Cyngor Abertawe
Swansea Council

City and County of Swansea

Notice of Meeting

You are invited to attend a Meeting of the

Local Pension Board

At: **Multi-Location Meeting - Gloucester Room, Guildhall / MS Teams**

On: **Friday, 25 November 2022**

Time: **11.00 am**

Chair: **Ian Guy**

Membership:
Employer Representatives
C R Doyle and S A Knoyle

Local Pension Board Members
R Broad and David White

Watch Online: https://bit.ly/3SS9hsf

Agenda

Next Meeting: Wednesday, 29 March 2023 at 10.00 am

Huw Evans

Huw Evans
Head of Democratic Services
Friday, 18 November 2022

Contact: Democratic Services: - 636923

City and County of Swansea

Minutes of the Local Pension Board

Multi-Location Meeting - Gloucester Room, Guildhall / MS Teams

Wednesday, 5 October 2022 at 10.00 am

Present: I Guy (Chair) Presided

Employer Representatives
C R Doyle

Local Pension Board Member Representatives
David White - Unison

Also Present
Councillor M B Lewis Chair of the Pension Fund Committee

Officer(s)

Jeffrey Dong	Deputy Chief Finance Officer / Deputy Section 151 Officer.
Karen Cobb	Senior Accountant
Jeremy Parkhouse	Democratic Services Officer
Melissa Perry	Solicitor

Apologies for Absence
None.

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19 Election of Vice-Chair for 2022-2023 Municipal Year.

Resolved that David White be elected Vice-Chair for the remainder of the Municipal year.

20 Disclosures of Personal and Prejudicial Interests.

In accordance with the Code of Conduct adopted by the City and County of Swansea, the following interests were declared: -

Councillors C R Doyle and M B Lewis declared a personal interest in the whole agenda as members of the Pension Fund.

Ian Guy and David White declared personal interests in the whole agenda as members of the Pension Fund.

Karen Cobb, Jeff Dong, Jeremy Parkhouse and Melissa Perry declared personal interests in the whole agenda as members of the Pension Fund.

21 Minutes.

Resolved that the Minutes of the Local Pension Board meeting held on 27 July 2022 be approved and signed as a correct record.

The Chair requested an update on progress regarding the 2022 Audit Plan - City & County of Swansea Pension Fund. It was confirmed that Audit Wales would be reporting to the Board meeting in November 2022.

The Chair also commented upon the excellent quality of the recent joint training received by Board and Committee Members.

22 Administering Authority Discretions.

The Deputy Chief Finance Officer / Deputy Section 151 Officer provided a 'for information' report which provided details of the decision of the Pension Fund Committee to formulate and approve the adopted Administering Authority Discretions, in accordance with LGPS Regulations.

It was outlined that the management of the administration of an LGPS fund, sometimes required the application of a number of discretions afforded to the Administering Authority under the LGPS Administering Regulations in its dealings with members and employers. An Administering Authority must formalise and make clear, either in a written policy or otherwise, if, and how it intended to implement these discretions.

The City & County of Swansea's recommended Administering Authority Discretions for approval were provided at Appendix A.

The Chair highlighted the importance to scheme members of completing death nominations.

23 Breaches Report.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which presented any breaches which had occurred in the period in accordance with the Reporting Breaches Policy.

Appendix A provided the details of breaches that had occurred since the previous Local Pension Board. The details of the breaches and the actions taken by Management were noted.

24 Exclusion of the Public.

The Board was requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they involved the likely disclosure of exempt information as set out in the exclusion paragraph of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to

Information) (Variation) (Wales) Order 2007 relevant to the item(s) of business set out in the report.

The Board considered the Public Interest Test in deciding whether to exclude the public from the meeting for the items of business where the Public Interest Test was relevant as set out in the report.

Resolved that the public be excluded for the following items of business.

(Closed Session)

25 Wales Pension Partnership - Progress Update.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report to update the Local Pension Board on the progress and work of the Wales Pension Partnership (WPP).

26 Investment Summary.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which presented the asset valuation and investment performance for the quarter, year and 3 years ended 30 June 2022.

27 Investment Consultant's Quarterly Report.

The Deputy Chief Finance Officer / Deputy S151 Officer presented 'for information' the Quarter 2 2022 Investment Monitoring Report.

The content of the report was noted by the Board and various questions were asked, which were responded to accordingly.

The meeting ended at 11.15 am

Chair

Archwilio Cymru
Audit Wales

Audit of Accounts Report – City and County of Swansea Pension Fund

Audit year: 2021-22

Date issued: November 2022

Document reference: 3232A2022

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

Audit of Accounts Report

Introduction

1 We summarise the main findings from our audit of your 2021-22 accounts in this report.

2 We have already discussed these issues with the Director of Finance (Section 151 Officer) and his team.

3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.

4 We set this level at £29.3 million for this year's audit.

5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:

- Key Management Personnel Disclosures – £1,000
- Related Party disclosures – £10,000

6 We have now substantially completed this year's audit.

7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

8 The COVID-19 pandemic has had a continuing impact on how our audit has been conducted. We summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

Exhibit 1 – impact of COVID-19 on this year's audit

Timetable	• We received the draft accounts on 30 June 2022 as planned. This is in line with last year and with regulatory deadlines. • The Pension Fund Committee is due to consider and approve the audited statement of accounts on 16 November 2022. • We expect your audit report to be signed on 21 November 2022.
Audit evidence	• As in previous years, our audit of the financial statements was undertaken remotely. • Authority officers effectively supported us in this by continuing to provide us with appropriate and timely information in electronic format to inform our audit. • Officers were available by video-conferencing for discussions, which enabled the audit team to correspond effectively with officers throughout the audit.

Proposed audit opinion

9 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**. The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.

10 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

11 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

12 There are no misstatements identified in the accounts, which remain uncorrected.

Corrected misstatements

13 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

Other significant issues arising from the audit

14 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year.

Recommendations

15 During the audit, we identified one other issue which has resulted in a recommendation being made, as shown in **Exhibit 2**:

Exhibit 2 – other issues arising from the audit

Valuation of investments	The fair value of investments is estimated by investment managers, which involves an element of judgement as Level 2 and 3 investments cannot be valued directly. (Quoted market prices are not available for Level 2 investments and Level 3 investments are not based on observable market data). Control assurance reports on the internal controls implemented by investment managers are not being routinely obtained and reviewed which reduces the assurance that investments are being appropriately valued and accounted for.	We have reviewed investment manager service auditor reports on the design and effectiveness of internal controls (or other alternatives) and have not identified any material issues we need to report to you. We have recommended that the Pension Fund improves its assurance arrangements in this area – see Recommendation 1 in **Appendix 4**

16 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to them and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

16 November 2022

Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements of City and Country of Swansea Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom UK 2021-22; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects City and County of Swansea Pension Fund and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements in the financial statements.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Pension Fund Committee on 16 November 2022.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:	Signed by:
Director of Finance (S151 Officer)	Chair of the Pension Fund Committee
Date: 16 November 2022	Date: 16 November 2022

Appendix 2

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of the City and County of Swansea as administering authority for the City and County of Swansea Pension Fund

Opinion on financial statements

I have audited the financial statements of the City and County of Swansea Pension Fund for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004. The City and County of Swansea Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of the City and County of Swansea Pension Fund as at 31 March 2022 and of the amount and disposition at that date of its assets and liabilities, and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;

- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statement, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management, the administering authority's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the City and County of Swansea Pension Fund's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and

  - the internal controls established to mitigate risks related to fraud or noncompliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals and biases in accounting estimates.
- obtaining an understanding of the City and County of Swansea Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Pension Fund.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, those charged with governance about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, the Pension Fund Committee and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of City and County of Swansea Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the City and County of Swansea Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
21 November 2022

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of Corrections Made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
Various presentational amendments	Various minor presentational amendments were made to the draft statement of accounts and annual report. There was no overall impact on the net expenditure or net investment assets of the Fund.	To ensure accuracy and completeness of the financial statements.

Appendix 4

Recommendations

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Exhibit 4: matter arising 1

Matter arising 1 – Controls assurance reports	
Findings	The Pension Fund does not regularly obtain and review control assurance reports (type 2) for its investment managers. It has also not considered what alternative assurances should be sought for investments held with investment managers where these reports are not produced. These reports are also not presented to the Pension Fund Committee and therefore there is no opportunity for the outcomes of these reports to receive appropriate scrutiny.
Priority	Good practice
Recommendation	The Pension Fund should strengthen its arrangements for assuring itself that there are appropriate controls over its investments by: • obtaining and reviewing controls assurance reports for all investment managers; • considering how it can assure itself that there are appropriate controls in place where controls assurance reports are not available; and • providing assurances to the Pension Fund Committee that there are appropriate controls over its investments.
Benefits of implementing the recommendation	Both management and those charged with governance would obtain further assurance that the controls in place at each investment manager are robust.

Matter arising 1 – Controls assurance reports	
Accepted in full by management	Yes
Management response	Management currently relies on investment partners on reporting issues arising by exception. As identified by Audit Wales, there were no issues to report to The Pension Fund Committee. In recognition of Audit Wales recommendation, officers shall review type 2 reports and noting volume of reports shall report issues to The Pension Fund Committee by exception.
Implementation date	2022/23

Audit Wales

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

City and County of Swansea Pension Fund Actuarial Valuation as at 31 March 2022

Initial results presentation to Pension Fund Committee

Prepared for: City and County of Swansea Pension Fund
Prepared by: Laura Caudwell FIA and Arkady Gibas
Date: 16 November 2022

QAS Institute and Faculty of Actuaries®
Quality Assurance Scheme

AON

Agenda Item 5a

Agenda

Part 1 — Valuation process and assumptions

Part 2 — Initial whole Fund 2022 results

Part 3 — Expectations for employer results and contributions

Part 4 — Summary, next steps and questions

Part 1
Valuation process and assumptions

What is a triennial actuarial valuation?

