Property)	263,792	290,497	7.6	8.7
Link (Global Growth)	1,091,893	1,011,978	31.6	30.2
Link (Global Opportunities)	271,852	258,922	7.9	7.7
Internally Managed	18,857	12,387	0.5	0.4
Total	3,456,644	3,350,224	100	100

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

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

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

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

Profits and Losses on Investments

For the year ending 31st March 2020, the Fund obtained a return of -2.8% against a PIRC (Provider of Pension Fund Performance Analytic Service) local authority average return of -4.1%, which ranked in 23rd place. The fund's three year return was 4.1% against a PIRC average of 1.7%, ranking in the 2nd percentile of Funds measured.

	2018/19 £'000	2019/20 £'000
Profits on sales	657,501	102,515
Losses on sales	(51,788)	(41,542)
Net profit / (loss) on sales	605,713	60,973
Change in market value	(401,019)	(201,697)
Net increase/ (decrease) in value	204,694	(140,724)

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

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

Fund Manager and Advisor Fees

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

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

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

Analysis of Investments at Fair Value

	2018/19		2019/20	
	£'000	£'000	£'000	£'000
Equities				
UK	279,594		169,833	
Overseas	396,482		459,604	
		676,076		629,437
Bonds				
UK	767,811		800,807	
Overseas	76,117		95,622	
		843,928		896,429
Pooled funds				
UK	19,189		17,192	
WPP global Equities	1,363,745		1,270,900	
Overseas - other	253,893		219,991	
		1,636,827		1,508,083
Pooled funds property				
UK - other	260,292		287,562	
Overseas - other	559		135	
		260,851		287,697
Total long-term investments		3,417,682		3,321,646

The Fund has not participated in any stock lending arrangements during the year but did agree to do so in the future for investments in the WPP.

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.

The Pension Fund holds derivative contracts which are valued as a liability in the Net Asset Statement as at 31st March 2020.

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".

Quoted equities and cash are classed as fair value hierarchy level 1. Bonds, pooled property, pooled investments within the WPP and derivative contracts are classified as fair value hierarchy level 2.

Geographical Spread of the Fund

The Fund Managers invest in shares in a number of countries. The table below shows the value of stocks and shares held by the Fund Managers as at 31st March 2020:

Area	£'000	%
UK Equities	269,841	8.1%
European Equities	175,921	5.2%
US and Canada Equities	243,740	7.3%
Japanese Equities	56,221	1.7%
Pacific Equities	30,153	0.9%
Other International Equities	90,744	2.7%
Global Pooled Equities	1,270,900	37.9%
Bonds	896,429	26.7%
Property	287,697	8.6%
Cash & Equivalents	28,578	0.9%
Total	3,350,224	100%

The cash balance shown does not reflect uncleared funds.

Analysis of Investment Income accrued during 2019/20

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	11,770	0	4,293	16,063
Bonds	21,866	1,939	0	23,805
Property (Direct Holdings)				0
Alternatives (Property Indirect)	11,734	0	0	11,734
Cash and Cash Alternatives	45			45
Other				0
Total	45,415	1,939	4,293	51,647

Analysis of Fund Assets as at 31st March 2020

	UK £m	Non-UK £m	Global £m	Total £m
Equities			2,137.520	2,137.520
Bonds	800.807	95.622		896.429
Property (Direct Holdings)				0.000
Alternatives	287.562	0.135		287.697
Cash and Cash Alternatives	12.357		16.191	28.548
Other				0.000
Total	1,100.726	95.757	2,153.711	3,350.194

Largest Share Holding

The ten largest holdings for the equity fund manager Baillie Gifford as at 31st March 2020 are:

Baillie Gifford's Ten Largest holdings

Share	£'000
Diageo	10,346
Unilever	8,997
Rio Tinto	8,906
Prudential	8,868
BHP Group plc	8,532
Standard Chartered	8,196
HSBC	7,770
Royal Dutch Shell B Shares	7,440
Just Group	7,357
Inchcape	6,799

Investment Strategy Statement

1. Overall Responsibility

Rhondda Cynon Taf County Borough Council is the designated statutory body responsible for administering the Rhondda Cynon Taf Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. The Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The Council has created a politically balanced Pension Fund Committee consisting of elected members to oversee the Council's responsibility with regard to the administration of the Pension Fund. This Committee is responsible for the strategic management of the Pension Fund.

The Council has appointed the Director of Finance and Digital Services as the officer with Section 151 responsibilities to exercise delegated powers to make decisions in respect of operational matters of the Pension Fund investments and administration. An Investment and Administration Advisory Panel has been formed to support him in this capacity. This is made up of:

- Service Director – Finance and Improvement Services
- Service Director – Pensions, Procurement and Transactional Services
- Head of Finance (Education and Financial Reporting)
- Principal Accountant, Treasury and Pension Fund Investments
- Senior Accountant, Treasury and Pension Fund Investments

Two Independent Investment Advisers are standing attendees and they help guide and shape discussions, comment on key developments and provide information on market developments.

The Council will employ an investment consultant to provide regulated investment advice where required.

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

In accordance with the requirements of the Public Service Pensions Act 2013, a Pension Board has been established in order to assist Rhondda Cynon Taf County Borough Council, as "Scheme Manager" with achieving effective and efficient governance and administration of the Rhondda Cynon Taf Pension Fund.

The role of the Pension Board as defined by sections 5(1) and 5(2) of the Public Service Pensions Act 2013, is to assist Rhondda Cynon Taf County Borough Council Administering Authority as Scheme Manager to:

- Secure compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;

- Secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Ensure the effective and efficient governance and administration of the LGPS by the Scheme Manager.

The Pension Board will provide oversight of the above matters and accordingly it is not a decision making body in relation to the management of the Fund itself.

Full details of governance arrangements can be found on the following link:
www.rctpensions.org.uk/En/GovernanceandInvestments/GovernanceDocuments.aspx

2. Primary Objective

The Fund's objective is to provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined basis in accordance with LGPS regulations.

3. Funding Objectives

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

The Funding Strategy Statement and the Investment Strategy Statement are intrinsically linked and together aim to deliver stable contribution rates for employers.

The investment objective is to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, minimising long term cost.

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

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

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

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

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

The Fund is diversified into the following asset classes:

- Equities
- Bonds
- Property
- Cash

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

- Reduce risk
- Maintain (as far possible) return expectations
- Minimise long term costs
- Increase diversification
- Optimise the transitioning of assets into the Pool
- Introduce Infrastructure (align to Pool aspiration) thus ensuring the Pension Fund is being invested in the most efficient way.

Aon Hewitt, an Investment Consultant was appointed to give regulated advice on the risk/return of the Pensions Fund's current investment strategy. Following on from this they were requested to comment and recommend alternatives that could deliver the Fund's long term objectives.

Using a computerised model approach, simulations were undertaken for different portfolio asset strategies. The model estimated the probability of achieving a variety of funding outcomes over different time periods given the current asset allocation strategy. The majority allocation to equities in the portfolio gave a potentially high return, but was also the most significant contributor to overall risk.