1. Assess financial health

A/L = funding level (ratio); A – L = Shortfall or surplus

A

L

Assets

Market value
from Fund accounts

Past service liabilities

Calculated by Actuary:
Use Fund specific data
Make assumptions about
the future

Past service contributions

Calculated to eliminate the surplus or deficit over the recovery period

Future service liabilities

Employer contributions to meet cost of new benefits (“common” contribution rate)

2. Set employer contributions

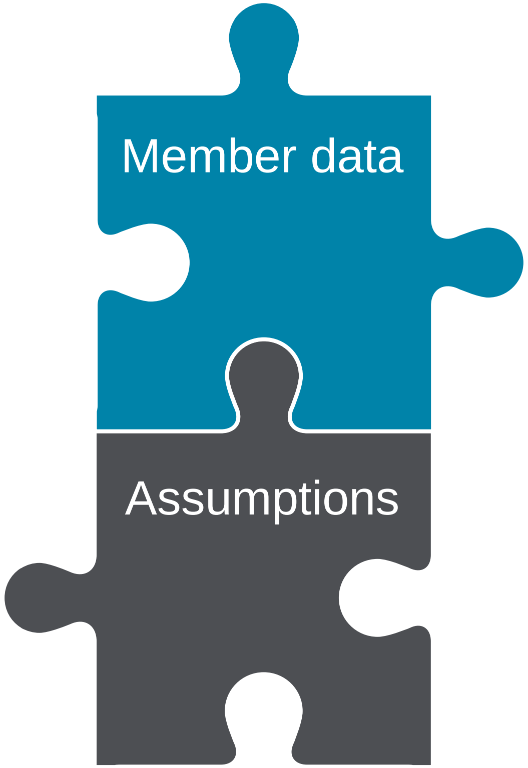
Past plus future service contributions

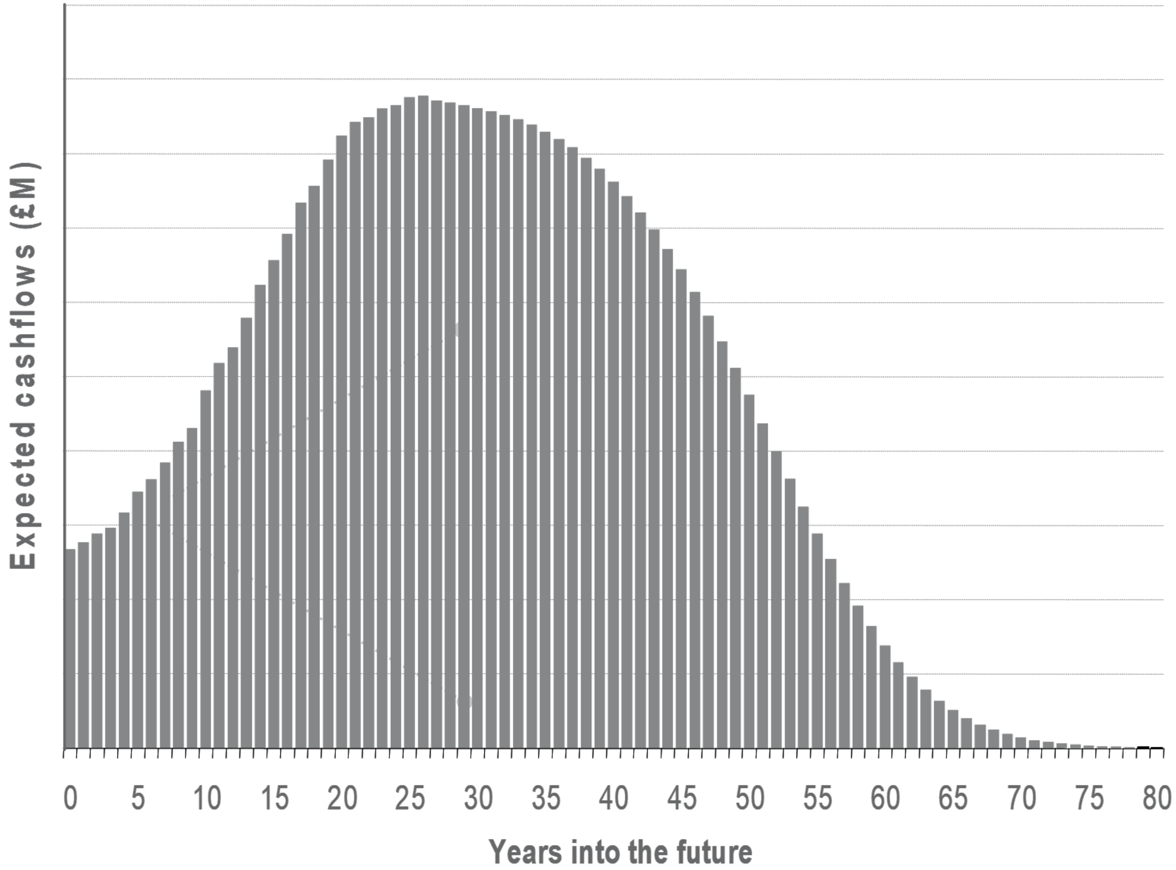
Mar
31

Regulatory requirement

LGPS Regulations require the Administering Authority to obtain and valuation and rates and adjustments certificate every three years, to be finalised within a year of the valuation date.

Valuing the liabilities





Sample fund, accrued liabilities only

Valuation assumptions are Fund-specific reflecting City and County of Swansea's membership characteristics

Data, experience and assumptions

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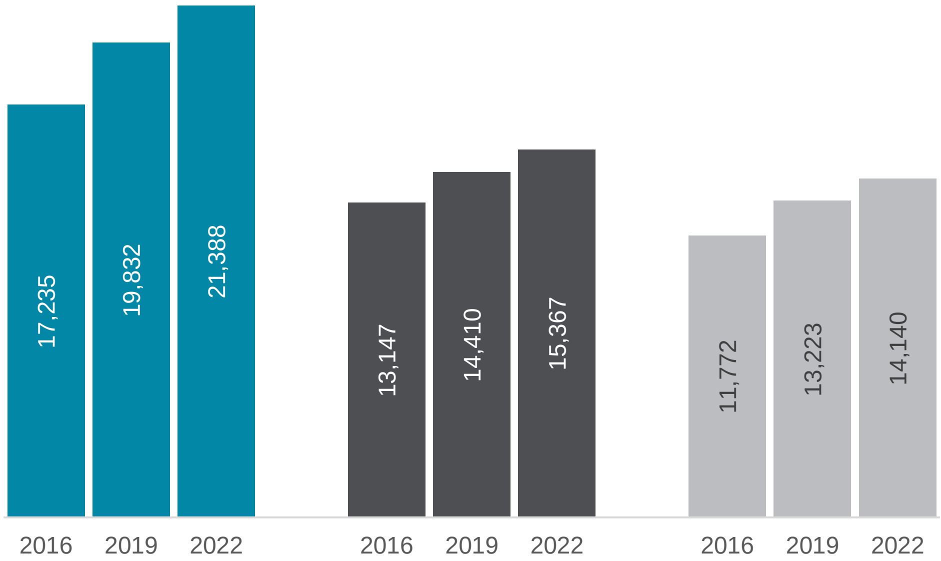


Financial experience affecting benefit payments

	2019 assumption	2019 Update	Proposed 2022 assumption
CPI increases	2.1% pa	1.7%, 0.5%, 3.1%	2.3% pa[1]
Pay growth	3.6% pa[1]	c3.3% pa	3.8% pa[2]

(1) Plus a liability adjustment of 10% to allow for short-term inflation
(2) Plus an age-related promotional pay scale

Average ages (unweighted)

	Actives	Deferreds	Pensioners
2016	44.6	43.8	70.1
2019	44.7	44.8	70.5
2022	45.4	45.6	71.4

Assumptions best estimate except discount rate

Elements of funding strategy

Prudence

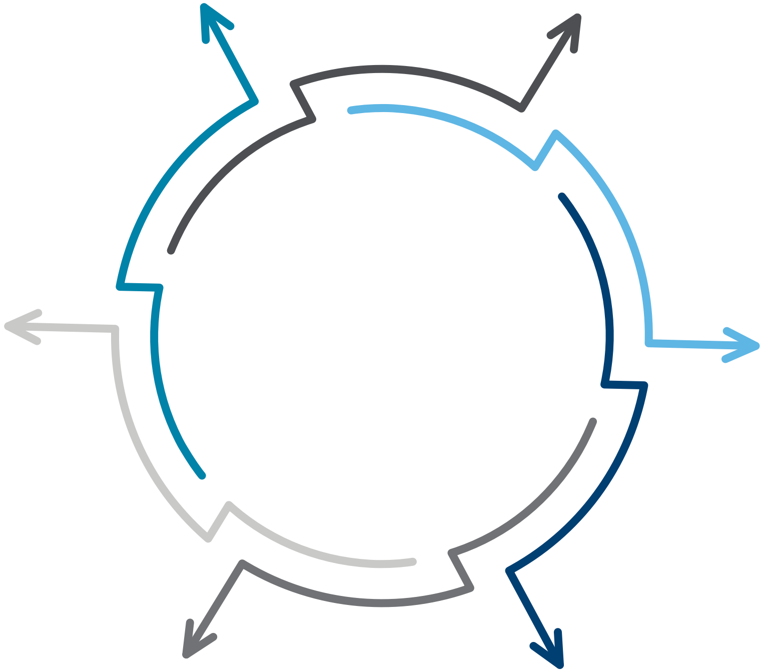
Built into the calculation of the liabilities (funding target)