Alternative asset allocation strategies were reviewed as a potential means of increasing diversification and reducing risk. Options were reviewed by the Panel, Committee and Board. It was noted that the Rhondda Cynon Taf Pension Fund was not particularly high risk compared to other LGPS funds and that some of the potential alternatives resulted in entering into asset classes that were expensive and difficult markets to enter.

The Committee concluded that the Fund should move toward the following asset allocation strategy with steps set out to achieve the desired allocation.

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

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

Following the above, the target and maximum percentages of total value of all investments that we will invest in particular investments or asset classes in normal circumstances was as follows:

Asset Class	Target % of Fund	Max. % of Fund
Equities	58%	75%
Fixed Interest (Bonds)	15%	35%
Absolute Return Bonds	10%	15%
Property	10%	15%
Infrastructure	5%	10%
Cash	2%	5%

The above target forms the basis of a customised benchmark which the Fund's performance is monitored against. The customised benchmark moves in line with market volatility. The asset allocation of the portfolio is not rebalanced on a routine basis but is reviewed annually to ensure the target return is not adversely impacted.

We may not permit more than 5% of the total value of all investments of fund money in entities that are connected with the Authority in line with Section 212 of the LG and Public Involvement in Health Act 2007.

In assessing the diversification policy, the Fund will consult with Independent Advisors.

5. Asset Allocation Policy : Assessment of the suitability of particular investments and types of investments

Investments are selected with their suitability to meet the Fund's overall objective of meeting pension obligations as they fall due. The level of return required is informed by the triennial actuarial valuation.

In the long term, low volatility assets such as gilt-edged investments behave in a similar manner to pension liabilities and would therefore "match" the attributes of pension obligations. However the requirement to achieve a longer term higher rate of return is, on average, achieved by other classes of assets such as stocks or property.

The current portfolio has been constructed with actuarial and independent consultant advice to achieve a specified level of return within risk parameters.

A management agreement is in place for each Investment Manager which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions as determined by the Pension Fund Committee.

The following demonstrates the allocation of the Fund as at March 2019 :-

	% of Fund Invested
UK Equities	9%
Overseas Equities	
US	8%
Continental Europe	5%
Other Int'l Equities	5%
Pooled Global Equities	40%
Total Bonds	24%
Property	8%
Cash & Deposits	1%

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

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

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

The Asset Allocation Strategy is reviewed annually by the Investment and Administration Advisory Panel to ensure that returns, risk and volatility are managed and consistent with the overall investment strategy.

6. Policy On Risk : Approach to risk, including the ways in which risks are measured and managed

The Fund maintains a Risk Register that is agreed by the Investment and Administration Advisory Panel and reported to the Pension Committee and Pension Board on a quarterly basis. The risk register examines funding, investment, operational, governance and regulation issues, ranks risks in terms of likelihood and impact and details mitigation measures.

Investment Risk

This covers items such as the performance of financial markets and the Fund's Investment Managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk
- currency risk
- macroeconomic risks

The adoption of an asset allocation benchmark and the monitoring of performance relative to a performance target constrains the investment managers from deviating significantly from the intended approach, while permitting flexibility to manage the Fund in such a way to enhance returns.

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

The requirement is to move towards 100% funding over a period of time. The funding level is calculated triennially, following an actuarial review.

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

The Fund's Investment Managers have been given weighted average benchmarks and targets to reflect their mandates.

Both asset allocation and stock selection is monitored. The current targets for each mandate are as follows:-

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 Developed Asia Other Intl – MSCI Emerging Index	Composite Index +1% pa over rolling 3 year period
Global passive equity manager	FTSE A W All World	Index
Global high alpha managers	MSCI All Countries World Index	Index + 2% over rolling 3 year period
Fixed Interest Manager	UK Govn Bonds – FTS UK Govn All Stocks UK Corporate – IBoxx GBP Non Gilts	Composite Index +0.5% pa over rolling 3 year period
Property Manager	CPI	Index +4.5%

Review of the Investment Managers is ongoing based on the quarterly and annual performance data supplied to the Panel by external performance management agencies.

The appointment of more than one Investment Manager introduces diversification of manager risk as discussed above.

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

Investment Managers also have investment restrictions as follows:

	Total Gov. Bond Expos. Min 30% Max 70%	Non Gov Exp min 30% max 70%	Over-seas Exp 30% limit	Max. Hold'g of 15% on pooled vehicles	Max. 10% in any one single hold'g	Max. of 10% held in cash	Max. of 5% held in cash	No single overs's equity exceed 5% of total value of fund	Max. holding of 25% in trust scheme	Max 25% in Emerg Markets	Max. holding of 25% in OEIC scheme	Max. 10% in any overseas holding (added jan 16)
BMOGAM Bonds	●	●	●	●								
Baillie Gifford Traditional					●	●		●	●			
WPP Global Growth Fund					●	●			●			
WPP Global Opportunities Fund					●				●	●		
Blackrock Passive Eqs	NO LIMITS AS POOLED FUND											
CBRE Property					●		●					

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

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

Environmental, Social and Governance risks

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

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

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

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

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

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

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

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

- Generate consistent net of fee excess returns.
- Diversify manager risk.
- Reduce average manager fees
- Achieve tax efficiency by reclaiming withholding tax on dividends (for non-UK equity sub-funds).
- Equitably share the costs of transitioning into sub-funds.

Progress continues to be made by the Wales Pension Partnership (WPP) in the establishment of appropriate sub funds to satisfy the investment objectives across the Welsh Funds. Sub funds for the collective investing of assets have already been launched relating to Global High Alpha Equities and UK / European Equities. The next phase relates to Fixed Interest with five sub funds being launched – global gilts, global corporates, UK corporates, multi asset credit and absolute return bonds.

8. How social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

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

Although the pursuit of a financial return is our predominant concern, where possible, the Fund is committed to include Responsible Investment factors (environmental, social and corporate governance factors) into the investment process. These non-financial factors are considered to the extent that they are not detrimental to the Fund's investment returns. The incorporation of these factors into Investment Managers' stock selection decisions should serve to enhance the process, rather than restrict choice in any way. The Fund does not negatively screen stocks from the investment universe available to Managers.

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

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

The six principles are:

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

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

The Fund recognises the focus and financial risks associated with climate change, fossil fuels and carbon management. The Fund remains committed to an orderly carbon transition and has set out its approach in appendix 1 to this Investment Strategy Statement.

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

9. Exercise of Voting Rights attached to investments.

Long term investment interests are enhanced by the highest standards of corporate governance and corporate responsibility. Poor governance can negatively impact shareholder value.

This Fund recognises the importance of stewardship and engagement via the equity fund managers is exercised to exert a positive influence on companies.

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. A proportion of stock is held back from stock lending activities to facilitate this.

The Fund has agreed a voting template which incorporates best practice governance guidelines. An independent voting agency is employed to monitor and compare the voting records of the Fund's segregated managers against this template. The Managers provide quarterly voting activity reports.