Employer risk

Higher risk employers have a more prudent funding target

Deficit recovery period

Average future working lifetime / contract length



Security

Guarantee, bond or indemnity, commitment to subsume

Risk/cost sharing

Pooling of risks between employers

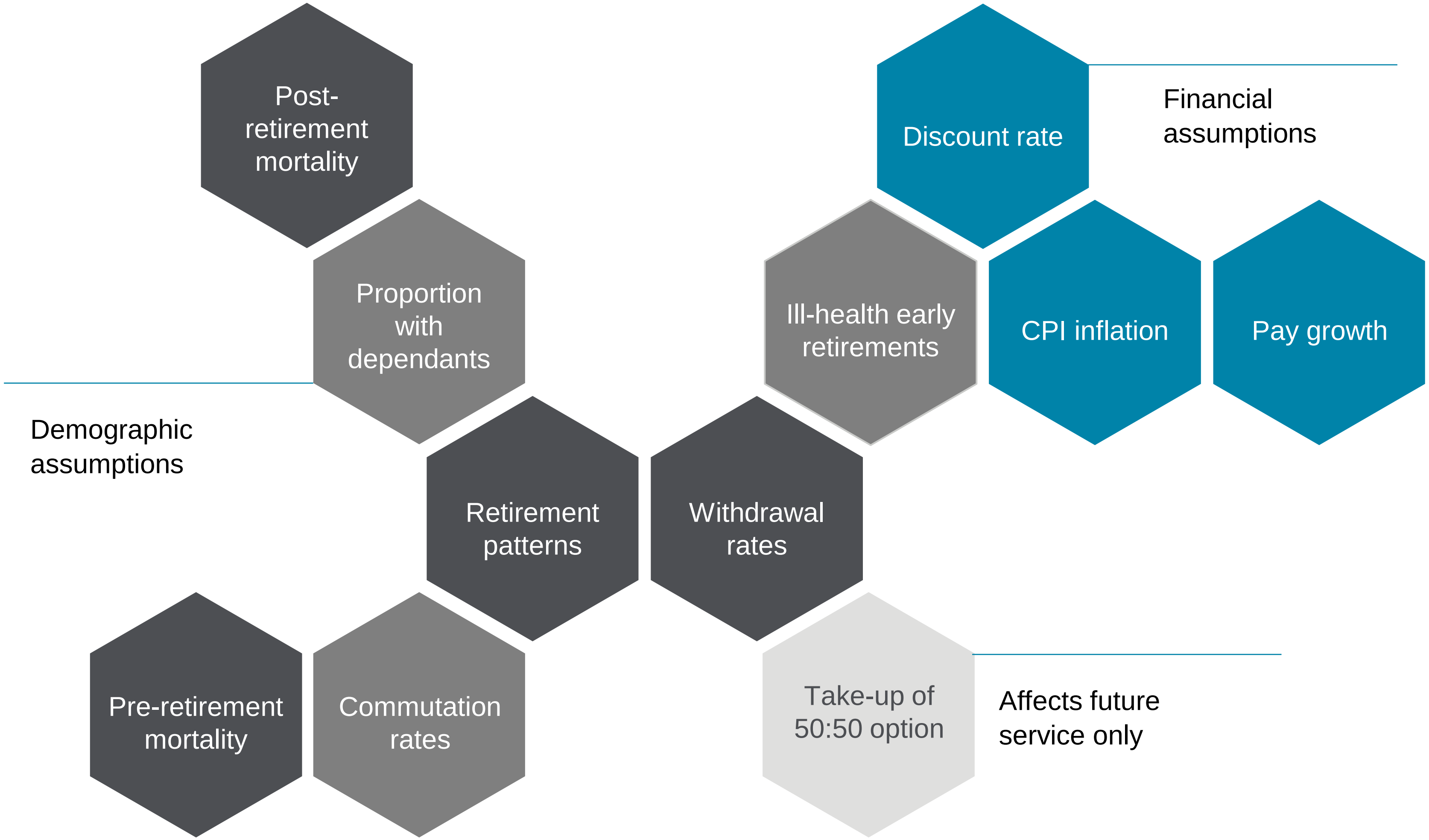
Smoothing

Stabilisation / stepping

All affect the level of employer contributions actually payable

Funding strategy varies by Fund (and employers)

Valuation of liabilities - assumptions



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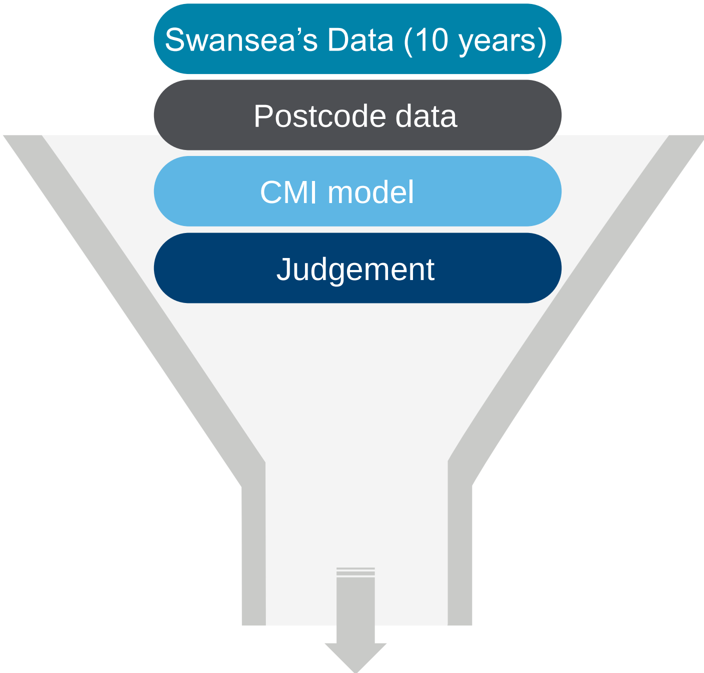
AON

Post-retirement mortality



Best estimate Fund-specific assumptions

Base mortality

Analysed using Demographic Horizons™

Combination of Swansea Pension Fund experience and postcode data

Adjustment for experience over pandemic

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Future improvements

Short-term - (CMI 2021, updated from CMI 2018) plus

Long-term – 1.5% per annum (same as 2019)

Allowance for pandemic

Life expectancy from age 65 (normal health retirements)

Years	2019*	2022 (expected)	Change
Males (active currently 45)	23.4	22.8	-0.6
Males (currently 65)	22.4	22.1	-0.3
Females (active currently 45)	25.9	25.7	-0.2
Females (currently 65)	24.4	24.6	+0.2

**Life expectancy for a member aged 45/65 at 31 March 2022 using the 2019 valuation assumptions*

Key takeaway

The overall impact on liabilities of our proposed mortality assumption changes is a liability reduction of less than 1%.

AON

Mortality

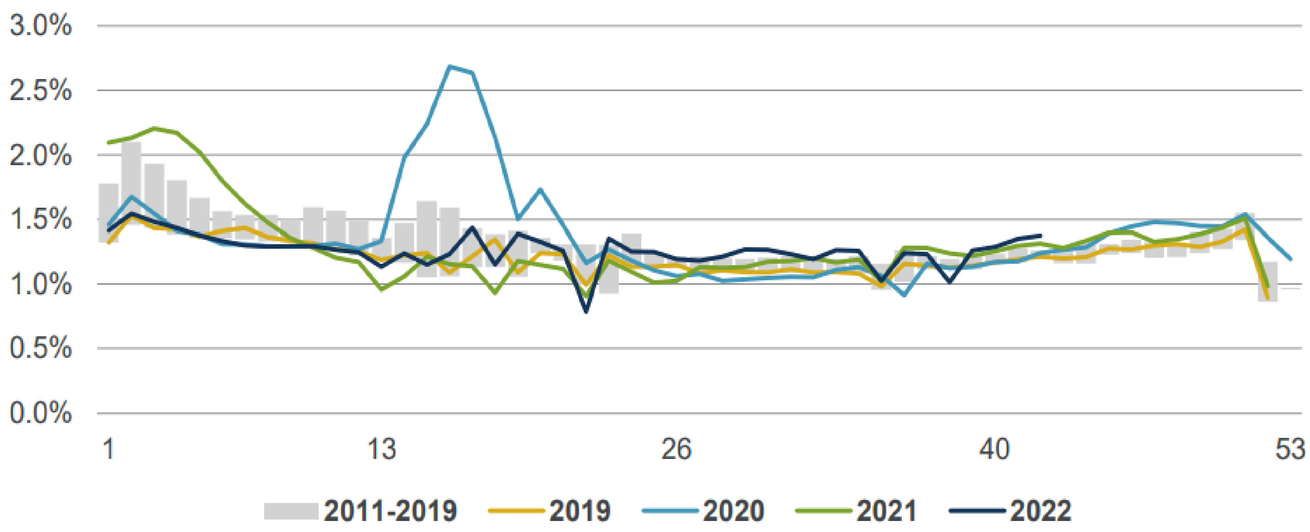
Impact of COVID-19

- CMI estimate c**127,400** excess deaths in England and Wales from the start of the pandemic to 21 October 2021

But …

- Includes periods of time with record low excess deaths (i.e. excess deaths were negative)
  - Low levels of flu have offset COVID-19 deaths (typically c15,000 flu deaths in England).

Chart 1: Weekly standardised mortality rates in England & Wales for 2011 to 2022



[Mortality summary pandemic monitor Week 42 2022 (actuaries.org.uk)]

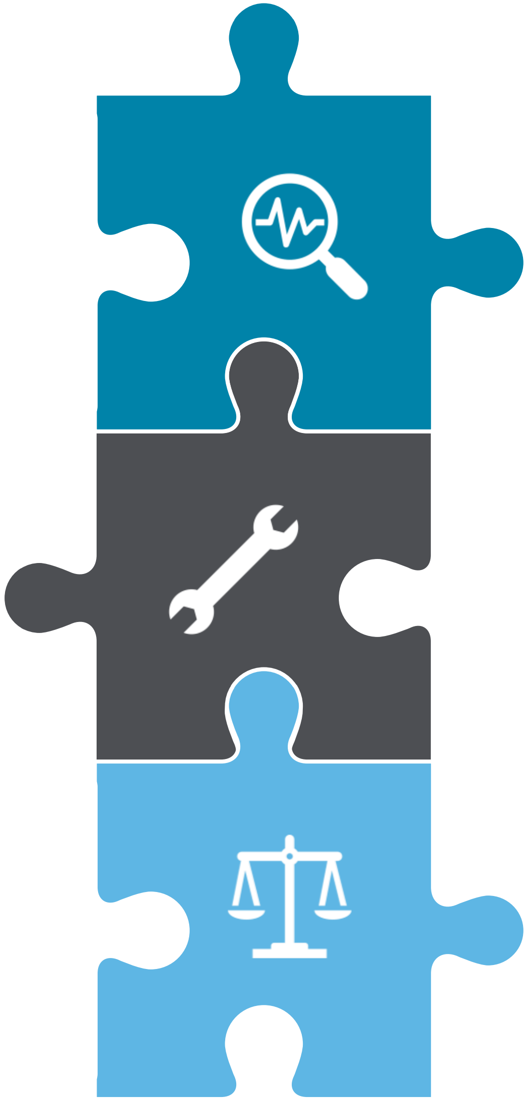
2022 valuation

We need to consider:

Swansea v UK and pension fund membership v population as a whole

The fact that our assumptions are very long-term

How we have allowed for the impact of COVID-19



Adjustment in analysis of experience

Adjusted for pattern seen over the pandemic

Considered relative levels of mortality compared to national population

Adjust scalings for future outlook

1.5 % addition to scalings from analysis

CMI Model

No weight based on 2020 and 2021 data in model

Best estimate

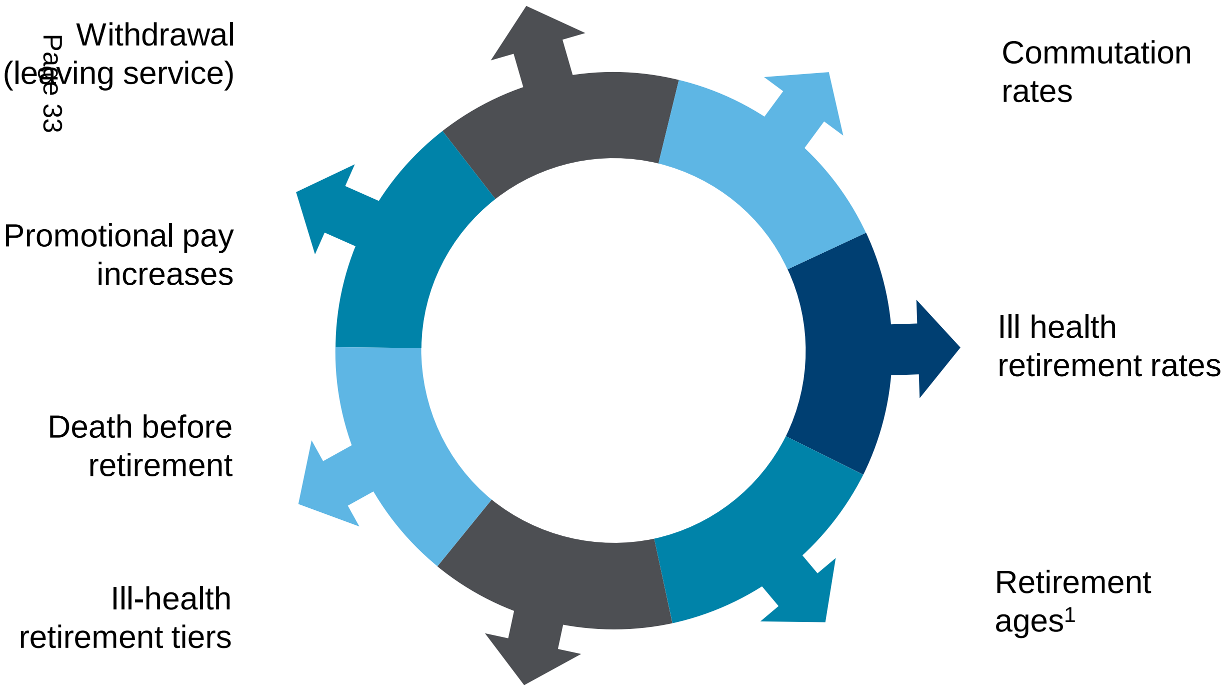
Our assumption for life expectancy should be a “best estimate” of the long term position

Setting other demographic assumptions

Demographic assumptions relate to membership movements or decisions leading to benefit payments or ending of benefit payments

We recommended these assumptions are **best estimate** and, where practical and cost effective, **informed by the experience of the Fund's membership.**

Assumptions based on experience analysis 2015 to 2021



Further information

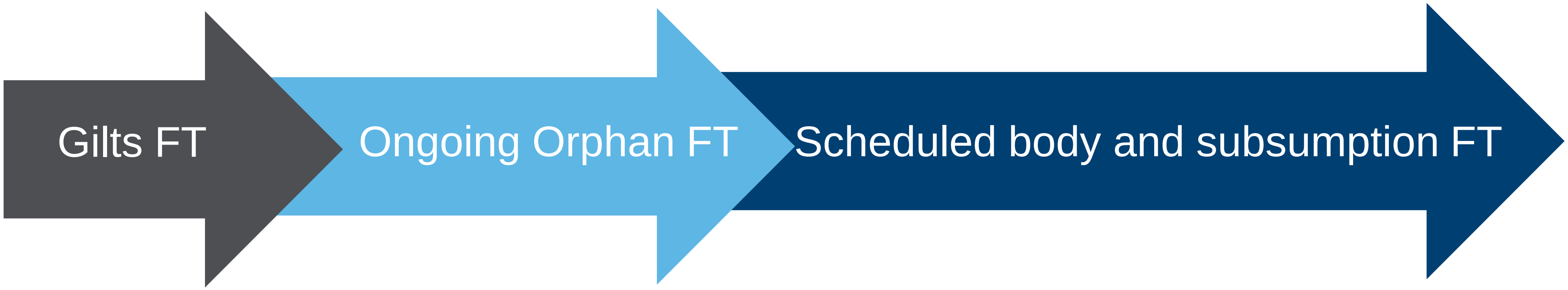
Proportions married and partner/member age differences are set based on analysis across a sample of Aon's clients whose members are of a similar socio-economic profile as LGPS members, using our Demographic Horizons™ model

[1] Retirement age assumption based on analysis of Aon's LGPS actuarial clients

Employer Funding Targets

Strength of funding target

Stronger Weaker



Orphan liabilities

Valued on gilts FT (on exit and each valuation)

Low risk approach

For closed employers with no subsumption commitment

Long term, secure employers

And those admission bodies such employers support

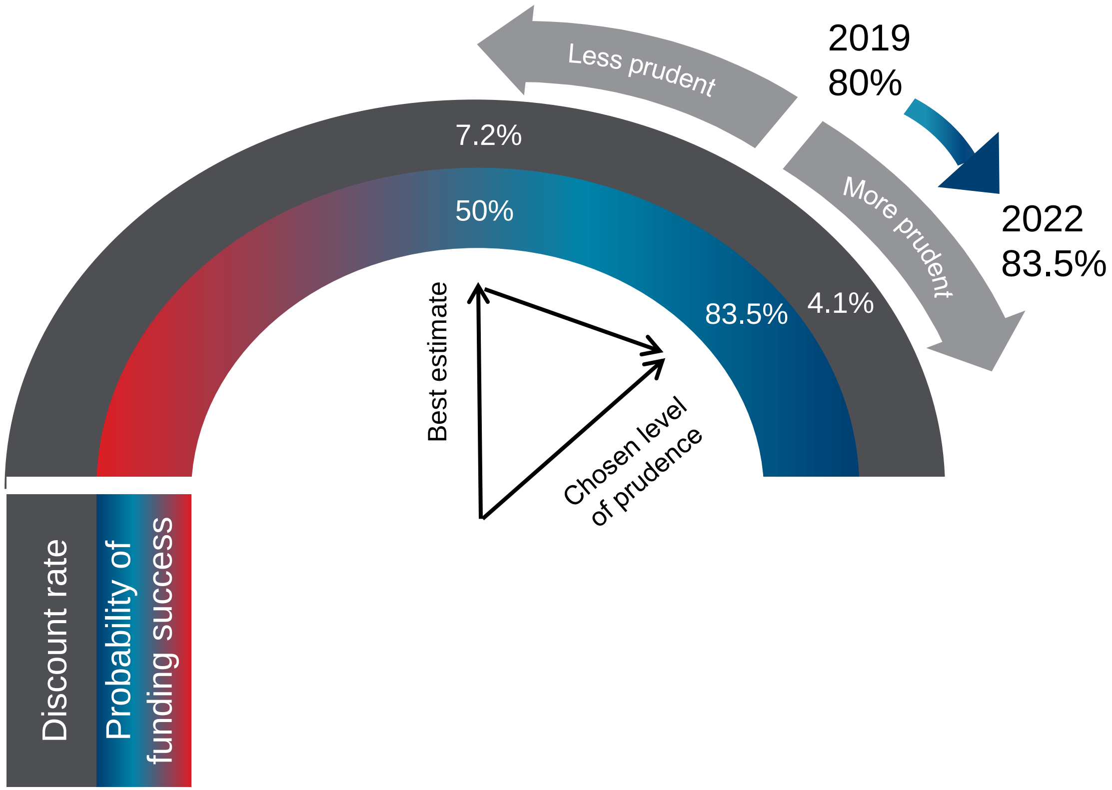
Lower risk (higher discount rate) approach

Lower liabilities and contributions

Intention of ongoing orphan target is to avoid a material deficit building up that can't be met on exit

Setting the discount rate – most employers

- Expected returns based on the Fund's investment strategy
- Risk based – level of prudence – "probability of funding success"



Sensitivity to discount rate

Discount rate	Cost now of paying £100 in 20 years' time
4.6%	£41 (c10% lower)
4.1%	£45
3.6%	£49 (c10% higher)

Supported by Aon's Capital Market Assumptions
Level of risk in strategy reduced compared to 2019 strategy (subject to Pension Fund Committee agreement)

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Summary of key financial assumptions

% p.a.	2019 assumption	Proposed 2022 assumption
Probability of Funding Success	80%	83.5%
Discount rate – scheduled / subsumption employer bodies	4.25%	4.10%
Discount rate - ongoing orphan bodies		
In service	4.25%	4.10%
Left service	1.60%	0.80%
CPI pension increases	2.10%	2.30%
Post 88 GMP pension increases (p.a.) where SPA pre 2016	1.90%	2.00%
Pay growth(2)	3.60%	3.80%
Short-term inflation loading	n/a	10%

(2) Plus an age-related promotional pay scale.