10. Myners Principles of Good Investment Guidance.

The Fund assesses and reviews its own compliance with the Myners Principles annually. The Fund has assessed itself to be fully compliant with the principles below:

Principle 1. Effective Decision Making

Principle 2. Clear Objectives

Principle 3. Risk and liabilities

Principle 4. Performance assessment

Principle 5. Responsible ownership

Principle 6. Transparency and reporting

Appendix 1

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

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

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

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

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

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

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

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

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

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

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

Principles

1. Responsible Investor

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

2. Asset allocation

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

3. Investment Managers

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

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

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

4. Stakeholder engagement

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

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

5. Long Term and alignment to global goals

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

6. Working Together

We will collaborate with other Welsh Funds through the Wales Pension Partnership and seek to align our long term goals with our partners. It is important that the Fund works with our partners to share knowledge and best practice as well as utilising collective assets to push for the most effective and efficient implementation of reduced fossil fuel strategies. We will also work with other funds nationally through our membership of the LAPFF to encourage companies to adopt the highest standards with regard to fossil fuel and energy efficiency.

7. Risk Mitigation

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

8. Transparency

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

Myners Investment Principles - 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

Accountant, Treasury and Pension Fund



Accounts Report



Fund Account

2018/19		2019/20	
£'000		£'000	£'000
	Contributions		
(98,732)	Employer contributions	(106,927)	
(26,779)	Member contributions	(28,210)	
(125,511)			(135,137)
	Transfers in from other pension funds		
(3,433)	Group Transfers in from other schemes or funds	(4,243)	
(1,872)	Individual Transfers from other schemes or funds	(3,835)	
(5,305)			(8,078)
(5,141)	Other Income	(4,135)	
(5,141)			(4,135)
(135,957)			(147,350)
	Benefits		
105,653	Pensions	109,078	
20,068	Commutation of pensions and lump sum retirement benefits	20,072	
2,972	Lump sum death benefits	2,431	
128,693			131,581
	Payments to and on account of leavers		
305	Refunds to members leaving scheme or fund	245	
9	Payments to members joining state scheme or fund	4	
5,168	Group transfers to other schemes	0	
9,111	Individual transfers to other schemes	11,804	
14,593			12,053
143,286			143,634
7,329	Net (Additions)/Withdrawals from Dealings with Members		(3,716)
7,329			(3,716)
11,039	Management expenses	13,121	
11,039			13,121
18,368	Net (Additions)/Withdrawals including Fund Management Expenses		9,405
	Investment Income		
(34,687)	Dividends from equities	(14,077)	
(24,111)	Income from bonds	(23,806)	
(2,168)	Income from pooled investment vehicles	(1,986)	
(5,942)	Income from pooled property investments	(11,733)	
(160)	Interest on cash deposits	(45)	
(67,068)			(51,647)
(204,694)	(Profits) and losses on disposal of investments and changes in value of investments	140,724	
(204,694)			140,724
853	Taxes on income	131	
853			131

2018/19		2019/20	
£'000		£'000	£'000
(270,909)	Net returns on investments		89,208
(252,541)	Net (Increase)/decrease in net assets available for benefits during the year		98,613
(3,206,094)	Opening Net Assets		(3,458,635)
(3,458,635)	Closing Net Assets		(3,360,022)

Net Asset Statement

2018/19		2019/20	
£'000		£'000	£'000
	Investment Assets		
676,076	Equities	629,437	
843,928	Bonds	896,429	
273,082	Pooled Investment Vehicles - Open Ended investment companies	92,721	
1,363,745	Pooled Investment Vehicles - Managed funds	1,415,362	
260,851	Pooled Property Investments	287,697	
3,417,682			3,321,646
29,911	Cash deposits		25,885
	Other investment balances		
7,229	Accrued interest	7,392	
6,323	Investment debtors	5,357	
1,887	Tax recoverable	2,018	
15,439			14,767
3,463,032			3,362,298
	Investment Liabilities		
(3,991)	Investment creditors		(11,612)
(2,397)	Derivative contracts		(462)
3,456,644	Net Investment Assets		3,350,224
	Current Assets		
6,116	Contributions due from employers and employees	6,366	
458	Other current assets	6,808	
6,574			13,174
	Current Liabilities		
(4,583)	Current liabilities		(3,376)
3,458,635	Net assets of the scheme available to fund benefits at the period end		3,360,022

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take into account 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 Actuarial Valuation Report. These accounts should be read in conjunction with that report.

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 2019/20 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. A more detailed Pension Fund Annual Report is available on request from the Director of Finance and Digital Services.

Significant Accounting Policies

Accruals of Expenditure and Income

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

Investment Valuation of Financial Instruments

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

Listed securities are valued in accordance with IAS 39 – Financial Instruments, using bid prices as at 31st March 2020 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 2020.

Pooled Investment Vehicles managed by the WPP are valued using net asset values provided by Link, the WPP operator. These are reported at the closing single price. The Global High Alpha funds in which Rhondda Cynon Taf Pension Fund invests are accumulation units, therefore, no direct dividend income is received.

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

The 31st March 2020 property valuations provided by the property manager, has been predominantly based on either December 2019 or February 2020. This would not have included any Covid-19 impact. The majority of the underlying fund managers within the property mandate have recently attached a 'material valuation uncertainty' clause to their valuations.

The net asset value was prepared in accordance with the property manager's valuation policy, whilst any underlying property appraisals may have been qualified with a material valuation uncertainty clause. They are the valuer's opinion as at 31st March 2020. Not all the portfolio would be affected by Covid-19 in the same way, therefore it is the fund manager's opinion that it is currently not possible to determine a single a percentage impact or a volatility metric.

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 2016.

The amount of AVCs paid by members during the year amounted to £1.174m (£1.230m in 2018/19) and the market value of invested AVCs at the Balance Sheet date was £8.010m (£8.169m in 2018/19). There are two AVC providers.

Acquisition and Disposal Costs

Transaction costs incurred in acquiring or disposing of investments are included as part of the purchase cost or netted off against sales proceeds, as appropriate.

Transaction costs include fees, commissions and duties. Transaction costs incurred during 2019/20 amounted to £1.90m (£1.74 m in 2018/19).

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

Taxation

As a registered public service scheme the Pension Fund is exempt from UK income tax and capital gains tax.

Overseas investment income incurs withholding tax in the country of origin unless exemption is granted.

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

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

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

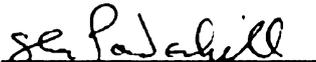
Statement of Responsibilities for the Pension Fund Accounts

Rhondda Cynon Taf County Borough Council's Responsibilities

The Council is required:

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

I confirm that these accounts were approved by Council on:

Signature  Date: 25/11/20

The Director of Finance and Digital Services' Responsibilities

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

In preparing the Pension Fund Accounts, the Director has:

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

The Director has also throughout the financial year:

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

Certificate of the Director of Finance and Digital Services on the Accounts of Rhondda Cynon Taf Pension Fund for 2019/20

I certify that the accounts present a true and fair view of the financial position of Rhondda Cynon Taf Pension Fund as at 31st March 2020 and its income and expenditure for the year.

Signature  Date: 25/11/20

Barrie Davies

Director of Finance and Digital 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 March 2019 and the results were implemented from 1st April 2020.