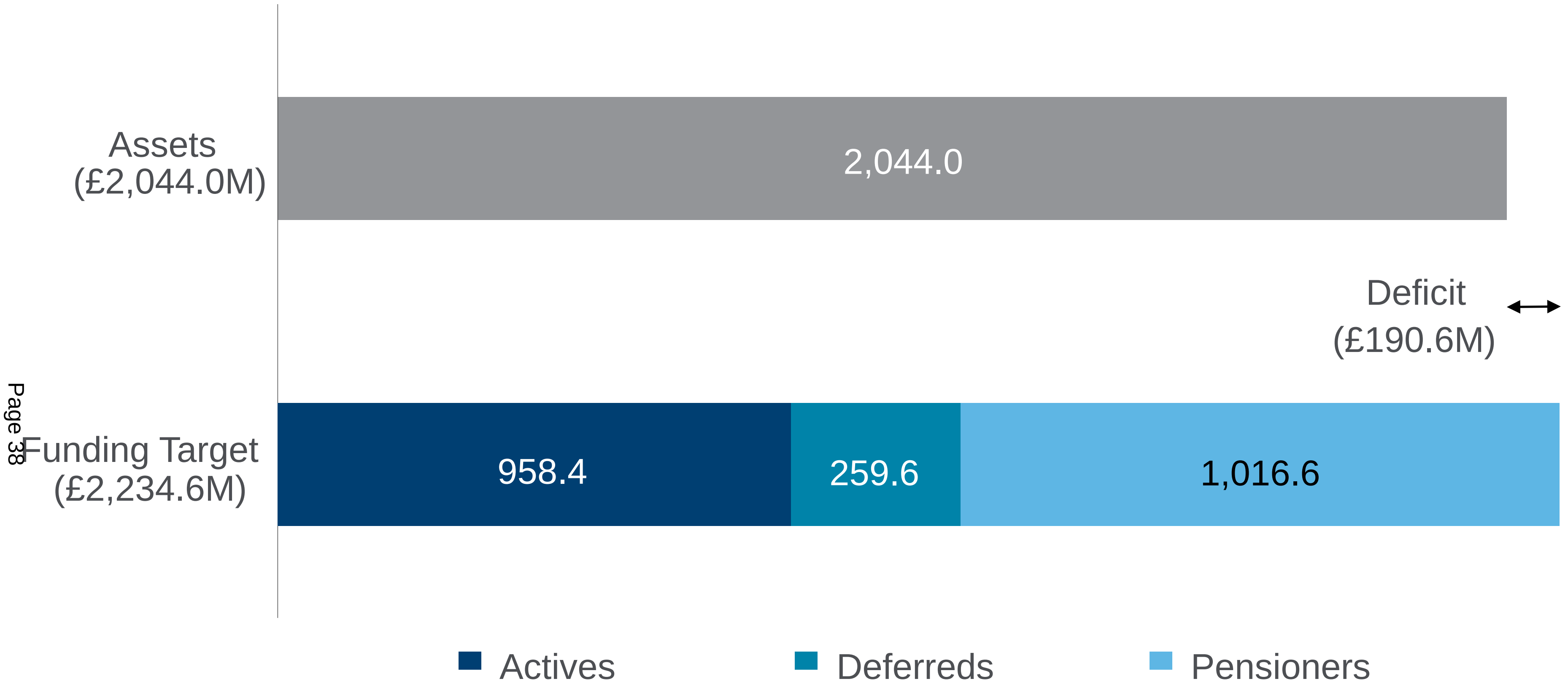
Long term (in service) discount rate slightly lower than in 2019 (reduced 0.15% p.a.)

Long term best estimate inflation assumption slightly increased (additional allowance for current high levels of inflation)

Assumptions subject to agreement by Pension Fund Committee

Part 2
Initial whole Fund 2022 results

2019 Valuation - funding position (whole Fund)



Whole of Fund funding ratio: 91.5% (Total Assets/Total Liabilities %)

Initial 2022 whole fund past service position

£M	2019 valuation	Initial 2022 valuation
Value of past service benefits for:		
Actives	958.4	1,327.5
Deferreds	259.6	336.1
Pensioners	1,016.6	1,257.8
Value of liabilities	2,234.6	2,921.4
Value of assets	2,044.0	2,924.2
Past service surplus/(deficit)	(190.6)	2.9
Funding ratio	92%	100%

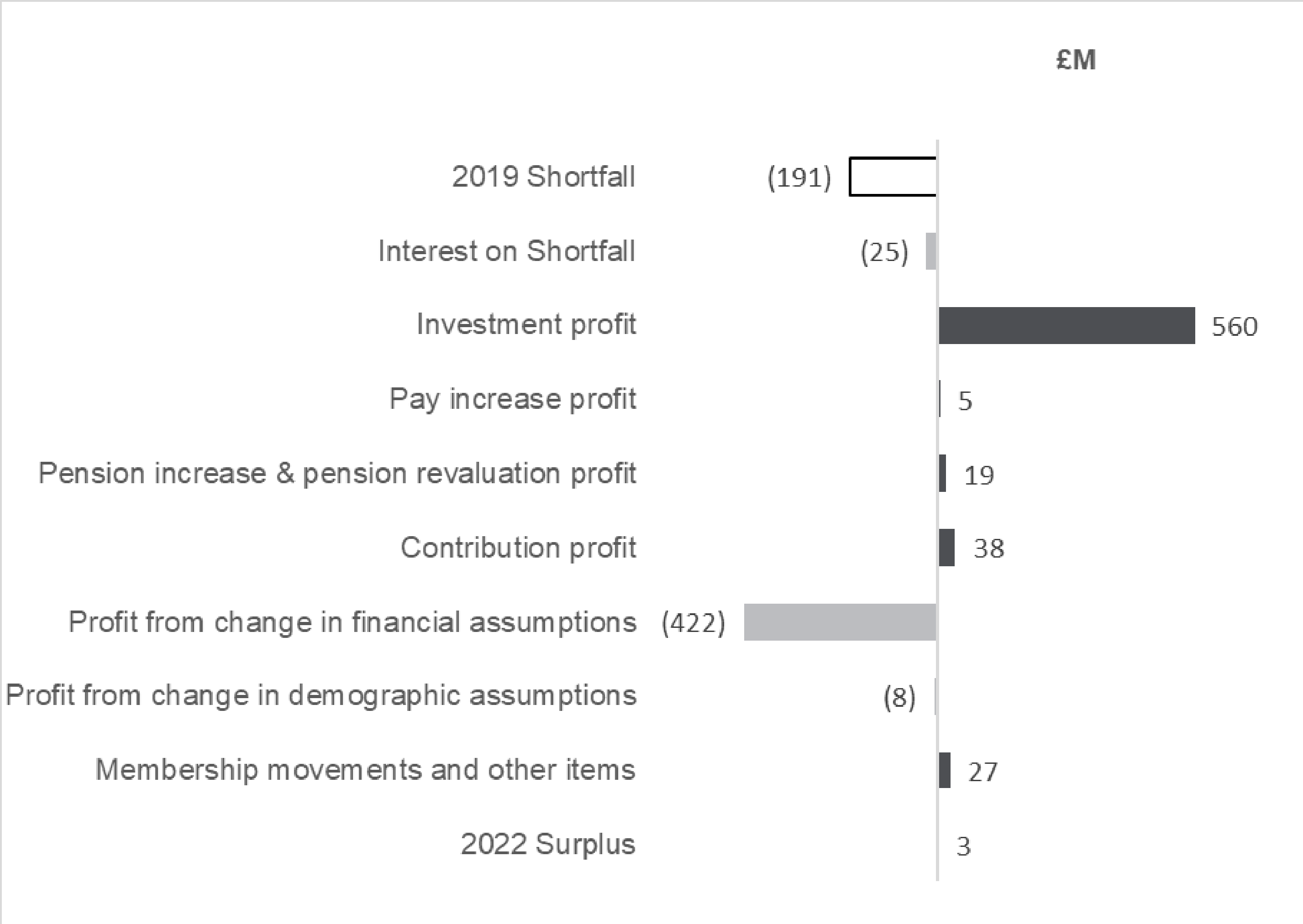
Note: The 2022 results and may change as we finalise the valuation calculations

83.5% Probability of Funding Success

Additional 10% short-term inflation allowance / risk margin in 2022 results (applying to scheduled body / subsumption funding target only)

Change in funding position (2019 to 2022)

The initial valuation result has increased from a deficit of £191M at the 2019 valuation to a surplus of c£3M at the 2022 valuation.



Investment gains partially offset by changes in financial assumptions

Initial 2022 whole fund employer contributions

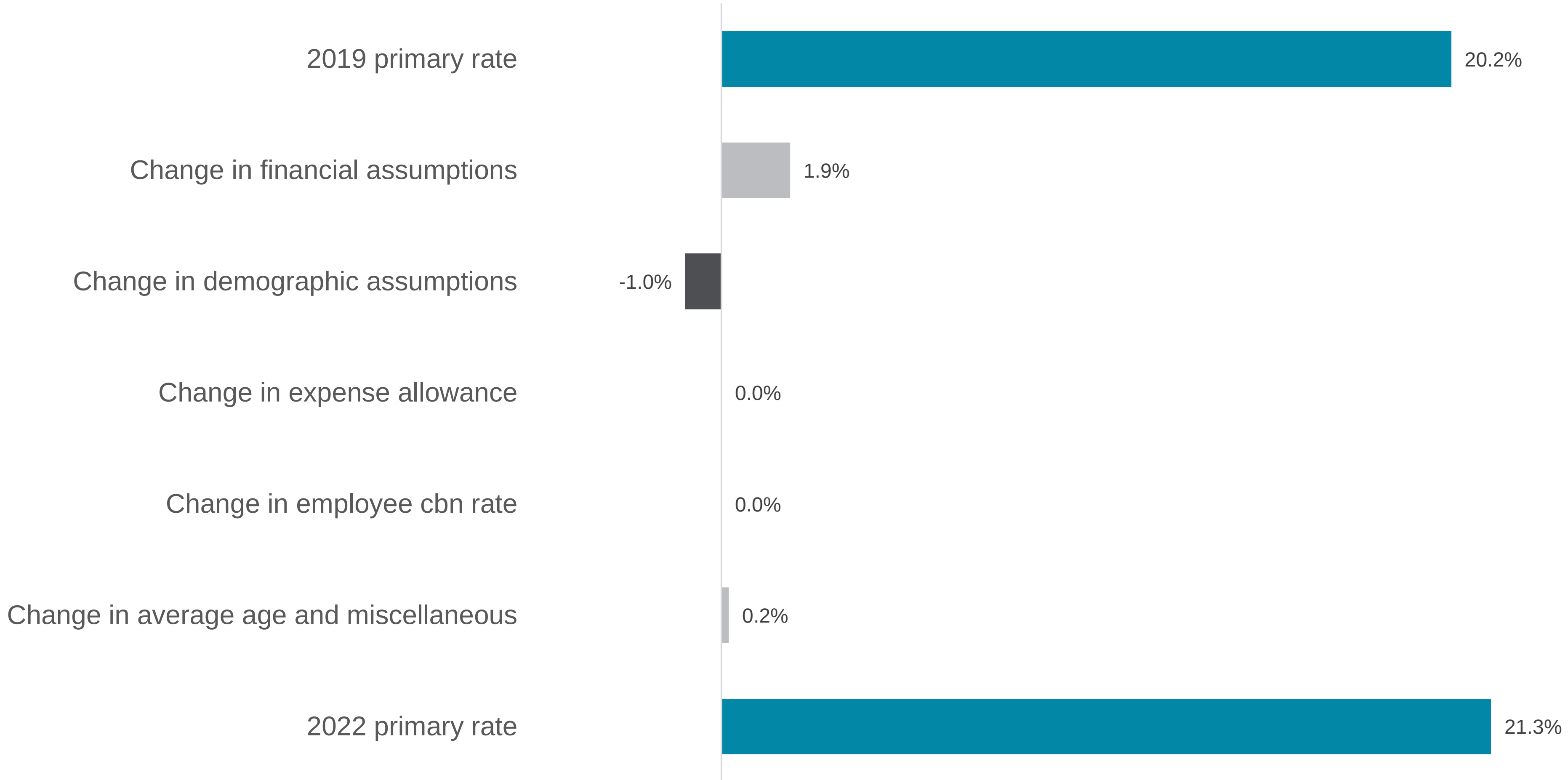
% of Pensionable Pay	2019 valuation	Proposed 2022 valuation
Value of benefits accruing	26.0%	27.1%
Expenses	0.5%	0.5%
Member contributions	(6.3%)	(6.3)%
Net employer cost (Primary Rate)	20.2%	21.3%
Surplus only recovered above	110%	110%
Past service (Secondary) contribution rate	3.3%	0.0%
Allowance for regulatory uncertainty	1.5%	n/a
Total employer rate as % Pay	25.0%	21.3%