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 2019/2020 were:

Full Time Equivalent Pay	Contribution Rate
Up to £14,600	5.5%
More than £14,601, up to £22,800	5.8%
More than £22,801, up to £37,100	6.5%
More than £37,100, up to £46,900	6.8%
More than £46,901, up to £65,600	8.5%
More than £65,601, up to £93,000	9.9%
More than £93,001, up to £109,500	10.5%
More than £109,501, up to £164,200	11.4%
More than £164,201	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	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Administering	8,480	9,025	35,181	38,100	35,904	34,967
Admitted	3,518	3,620	15,078	17,109	13,706	16,255
Scheduled	14,781	15,565	48,473	51,718	79,083	80,359
Total	26,779	28,210	98,732	106,927	128,693	131,581

Included in employer contributions are £11,428k of deficit funding contributions (£9,790k in 2018/19). There are no augmented contributions.

Contributions Received From Employers

	Employers Contributions (£)	Employee Contributions (£)
Agored Cymru	5,057.43	22,444.26
Amgen Cymru (Cynon)	80,510.94	192,624.89
Awen Cultural Trust	99,127.01	270,071.79
Bedlinog Community Council	288.68	1,025.86
Brackla Community Council	2,363.90	7,680.54
Bridgend College	419,705.70	1,319,895.28
Bridgend County Borough Council	4,718,215.02	16,292,306.29
Capita Glamorgan Consultancy	32,489.71	0.00
Careers Wales Association	6,129.18	20,179.21
Careers Wales Mid Glamorgan and Powys	154,795.56	1,421,340.01
Central South Consortium	236,868.08	293,320.69
Chief Constable South Wales	4,343,524.49	12,164,201.74
Coity Higher Community	867.92	2,992.34
Coleg Y Cymoedd	524,831.04	1,708,973.37
Compass Contract Services (Cymoedd) Ltd.	29,122.94	193,218.41
Compass Contract Services (Abercerdin) Ltd.	908.30	6,208.62
Coychurch Crematorium	13,373.41	46,930.29
DBW FM Limited	167,760.36	546,741.49
Development Bank of Wales Plc	44,257.75	205,255.63
Drive Ltd	11,532.19	31,613.96
Garw Valley Community Council	1,655.45	6,081.70
Gelligaer Community Council	1,131.36	3,686.76
Hirwaun & Penderyn Community Council	2,685.02	8,642.35
Halo Leisure Services Ltd	56,847.24	38,699.06
Llanharran Community Council	1,494.65	5,246.26
Llantrisant Community Council	4,833.33	18,450.69
Llantwit Fadre Community Council	4,411.03	17,518.92
Llwydcoed Crematorium	4,570.99	19,839.30
Local Government Data Unit	57,286.02	70,102.87
Maesteg Town Council	2,037.26	6,408.42
Merthry Tydfil Leisure Trust	93,922.98	215,001.06
Merthyr Tydfil County Borough Council	2,074,850.42	9,728,737.12
Merthyr Tydfil College	127,636.81	439,917.68
Merthyr Tydfil Institute for the Blind	5,918.11	29,812.24
Merthyr Valley Homes	356,983.47	582,649.44
Police & Crime Commissioner	84,835.37	179,776.86
Pontyclun Community Council	4,295.28	15,363.36
Pontypridd Town Council	18,762.22	73,159.61
RWCMD	190,026.77	515,999.12
Rhondda Cynon Taff County Borough Council	9,025,186.80	38,099,544.34
Social Care Wales	268,120.40	1,281,821.51
South Wales Fire Authority	557,774.58	1,663,422.20
South Wales Valuation Tribunal	7,476.05	32,980.18
St Brides Minor Community Council	491.04	1,731.96
Tonyrefail Community Council	7,346.72	26,336.13
Trivallis	804,671.59	2,053,934.14
University of South Wales	2,132,692.57	6,940,750.75
Valleys to Coast Housing	112,995.80	359,285.01
Welsh Government	626,862.55	6,403,594.10
WJEC	679,745.14	3,338,824.06
Ynysawdre Community Council	707.08	2,494.20
Total	28,209,983.71	106,926,836.07

Management Expenses

The management expenses borne by the Fund in 2019/20 are set out below:

	2018/19 £'000	2019/20 £'000
Administrative Costs	1,839	1,845
Investment Management Expenses	8,973	11,001
Oversight and Governance Costs	227	275
Total	11,039	13,121

Investment management expenses represent 0.33% (0.26% in 2018/19) of the value of the Pension Fund as at 31st March 2020.

2019/20 Audit Fees of £39k are included in Oversight and Governance Costs (£39k in 2018/19).

The investment management expenses borne by the Fund in 2019/20 are set out below:

	2018/19 £'000	2019/20 £'000
Management Fees	6,843	8,590
Custody Fees	390	473
Transaction Costs	1,740	1,938
Total	8,973	11,001

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

	2018/19 £'000	2019/20 £'000
WPP Oversight and Governance Costs		
Set up Costs	33	0
Host Authority Costs	20	58
WPP Investment Management Expenses		
Fund Manager Fees	733	4,317
Transaction Costs	0	1,538
Custody Fees	114	215
Total	900	6,128

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

Transactions with Related Parties

In the course of fulfilling its role as Administering Authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.5m (£1.5m in 2018/19). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year-end, contributions outstanding from the Employing Bodies in the Fund amounted to £6.4m (£6.1m in 2018/19), of which £4.9m related to employer contributions and £1.5m to employee contributions.

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

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

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

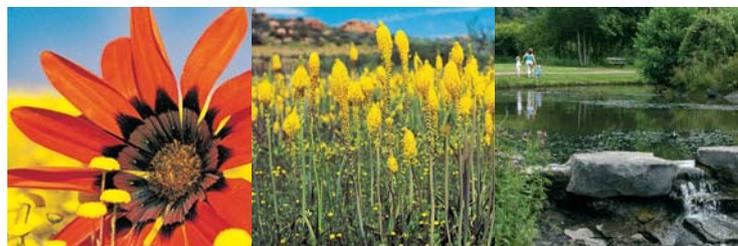
Officer remuneration and Members allowances can be found in the Statement of Accounts of Rhondda Cynon Taf County Borough Council.

Contingent Liabilities

There is a contingent liability of £968k (£836k in 2018/19) in respect of refundable contributions for leavers who have not yet claimed refunds.

Group Transfers

There were no group transfers in 2019/20. The Fund transferred £5.2m to Cardiff and Vale of Glamorgan Pension Fund in 2018/19 in respect of regulatory joint working.



Audit Opinion

The independent auditor's statement of the Auditor General for Wales to the members of Rhondda Cynon Taf Pension Fund on the Annual Report

I have examined the pension fund accounts and related notes contained in the [insert year] Annual Report of Rhondda Cynon Taf Pension Fund to establish whether they are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts produced by Rhondda Cynon Taf Pension Fund for the year ended 31 March 20 which were authorised for issue on 25 November 2020. The pension fund accounts comprise the Fund Account and the Net Assets Statement.

Opinion

In my opinion the pension fund accounts and related notes included in the Annual Report of Rhondda Cynon Taf Pension Fund are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts produced by Rhondda Cynon Taf Pension Fund for the year ended 31 March 20 which were authorised for issue on 25 November 2020 on which I issued an unqualified opinion. My opinion on the Statement of Accounts included an Emphasis of Matter paragraph where I drew attention to the material uncertainty disclosed in fund managers year-end valuation reports for the UK property funds held on behalf of Rhondda Cynon Taf Pension Fund. The Fund disclosed this uncertainty in the Statement of Accounts and my audit opinion was not modified in respect of this matter.

I have not considered the effects of any events between the date on which I issued my opinion on the pension fund accounts included in the pension fund's Statement of Accounts, 26 November 2020 and the date of this statement.

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

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



Adrian Crompton
For and on behalf of the
Auditor General for Wales
26th November 2020

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 Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

- The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £3,458.6M) covering 98.4% of the liabilities allowing, in the case of pre-1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
- The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
 - 19.6% p.a. of pensionable pay. 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 (the primary rate),

Plus

 - an allowance of 0.9% p.a. of pensionable pay for McCloud and Cost Management – see paragraph 9

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 19 years from 1 April 2020, equivalent to 0.5% p.a. of pensionable pay (or approximately £2.2M in 2020/21, and increasing by 3.35% p.a. thereafter), which together with the allowance above comprises the secondary rate.
- In practice, each individual employer's or group of employers' position is assessed separately (see also paragraph 4 below) and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities such as arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	20.2%	3.6
2021	20.2%	3.8
2022	20.2%	4.2

- The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
- The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in Service	
Scheduled body employers *	4.25% p.a.
Intermediate funding target	3.85% p.a.
Ongoing Orphan employers	3.85% p.a.
Discount rate for periods after leaving service	
Scheduled body employers *	4.25% p.a.
Intermediate funding target	3.75% p.a.
Ongoing Orphan employers	1.60% p.a.
Rate of pay increases	3.35% p.a.
Rate of increase to pension accounts	2.10% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10% p.a.

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

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

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

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N Heavy mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.7	23.9
Current active members aged 45 at the valuation date	22.5	25.4

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 10.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

● **Increases to GMPs:**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

● **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in June 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

10. Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.25% over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in gilt yields have led to an decrease in the discount rates, and expectations of future inflation have increased, further reducing funding levels and increasing the primary rate. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary.

11. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

12. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<http://www.rctpensions.org.uk/En/GovernanceandInvestments/AnnualReports.aspx>

Aon Hewitt Limited

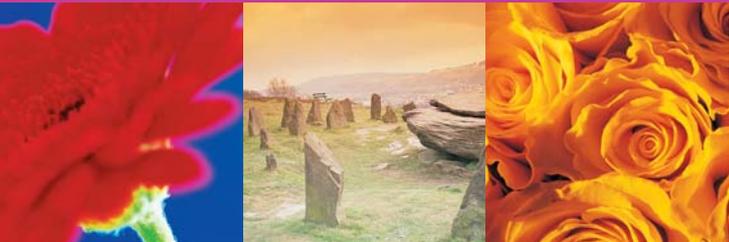
May 2020



■ Catherine Black
Senior Team Manager



Communication Report



Annual Meetings

The 2019 Annual General Meeting was held in November with representatives from our major fund employers attending. Presentations included a update on Pension Fund Performance and an Actuarial update.

Helpdesk

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

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

Website

The Pension Fund website is a useful tool in our communication strategy and allows us to provide information about the Fund and the LGPS to our members and prospective members. It contains information for existing and previous members as well as pensioners. All Wales Factsheets, LGA Factsheets, commonly used forms and our governance documents are all up-loaded to the site, as well as minutes of meetings of the Local Pension Board meetings.

A dedicated General Data Protection Regulation page has been added to the website which contains the Funds Privacy Statement and Memorandum of Understanding. The website is reviewed and updated when changes to legislation are implemented.

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

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

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

Pensions Made Simple' member videos are now available to view on both the desktop and mobile versions of **www.lgpsmember.org** and on the RCT Pension Fund Website". There are seven videos in total with English and Welsh versions available.

Presentations

The Communications Team is happy to provide presentations as required, either to provide members with information regarding the scheme and their pension benefits or to educate employers on the administration requirements of the scheme.

Annual Benefit Statements

In line with regulations the Fund issues Annual Benefit Statements to all active and deferred members. The statements for the 2019/2020 scheme year were issued within the deadline required by the scheme regulations and complied with Scheme Advisory Board Guidance.

Home Visits

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

Electronic Communications

Member Self Service (My Pension On-line) is available to all the Funds active, deferred and pensioner members. The facility allows members to be able to view and change some of their personal details and deferred and active members can run estimates of future pension benefits.

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

The Fund has also introduced an 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 be rolling this facility out to all 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 and includes various calculators which members can use.

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.

The end of contracting out has led to changes in who has the responsibility for increasing any pension which includes an entitlement to a Guaranteed Minimum Pension (GMP) (relating to membership up to 5th April 1997). Prior to 2016 some or all of the statutory inflation proofing was provided by the Department of Work and Pensions. Since April 2016 the Fund will now be responsible for the full pension increases on any GMP benefits for members with a state pension date before 5th April 2021.

The 2019/20 increase was 1.7%.

Pension Fund Governance

Administering authorities must ensure that existing governance arrangements are maintained and developed to help support the decision making process.

The Governance arrangements for the Rhondda Cynon Taf Pension Fund are summarised and clarified in a number of key documents that relate to the effective stewardship of the Fund.

- An overarching Governance Statement of Compliance that indicates the Fund's position against the Government's best practice standards
- A Governance Policy Statement which provides an overview of the management structure, decision making and employer engagements within the scheme
- We are committed to providing a comprehensive communication and information service to participating employers and members of the pension scheme and services we provide can be found in our Communications Policy Statement.

- A Pension Administration Strategy which seeks to improve efficiency in the delivery of agreed standards of quality and to ensure compliance with statutory requirements
- The Investment Strategy Statement which shows, in detail how we manage the Fund's investments.
- The Funding Strategy which provides a summary of how we will fund our pension liabilities and includes an overview of how any risks to the fund are identified, managed and reviewed.

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

The 2019 Valuation Report which explains the assumptions data and the results of the latest valuation exercise is available in the Employers Section of the website.

Local Pension Board

In accordance with the Public Services Pensions Act 2013 the Pension Fund was required to appoint, by 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 David Francis, Coleg Y Cymoedd

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

This statement represents my fifth update on the activities of the Pension Board and covers the period of this Annual Report.

In accordance with the Public Service Pensions Act 2013 the Pension Board's role is to assist the Administering Authority in:-

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

The Pension Board has no decision making powers.

The Board continued to meet over the financial year 2019/20. A number of members also attended the Annual General Meeting of the Fund for the previous financial year's annual report. All Pension Board meetings were quorate and, indeed, continued in 2019/20 with 100% attendance from all members at its meetings. Following last year's innovation of a joint meeting between the Pension Board and the Pension Committee this year's meeting was planned for March 2020. Due to the Covid-19 crisis this meeting had to be cancelled following the imposition of lockdown. As Chair of the Pension Board I also met separately with the Chair of the Pension Committee to discuss relevant issues as they came up. There remains a positive relationship between the Pension Board and Pension Committee for which the Board is grateful.