Notes:

- *Value of benefits accruing includes value of death in service lump sum benefit.*
- *The employer rate certified in 2019 included an uplift for regulatory uncertainties (McCloud and Cost Management). In the 2022 valuation, the expected McCloud cost is included wholly within the past service liabilities because the remedy period ended on the valuation date.*
- *The 2019 valuation contribution rates were based on a 19 year deficit recovery period*

Change in future service rate (2019 to 2022)

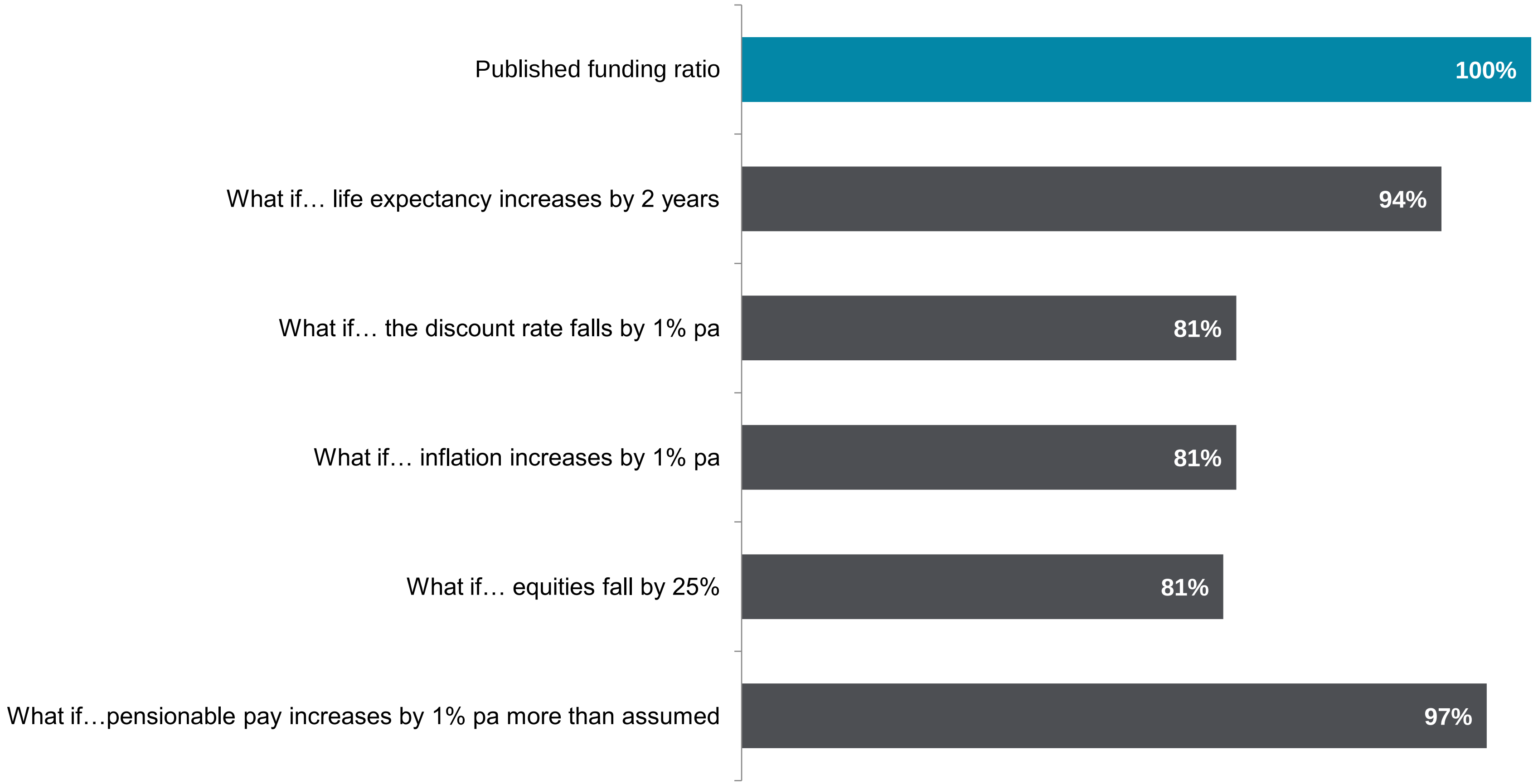
The cost of future benefits (as a percentage of Pensionable Pay) on the initial 2022 valuation result has decreased from 20.2% of pay to 21.3% of pay.



Risks and uncertainties

The Fund faces a number of key risks

The chart below shows approximate impact of changes to assumptions / fund experience



Short-term inflation uncertainty is a key consideration for the 2022 valuation

The scenarios considered are not 'worst case' scenarios, and could occur in combination (rather than in isolation)

Part 3
Expectations for employer results and contributions

McCloud/cost cap allowance within actuarial calculations

2019 valuation

1.5% allowance in contributions

Average across the Fund as a whole (minimum of cost management changes).

More information now available on the remedy
Cost cap process complete (no changes)

2022 valuation

Make approximate allowance at employer level allowing for individual employer profile

In line with guidance from DLUHC

Include allowance within past service liabilities

Cost cap timeline

Initial results

SAB process – 0.9% floor breach

HMT process – breach much higher

Process paused

Jan/Feb 2019 – due to McCloud judgement

Process restarted

July 2020 (alongside consultation on McCloud)

SAB letter to Minister

Published 7 October 2021 (dated 18 August 2021) – no recommendation to change benefits

HMT Directions

Published 7 October 2021

Judicial review?

TUs expected to challenge allocation of McCloud costs to members

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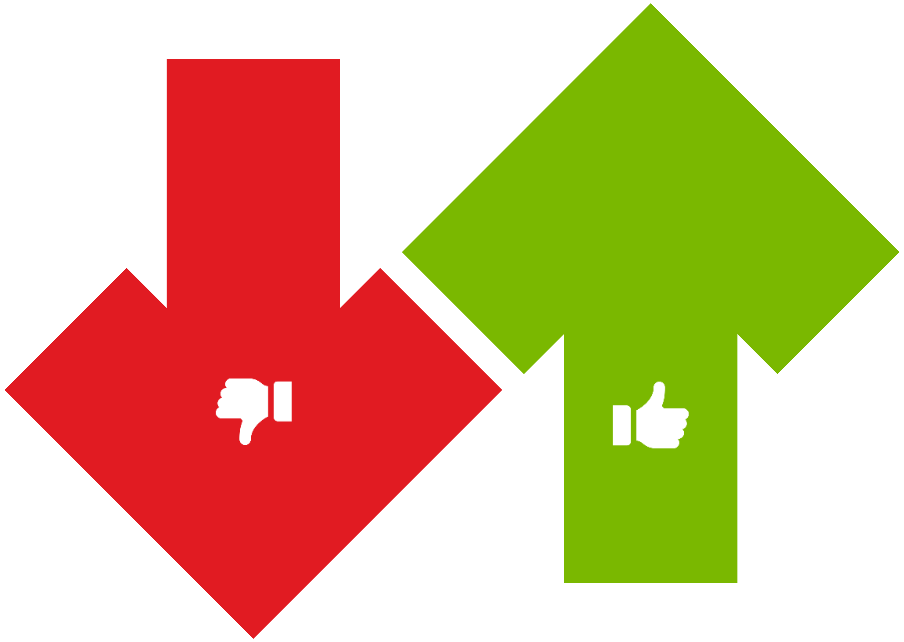
Market movements since 31 March 2022

Assets

Investment return -7%
(to 30 September)



2023 PI

Expected to be 10.1% (set based on Sept CPI increase)

Liabilities

Group net discount rate up c0.4%
(30 September 2022)

We are taking account of these factors when setting employer contributions, keeping in mind the overriding objective of stability of contributions