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

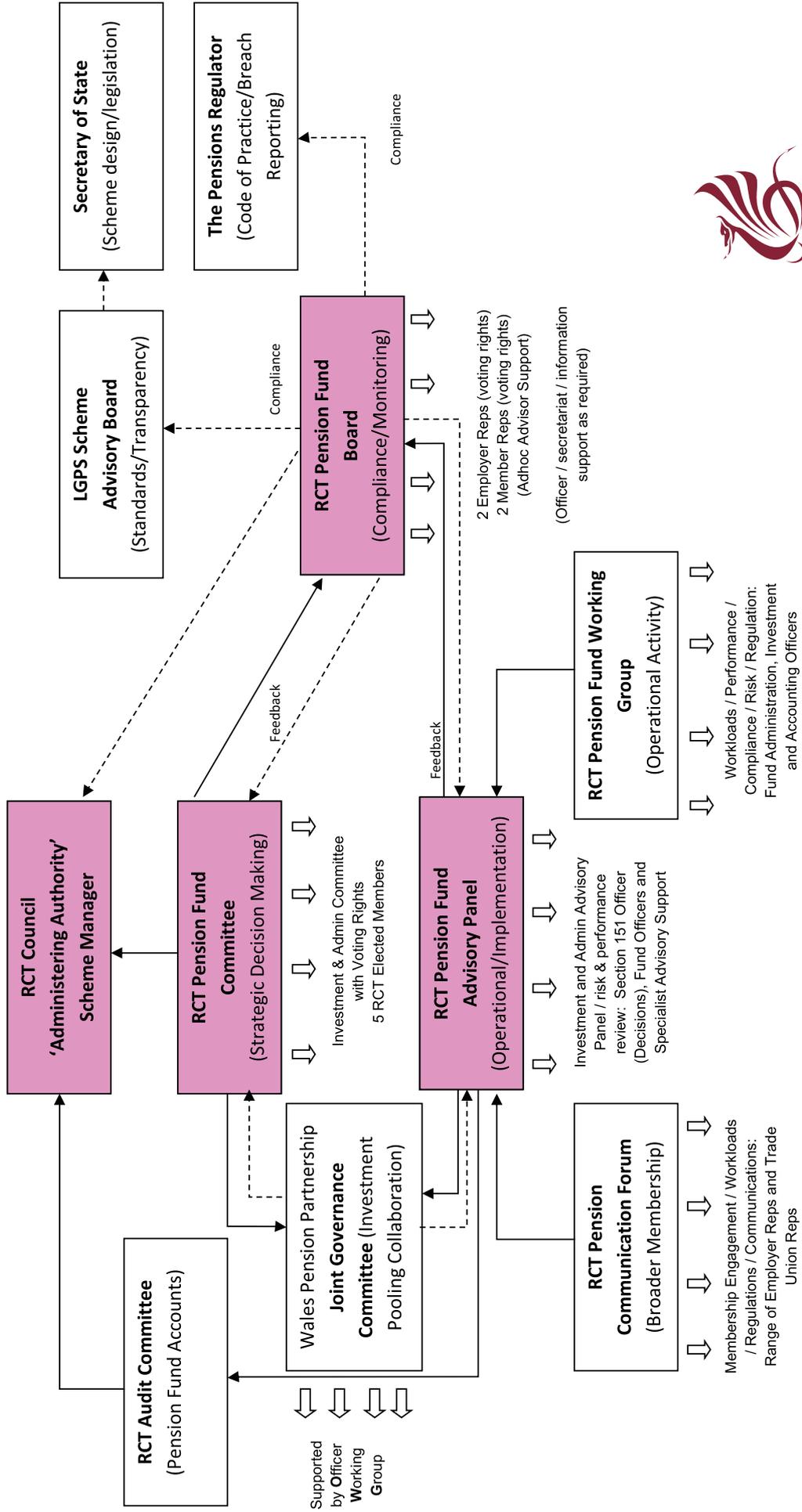
In undertaking its remit the Pension Board reviews a wide range of the Pension Fund's activities with regular areas of discussion including such items as supporting risk monitoring arrangements, fund investment performance, fees and charges, compliance with statutory legislation, the Pension Regulator 'Code of Practice' requirements and monitoring administrative performance. The Board pays particular attention to monitoring the achievement of relevant deadlines for specific activities (e.g. issuing the Annual Benefit Statements by the due date). This year's agenda continued the practice of previous years of monitoring the progress of the all Wales Pension Pool. This activity, in addition to monitoring the progress of the Pool against defined objectives and deadlines, continued to cover such items as reviewing the development of the Pool's governance arrangements. The governance arrangements for the Pool are continuing to evolve and a number of positive developments took place over the last financial year in these respects. These arrangements will inevitably continue to develop and, for example, have included establishing scheduled meetings between officers of the Pool and chairs of the various Welsh Pension Boards.

As with previous years, the Pension Board is being requested to respond to numerous surveys from various bodies on the activities of the Fund, the development of the governance of their respective pension funds and, the understanding of the Pension Board members of such activities.

Finally, members of the Pension Board attended regular training to ensure they are kept up to date with developments in what is becoming an increasingly complex and demanding field. A record of all such training is kept for each member. In addition, in relation to such training, processes are in place to disseminate the outcomes of any such individual training to all Board members and, as appropriate, within the Administering Authority. I am grateful to fellow Board members and the officers supporting the Board for their continued support.

Professor Hugh Coombs, Chairman, RCT Pension Board

Rhondda Cynon Taf Pension Fund Governance Structure 2019



Pension Governance Attendance 2019/2020

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 = 1)	Pension Fund Discretion Panel (Total meetings held = 0)
Barrie Davies	4	3	1	-
Paul Griffiths	4			-
Ian Traylor	4	3	1	0
Stephanie Davies	4	3	-	0
Yvonne Keitch	4	3	1	-
Vanessa Thomas	4	3	-	-
Denise Stone	-	3	-	-
Catherine Black	-	2	1	-

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
Members of Pension Fund Investment & Administration Advisory Panel	Investment Performance and Risk Management	Fund Managers	4th March 2019
Members of Pension Fund Investment & Administration Advisory Panel	Pensions Legislative and Governance Context	Fund Managers	4th March 2019
Members of Pension Fund Investment & Administration Advisory Panel	Financial Markets and Products Knowledge	Fund Managers	4th March 2019
Senior Accountant, Pension Fund & Charities / Trust Funds	Financial Markets and Products Knowledge	Tradition (UK)	6th March 2019
Councillor Norris	Pensions Legislative and Governance Context	PLSA	6th – 8th March 2019
Councillor Norris	Financial Markets and Products Knowledge	PLSA	6th – 8th March 2019
Pensions Service Manager and Senior Team Manager (Pensions)	Pensions Legislative and Governance Context	Pensions Officer Group	15th March 2019
Pension Fund Committee	Actuarial methods, standards and practices	Aon Hewitt	25th March 2019
Principal Accountant Treasury & Pension Fund	Pensions Legislative and Governance Context – Socially Responsible Investments	Cross Pool Responsible Investment Working Group	3rd April 2019
Councillor Norris and Principal Accountant Treasury & Pension Fund	Pensions Legislative and Governance Context – Socially Responsible Investments	LAPFF	17th April 2019
Pensions Service Manager	Pensions Legislative and Governance Context (Annual Report)	Pensions Officer Group	26th April 2019
Councillor Norris	Pensions Legislative and Governance Context	DG Publishing	2nd – 3rd May 2019
Councillor Norris	Financial Markets and Products Knowledge	DG Publishing	2nd – 3rd May 2019

Audience	Area of Framework	Delivered by	Date
Councillor Norris	Pensions Legislative and Governance Context	Listening Event by Money and Pensions Services	14th June 2019
Councillor Norris	Financial Markets and Products Knowledge	Listening Event by Money and Pensions Services	14th June 2019
Pensions Service Manager and Senior Team Manager (Pensions)	Pensions Legislative and Governance Context	Pensions Officer Group	24th June 2019
Members of Pension Fund Investment & Administration Advisory Panel	Investment Performance and Risk Management	Fund Managers	25th June 2019
Members of Pension Fund Investment & Administration Advisory Panel	Pensions Legislative and Governance Context	Fund Managers	25th June 2019
Members of Pension Fund Investment & Administration Advisory Panel	Financial Markets and Products Knowledge	Fund Managers	25th June 2019
Councillor Norris	Pensions Legislative and Governance Context	Professional Pensions	25th to 26th June 2019
Councillor Norris	Financial Markets and Products Knowledge	Professional Pensions	25th to 26th June 2019
Councillor Norris, Director of Finance and Digital Services and Principal Accountant Treasury & Pension Fund	Pensions Legislative and Governance Context	Wales Pension Partnership	28th June 2019
Councillor Norris and Service Director, Finance and Improvement Services	Financial Markets and Products Knowledge	LAPFA	2nd – 4th July 2019
Councillor Norris and Principal Accountant Treasury & Pension Fund	Pensions Legislative and Governance Context – Socially Responsible Investments	LAPFF	17th July 2019
Pension Fund Committee, Director of Finance and Digital Services, Service Director, Finance and Improvement Services, Service Director Pension, Procurement and Transactional Services, Principal Accountant Pension Fund and Treasury Management	Pensions Legislative and Governance Context – Socially Responsible Investments	LGT	22nd July 2019

Audience	Area of Framework	Delivered by	Date
Councillor Norris, Director of Finance and Digital Services, and Service Director Pension, Procurement and Transactional Services	Pensions Legislative and Governance Context	LGC	5th and 6th September 2019
Councillor Norris, Director of Finance and Digital Services, and Service Director Pension, Procurement and Transactional Services	Pensions Accounting and Auditing Standards	LGC	5th and 6th September 2019
Councillor Norris, Director of Finance and Digital Services, and Service Director Pension, Procurement and Transactional Services	Financial Services Procurement and Relationship Management	LGC	5th and 6th September 2019
Councillor Norris, Director of Finance and Digital Services, and Service Director Pension, Procurement and Transactional Services	Investment Performance and Risk Management	LGC	5th and 6th September 2019
Councillor Norris, Director of Finance and Digital Services, and Service Director Pension, Procurement and Transactional Services	Financial Markets and Products Knowledge	LGC	5th and 6th September 2019
Councillor Norris, Director of Finance and Digital Services, and Service Director Pension, Procurement and Transactional Services	Actuarial Methods, Standards and Practices	LGC	5th and 6th September 2019
Pension Committee Members, Digital Services, Service Director Finance and Improvement Services, Service Director Pension, Procurement and Transactional Services and Principal Accountant Treasury & Pension Fund	Financial Markets and Products Knowledge	Wales Pension Partnership	19th September 2019
Councillor Norris, Director of Finance and Digital Services and Principal Accountant Treasury & Pension Fund Pensions Service Manager and Senior Team Manager (Pensions)	Pensions Legislative and Governance Context	Wales Pension Partnership	20th September 2019
Pensions Service Manager and Senior Team Manager (Pensions)	Pensions Legislative and Governance Context	Pensions Officer Group	25th September 2019
Members of Pension Fund Investment & Administration Advisory Panel	Investment Performance and Risk Management	STOXX	4th October 2019
Members of Pension Fund Investment & Administration Advisory Panel	Pensions Legislative and Governance Context	STOXX	4th October 2019
Members of Pension Fund Investment & Administration Advisory Panel	Financial Markets and Products Knowledge	STOXX	4th October 2019

Audience	Area of Framework	Delivered by	Date
Councillor Norris Service Director, Pension, Procurement and Transactional Services	Investment Performance and Risk Management	Baillie Gifford Seminar	8th and 9th October 2019
Councillor Norris Service Director, Pension, Procurement and Transactional Services	Financial Markets and Products Knowledge	Baillie Gifford Seminar	8th and 9th October 2019
Councillor Norris Service Director, Pension, Procurement and Transactional Services	Pensions Legislative and Governance Context	Baillie Gifford Seminar	8th and 9th October 2019
Pension Fund Committee, Director of Finance and Digital Services, Service Director, Finance and Improvement Services , Service Director Pension, Procurement and Transactional Services, Principal Accountant Pension Fund and Treasury Management	Pensions Legislative and Governance Context – Socially Responsible Investments	BlackRock	22nd October 2019
Pension Fund Committee, Director of Finance and Digital Services, Service Director, Finance and Improvement Services , Service Director Pension, Procurement and Transactional Services, Principal Accountant Pension Fund and Treasury Management	Investment Performance and Risk Management	CEM Benchmarking	22nd October 2019
Councillor Griffiths and Service Director, Finance and Improvement Services	Pensions Legislative and Governance Context	LGA	31st October, 21th November and 12th December 2019
Councillor Griffiths and Service Director, Finance and Improvement Services	Pensions Accounting and Auditing Standards	LGA	31st October, 21th November and 12th December 2019
Councillor Griffiths and Service Director, Finance and Improvement Services	Financial Services Procurement and Relationship Management	LGA	31st October, 21th November and 12th December 2019
Councillor Griffiths and Service Director, Finance and Improvement Services	Investment Performance and Risk Management	LGA	31st October, 21th November and 12th December 2019
Councillor Griffiths and Service Director, Finance and Improvement Services	Financial Markets and Products Knowledge	LGA	31st October, 21th November and 12th December 2019
Councillor Griffiths and Service Director, Finance and Improvement Services	Actuarial Methods, Standards and Practices	LGA	31st October, 21th November and 12th December 2019
Pension Service Manager and Senior Team Manager (Pensions)	Pensions Legislative and Governance Context	Pensions Officer Group	11th November 2019