Funding Strategy specifics

Managing a surplus

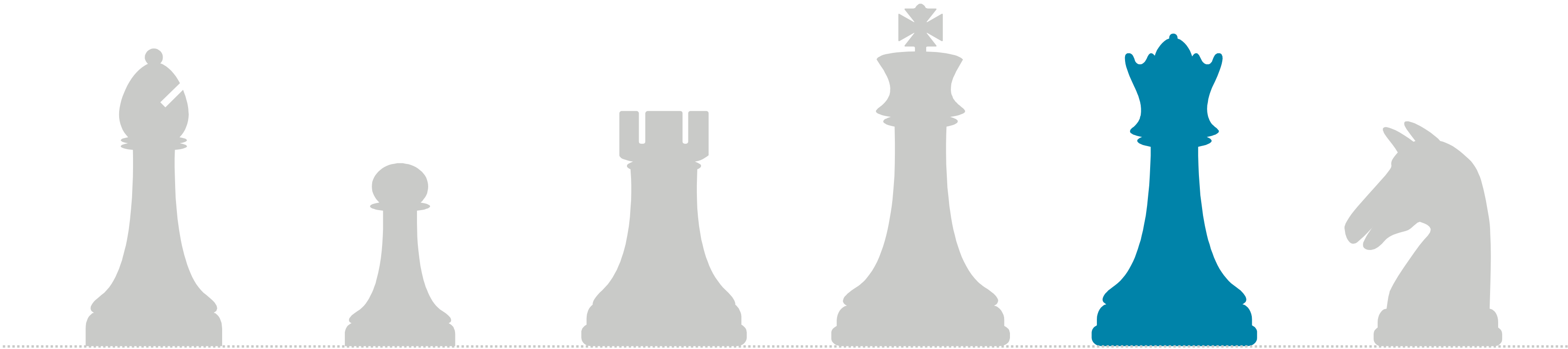
Where an employer is in surplus*, and where an employer's expected exit date is unknown or expected to be later than the date the revised rates and adjustments certificate will come into force following the next valuation, this* ***surplus will only lead to an adjustment*** *in an employer's contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities valued relative to the appropriate Funding Target (i.e.* ***to the extent that the employer's funding level is greater than 110%****).*

Grouping and pooling of risks

All employers in the Fund are grouped together in respect of the risks associated with payment of ***lump sum benefits on death in service*** *– in other words, the* ***cost of such benefits is shared across the employers*** *in the Fund….*

Funding Strategy specifics

Grouping and pooling of risks, continued

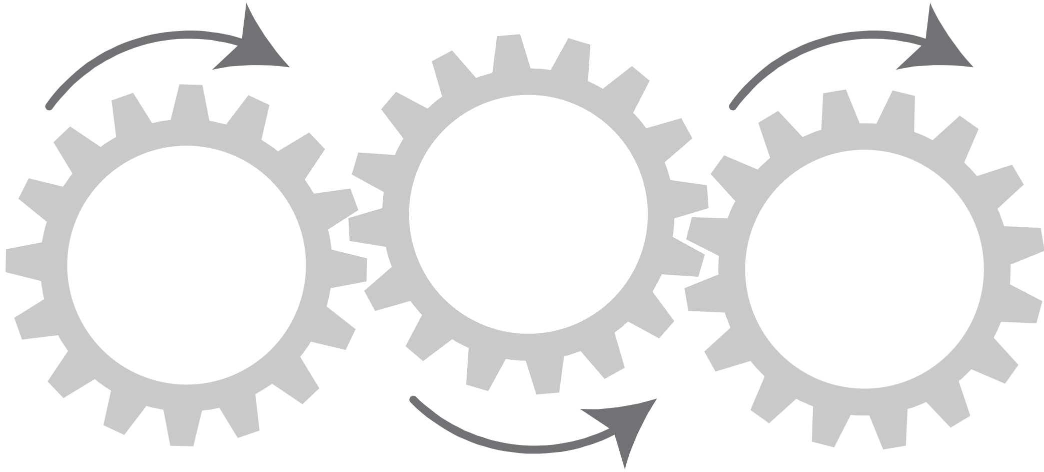


Town and Community Councils Group:

Under the pooling approach these employers will pay a ***common percentage of pay as their primary contribution rate*** *and will share experience (subject to each employer not taking action which adversely and materially, as determined by the Administering Authority, affects the group's liabilities in which case the Administering Authority may ensure that employer meets the additional liabilities it has created by such action).*

Each employer in the group will be responsible for meeting any deficit (or benefit from any surplus) allocated to the employer *i.e. this will be outside the experience sharing mechanism. Any deficit recovery plan will be based on the specific employer's circumstances.*

Outlook for scheduled and subsumption body employers



Past service position

Funding level has improved

Almost all employers now are over 100 funded so no longer need to pay deficit contributions

Surplus to be recovered over 19 years

Future service position

Future service (primary) rate has increased

McCloud now all in past service

Strategic Decisions

Short term inflation allowance

Avoid material contribution reductions given post valuation experience and ongoing McCloud uncertainty

Note

Individual employer rates apply (other than future service / primary rates for the Town and Community Councils Group) – almost all employers likely to see a reduction in contributions

Ongoing orphan employer is subject to different strategy = higher contributions

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Part 4
Summary, next steps and questions

Summary and next steps

Results

Asset returns and deficit contributions have improved the position, offset by changes in financial assumptions increasing the liabilities

Short term inflation allowed for in liabilities

Surplus recovered only where employers over 110% funded

Employer rates

All employer contributions communicated

For ongoing orphan employer these may take into account post valuation experience

Finalise rates and outputs

Aon to finalise results for all employers and sign off valuation by 31 March 2023

Swansea CC to provide individual employer schedules and agree contributions for all employers

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Any questions?

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Cyngor Abertawe
Swansea Council

Report of the Section 151 Officer

Local Pension Board – 25 November 2022

City & County of Swansea Pension Fund Annual Report & Statement of Accounts 2021/22

Purpose:	To present the annual report & statement of accounts for the City & County of Swansea Pension Fund 2021/22
Reason for Decision:	To comply with governance/reporting guidelines.
Consultation:	Legal, Finance and Access to Services.
Report Author:	J Dong
Finance Officer:	J Dong
Legal Officer:	S Williams
Access to Services Officer:	R Millar
For information	

City & County of Swansea Pension Fund Annual Report & Statement of Accounts 2021/22

1 Background

1.1 The City & County of Swansea Pension Fund has always produced separate statement of accounts and annual report in respect of the financial year in question which were subject to public audit. However in consultation with Audit Wales, it has been determined to consolidate both documents into one and streamline the production/audit process.

2 Audit

2.1 Officers were presented with a draft annual report & statement of accounts 2021/22 at Pension Committee in July 2022. The attached report at Appendix 1 is the final version, which was the subject of the ISA 260 report with audit opinion and audit findings presented by Audit Wales at this meeting.

3 Legal Implications

3.1 There are no legal implications arsing from this report.

4 Financial Implications

4.1 There are no financial implications arising from this report

5 Equality and Engagement Implications

5.1 There are no equality and engagement implications arising from this report.

Background Papers: None.

Appendices: Appendix 1 – Annual Report & Statement of Accounts 2021/22.

Introduction

The purpose of the Annual Report is to provide information for contributors and other interested parties on the management and administration of the Pension Fund during the year.

The report for 2021/22 includes the accounts for the year, an outline of the City & County of Swansea Pension Fund together with details of membership and changes to basic scheme details that have either taken place during the year or are proposed for the future. In addition, the report includes the Actuarial Statement applicable for the year and a report on Investments and Investment performance for the year.

The accounts included in the report have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The key statistics for the Fund are illustrated in the three year profile of the Fund on page 3.

Three Year Profile of Statistics of the Fund

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Income			
Contributions (Net)	99,701	102,012	107,528
Transfer Values (Net)	-	-	3,740
Expenditure			
Pensions and Benefits (Net)	82,172	84,739	89,892
Transfer Values (Net)	2,828	842	-
Other (Net)	9,808	13,577	16,670
Net new money	4,893	2,854	4,706
	£'000	**£'000**	**£'000**
Net Asset Value at 31 March	1,988,022	2,614,455	2,924,232
Number of Contributors at 31 March	20,050	20,388	21,424
Number of Pensioners at 31 March	13,610	13,864	14,294
Number of Deferred Members at 31 March	11,838	11,829	12,263

PART A

ADMINISTRATION REPORT

The Pension Fund is governed by Regulations exercised by powers conferred under the Superannuation Act 1972, and includes employees of Swansea Council, Neath Port Talbot County Borough Council and other bodies listed in Appendix 1.

Pension administration continues to adapt to the increased complexity of the Scheme, resulting from the change in the LGPS with effect from 1st April 2014, from a Final Salary scheme, to a Career Average Revalued Earnings (CARE) scheme and other overriding legislation. This report encapsulates the service delivery of the pension Fund to its members and employers.

The benefits payable and the employees' rates of contribution are set out in the Local Government Pensions Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. The rates of contribution by employing authorities are based on actuarial valuation and are set out in Part D.

The sole responsibility of the Pension Section team is that of the administration of the Fund; we are a separate entity to the Finance Department whose responsibilities include overseeing the investment portfolio of the Fund. To oversee the administration of the Fund the Section comprises of 20 full-time equivalent post holders, which includes the recently established McCloud Team and is inclusive of the Pension Manager; our work ethos has always been to review working practices with the aim of enhancing our service delivery to our members, employers and third parties.

The principal benefits provided by the Fund include:

- Retirement pensions
- Tax free lump sums on retirement
- Lump sum death benefits
- Survivors' pensions (including Children)
- Deferred benefits, refunds or transfers of pension rights
- Pensions and lump sums payable on premature retirement due to ill health and early retirement/redundancy.

The Pensioner Payroll is administered in-house by Swansea Council payroll system and pensions are paid monthly, in arrears, on the last banking day of each month.

Where applicable member pensions are subject to an annual increase under the Pensions Increase Act each April, in line with the official rate of inflation, the Consumer Price Index (CPI) as at the previous 30 September. The rate for the year ending September 2020 was 0.5% to applied from 12 April 2021 to qualifying pensions.

The benefits are statutory and are effectively guaranteed by Parliament. They do not depend on investment performance but the actuary will take account of how well the investments perform in setting the employers' contribution rate in the actuarial valuation.

The LGPS 2014 Scheme did not affect the provisions for elected member pensions in Wales as their pension arrangement continues on a career average revalued earning basis.

Membership

Membership of the Fund is largely comprised of:

- Active members - contributors who are still working and paying money into the Fund
- Deferred members – former members who have elected to retain their pension rights in the Scheme until such a time as they become payable
- Pensioner members – in receipt of their pension
- Survivor members (including children) – in receipt of a pension in respect of a former member

Membership of the Scheme is automatic and is open to all employees irrespective of the number of hours or weeks worked. Where an employee is not eligible for automatic entry under auto-enrolment legislation, they may elect to join the Scheme if they so wish. All employees also have the right to choose a personal pension as an alternative or in addition to membership of the LGPS.