Audience	Area of Framework	Delivered by	Date
Members of Pension Fund Investment & Administration Advisory Panel	Investment Performance and Risk Management	Fund manager and Operator of the WPP	11th November 2019
Members of Pension Fund Investment & Administration Advisory Panel	Pensions Legislative and Governance Context	Fund manager and Operator of the WPP	11th November 2019
Members of Pension Fund Investment & Administration Advisory Panel	Financial Markets and Products Knowledge	Fund manager and Operator of the WPP	11th November 2019
Councillor Norris and Principal Accountant, Treasury Management and Pension Fund	Financial Markets and Products Knowledge	WPP Engagement Day	12th November 2019
Councillor Norris and Principal Accountant, Treasury Management and Pension Fund	Financial Markets and Products Knowledge	Russell Investments	13th November 2019
Councillor Norris and Principal Accountant, Treasury Management and Pension Fund	Investment Performance and Risk Management	Russell Investments	13th November 2019
Pension Service Manager and Senior Team Manager (Pensions)	Pensions Legislative and Governance Context	Pensions Manager Conference	18th – 20th November 2019
Councillors of Pensions Committee, Members of Pension Fund Investment & Administration Advisory Panel, Pensions Service Manager, Senior Team Manager (Pensions)	Pensions Legislative and Governance Context	Annual General Meeting	25th November 2019
Councillors of Pensions Committee, Members of Pension Fund Investment & Administration Advisory Panel, Pensions Service Manager, Senior Team Manager (Pensions)	Investment Performance and Risk Management	Annual General Meeting	25th November 2019
Councillors of Pensions Committee, Members of Pension Fund Investment & Administration Advisory Panel, Pensions Service Manager, Senior Team Manager (Pensions)	Financial Markets and Products Knowledge	Annual General Meeting	25th November 2019
Senior Team Manager (Pensions) and Senior Team Leader (Pensions)	Pensions Legislative and Governance Context	Pension Managers Conference	19th and 20 November 2019
Councillor Norris	Investment Performance and Risk Management	LAPFF	4th to 6th December 2019

Audience	Area of Framework	Delivered by	Date
Councillor Norris	Financial Markets and Products Knowledge	LAPFF	4th to 6th December 2019
Councillor Norris	Actuarial Methods, Standards and Practices	LAPFF	4th to 6th December 2019
Pension Service Manager and Senior Team Manager (Pensions)	Pensions Legislative and Governance Context	Pensions Officer Group	12th December 2019
Pension Fund Committee, Director of Finance and Digital Services, Service Director, Finance and Improvement Services, Service Director Pension, Procurement and Transactional Services, Principal Accountant Pension Fund and Treasury Management	Pensions Legislative and Governance Context – Socially Responsible Investments	RE100	16th December 2019
Members of Pension Fund Investment & Administration Advisory Panel	Financial markets and products knowledge	Russell	17th December 2020
Principal Accountant, Treasury Management & Pension Fund and Senior Accountant, Pension Fund & Charities / Trust Funds	Investment performance and risk management	Engaged Tracking	14th January and 30th January 2020
Principal Accountant, Treasury Management & Pension Fund	Pensions Legislative and Governance Context – Socially Responsible Investments	DG Publishing Responsible Investment Seminar	15th January 2020
Service Director, Finance and Improvement Services (Deputy S 151 Officer) Service Director, Pension, Procurement and Transactional Services Head of Finance, Education & Financial Reporting Senior Accountant, Pension Fund & Charities / Trust Funds Pensions Service Manager Senior Team Manager (Pensions)	Pensions legislative and governance context	Hymans	20th January 2020
Principal Accountant, Treasury Management & Pension Fund	Pensions Legislative and Governance Context – Socially Responsible Investments	Cross Pool RI Group	28th January 2020
Councillor Griffiths and Principal Accountant Treasury & Pension Fund	Pensions Legislative and Governance Context – Socially Responsible Investments	LAPFF	29th January 2020
Principal Accountant, Treasury Management & Pension Fund and Senior Accountant, Pension Fund & Charities / Trust Funds	Pensions accounting and auditing standards	Cipfa	18th February 2020
Pension Committee/Board Officers	Financial Markets and Products Knowledge	WPP Training	21st February 2020

Audience	Area of Framework	Delivered by	Date
Members of Pension Fund Investment & Administration Advisory Panel	Investment Performance and Risk Management	Fund managers	9th March 2020
Councillor Norris	Pensions Legislative and Governance Context	PLSA	March 2020
Councillor Norris	Financial Markets and Products Knowledge	PLSA	March 2020
Members of Pension Fund Investment & Administration Advisory Panel	Pensions Legislative and Governance Context	Fund managers	9th March 2020
Members of Pension Fund Investment & Administration Advisory Panel	Financial Markets and Products Knowledge	Fund managers	9th March 2020
Senior Team Manager (Pensions)	Pensions Legislative and Governance Context	Pensions Officer Group	20th March 2020
Pension Fund Committee, Director of Finance and Digital Services, Service Director, Finance and Improvement Services, Service Director Pension, Procurement and Transactional Services, Principal Accountant Pension Fund and Treasury Management	Pensions Legislative and Governance Context – Socially Responsible Investments	LAPFF	23rd March 2020
Pension Committee/Board Officers	Pensions Legislative and Governance Context – Socially Responsible Investments	LAPFF	23rd March 2020

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 an Investment Strategy Statement, a Funding Strategy Statement and agree prudent valuation assumptions on a triennial basis. Whilst recognising that scheme contributions, investment and liability discharge are by nature, long term, the 'Funding' position is nevertheless reviewed and progress monitored throughout each valuation cycle.

A robust approach to 'Risk Management' is a fundamental principle within the Fund's governance framework. To help discharge this responsibility, risks are identified, monitored and control measures

implemented to help mitigate the likelihood or impact of such risks materialising. The Fund's Risk Register captures all risks, under the following categories; Funding, Investment, Governance, Operational and Regulatory. A copy of the RCT Fund's Risk Register can be obtained from the Fund website.

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

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

Partners

Scheme Actuary - Aon Hewitt Limited

The primary role of the actuary is to provide the fund with information about the fund's liabilities and the best way of meeting these liabilities. A valuation of the fund takes place every three years that enables the actuary to calculate liabilities versus the fund's assets. The actuary will then recommend appropriate contribution rates for employers to help prevent any future shortfalls.

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



Fund Managers

The investment of the Pension Fund's assets is the responsibility of external Fund Managers appointed by the Fund. These Fund Managers are given specific mandates and performance targets, which are monitored by the Rhondda Cynon Taf Investments Panel at quarterly meetings.

Baillie Gifford Asset Management

Baillie Gifford is an Edinburgh based investment management partnership founded in 1908. They were appointed by the fund to manage global equities in 2005, and now have two separate equity mandates.



BlackRock Investment Management

BlackRock 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.



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.



State Street

State Street is a leading U.S. based provider of financial services to institutional investors. State Street provides a custody and performance measurement service for the RCT Pension Fund



Audit Wales

Audit Wales is independent of government and is responsible for the annual audit of some £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



Link Fund Solutions Ltd

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



Further information

More information about the Scheme can be found in the Members Guide available at www.rctpensions.org.uk.

Contributors' Contact Information

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

The Pensions Helpdesk

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