Membership of the Fund continues to grow and the latest statistics at Appendix 1 show the total membership of the Fund in 2021/22.

Memberships are monitored to assess trends and events; publications and employer engagement are utilised to ensure a robust membership and working partnership.

Premature Retirement - Pension Costs

(a) Ill Health Retirement

Employers do not have to pay separately for the Pension Fund costs for ill health, as the cost is included in the employer's contribution rate as a percentage for such cases; however, the actuarial costs of ill health retirees from current service are calculated for reporting purposes and for the past two years this was:

	2020/21		**2021/22**	
Ill-Health Retirement	**No. of Cases**	**Cost £**	**No. of Cases**	**Cost £**
City & County of Swansea	29	3,176,186	25	1,575,980
Neath Port Talbot CBC	11	818,680	27	1,474,190
Tai Tarian	2	77,303	4	113,825
Gower College	1	124,111	2	54,352
POBL Group	2	20,169	2	9,996
University of Wales TSD	1	90,030	1	179,319
NPTC Group	-	-	1	73,852
The Wallich	2	63,791	-	-
Total	**48**	**4,370,270**	**62**	**3,481,514**

(b) Early Retirement

Employers are required to take immediate account of the costs of the financial strain on the Pension Fund where they grant early retirement. The actuarial costs of early retirements for the past two years are as follows:

Early Access to Pension				
Employing Body	**2020/21**		**2021/22**	
	No. of Cases	**Cost £**	**No. of Cases**	**Cost £**
City & County of Swansea	33	555,607	12	595,154
Neath Port Talbot CBC	45	492,104	8	180,139
Gower College	4	79,187	1	4,537
Total	**82**	**1,126,898**	**21**	**779,830**

Administration

COVID-19 Update

The coronavirus pandemic continues to affect the visible operation of the Section and how processes and member engagement is addressed. Staff members continue to adapt to homeworking to ensure the continuance of a full service-delivery. To ensure that communication channels between the section and its employers, members and third parties has been maintained office attendance has continued on a weekly rota 5 days a week to oversee the printing requirement of member documentation, incoming and outgoing mail. The addition of Cisco Jabber (telephone software) to the laptops has allowed all staff members to make and receive telephone calls, which has proved to be an important improvement concerning member engagement as previously this was limited to three staff member who were in receipt of Swansea Council issue mobile phones. Staff meetings and training sessions have continued via virtual methods. Modification to procedures such as accepting electronic documentation via Member Self Service (MSS) have contributed to ensuring a business as usual approach and avoiding any unnecessary delays in processing benefits.

All pension administration staff are trained in their area of work and have to successfully complete a training matrix, which for a full-time staff member is 12-months before they begin to work independently. Work is recorded on the pension administration software using task management and workflows, which outline the process to be followed and contain checklist items. All work, which results in a payment, is peer checked and approved before advancing to the payment stage. The operational staff undertake regular training to ensure their knowledge, understanding of the LGPS is up-to-date, and the Local Government Authority are regularly reviewing and presenting on-line training events. All staff are encouraged to appraise their own self-development with an aim of future progression. Training needs are monitored via the annual appraisal process and monthly 1:2:1 meetings, a number of staff have already completed a professional qualification in Pension Administration and Management.

The continuance of the project to scan hardcopy member records continues and it is anticipated that the project will conclude late 2022; the administration of the Fund will be that of a paperless operation.

IT systems

The Pension Section administers the LGPS through the pension administration system *altair*, a system which is subject to regular updates to ensure compatibility with published Regulations / Legislation and the needs of the service delivery. This also includes document imaging and workflow procedures. All member documentation is scanned and indexed to the appropriate member record with appropriate process checks to ensure accuracy.

i-Connect has been in use for several years with 90.86% of the Fund's active membership now fully implemented.

The Pension Regulator continues to push towards full electronic data submissions from all employers. The Fund has been proactive and signed up to the new i-Connect commercial model and invests/promotes the use of an electronic interface to our employers. The interface allows for the transfer of membership data from employers' payroll systems to the pension administration system. This benefits both Fund and employer as it enables clean data to be submitted in a timely manner thus improving the year-end submission and ensuring compliance with the requirements of LGPS 2014 and the Pensions Regulator's Code of Practice for accurate record keeping. Smaller employers are being encouraged to use the on-line returns facility; unfortunately, due to the pandemic progress has come to a halt. We are hoping to engage with these employers to support the transition in the very near future.

The Pension Fund continues to monitor its website www.swanseapensionfund.org.uk to ensure that information available to active, deferred and pensioner members is accurate and informative and adheres to national standards concerning accessibility.

Along with the availability to view published policies, strategies, and statements, members are able to download forms and scheme literature. Scheme employers have been issued with login details to access the employer only site. Latest news bulletins are available to view.

'My Pension Online' the on-line digital service has recently been subject to an upgrade; member access is now more user friendly. Members are able to view their member record, documentation and to undertake basic amendments such as change of address, death grant nomination and the calculation of retirement estimates. The Pension Section is actively promoting the service and registration instructions are included within member communications. We regularly review how many of our members are registered and aim to undertake further promotional communications in the very near future. As a Fund our aim is to reduce our carbon footprint.

Percentage of members already registered for My Pension Online based on membership status:

	Active	Pensioners	Deferred pensioner members
May 2021	45%	17%	30%

In partnership with Heywood Pension Technologies, (formally Aquila Heywood Limited) the Fund continues to carry-out its activities via a Cloud Hosting Service; to-date no major incidents have occurred which warranted any downtime to the service delivery of the Fund. The Cloud Hosting Service is a highly secure, virtualised service offering a logically separated and ring-fenced server resource, which embrace significant benefits as a 'one-stop-shop'. Heywood Pension Technologies are forward thinking concerning cyber security threats and have published a Cyber Security Policy, which provides evidence and peace of mind regarding the comprehensive safeguards in operation to ensure strict protections are in place relating to member data. Additional benefits include a full disaster recovery plan, reduction to the ongoing cost of software and licence updates, network and system monitoring, data back-up/restore and is fully GDPR compliant.

Managing Performance

The Fund uses several performance standards to assess whether it is meeting its statutory requirements. The Pension Fund is dedicated to improving its service delivery to its customers and reviews current measures in place to ensure full compliance with the published Pension Administration Strategy by monitoring performance on an ad-hoc / annual basis to identify any areas where improvements can be made.

The Fund aims to put our members at the centre of everything that we do; expectations are met by:

- Providing a high quality, professional, customer focused service to all members and Fund employers using appropriate technology in a cost effective and resourceful manner
- Be accessible, fair and helpful and treat everyone equally and courteously
- Communicate effectively where possible, using easy to understand language
- Be accountable by monitoring the quality of service and reporting on whether the standards have been achieved and regularly review the target times
- Consult members and fund employers wherever possible taking into account their views before making any changes
- Ensuring GDPR compliant at all times
- Ensuring we review all complaints, compliments, disputes and all other feedback to ensure any learning points are identified

and uses a number of channels to achieve these objectives:

- A Pension Administration Strategy has been prepared in accordance with the LGPS regulations. The purpose of the Strategy is to formulate administrative arrangements between the City and County of Swansea Pension Fund and its participating employers to ensure that each employer is fully aware of its role and responsibilities and that the flow of data is improved by having clear communication in place.

  To complement the Strategy, a Customer Charter has also been produced which gives information about the level of service the Fund aims to provide.

  The documents are subject to review and are available on the Fund's website.

- The Fund has regularly published its own performance indicators. The standards are detailed in Appendix 6.

  Where an area of poor performance has been identified, the Pension Section will review the reasons for poor performance and put in place appropriate processes to improve the level of service delivery in the future.

The Section continues to communicate on a month-by-month basis with the employers highlighting the importance of providing retirement and early leaver data in a timely manner. The Fund is working closely with the Fund's largest employers to ensure this; this is also addressed during the Employer's Annual Meeting.

- The Fund participates in the National Fraud Initiative, a data matching exercise to detect and prevent fraud and overpayments across England and Wales. The initiative is organised by the Audit Commission who require the provision of details of pensioners to compare against data provided by other public bodies to ensure:
  - Pensions are not paid to persons who are deceased or no longer entitled to them
  - Occupational pension income is declared when any benefit (e.g. council tax or housing benefit) is applied for
  - The best use of public funds

- In readiness of the implementation of the DWP Pension Dashboard, the Fund has recently worked in collaboration with Target Professional Services to undertake an address tracing and mortality screening exercise to improve address quality and identify potential mortality cases across the deferred and pensioner memberships in the UK. The Fund works in partnership with Western Union to undertake an annual pensioner member continued eligibility check for overseas pensioner members. If a member fails to comply with the instruction given the pension in payment is suspended pending proof of member continued eligibility.

- In conjunction with LGPS Funds in England and Wales the City and County of Swansea Pension Fund participates in the LGPS National Insurance (NI) Database ('the database'). The database has been developed to allow LGPS Administering Authorities to share data to prevent the duplication payments of death grants and to observe member status held with other Funds.

Compliment and Complaints Policy

In accordance with our Communications Policy Statement the aim of the Pension Fund is to provide a high quality cost effective service delivery to all our customers, this applies to prospective, active, deferred and pensioner members along with fund employers and external bodies. We are happy to receive any feedback from our customers whether negative or positive. If, however, an individual feels that the Section has failed to honour its commitment to provide appropriate customer service upon receipt of any negative feedback a review of concerns presented is undertaken.

Based on member feedback concerning the service delivery received from the Pension Fund as a percentage for the period 01/04/2021 – 31/03/2022 is as follows:

Compliments	98%
Complaints	2%

The complaints received during the period 2021/22 did not advance to the Internal Dispute Resolution Process stage and was dealt with proficiently in-house.

Customer service satisfaction survey

With the aim of embracing transparency, the Fund engaged with its employers and members to ascertain whether they deem that the service delivery received from the Fund was that of a positive experience and met with expectations? Employers have been informed that any feedback given would be treated anonymously. Members have been asked to evaluate the overall customer service experience received. The objective of the annual exercise is to evaluate the feedback received from both employers and members to ensure this is consistent with the aims and objectives set out within the Fund's Communication Policy Statement. The results of the survey have been collated and are as follows:

Employing authorities were asked do you agree that the City & County of Swansea Pension Fund…

	Strongly Disagree	Disagree	Agree	Strongly Agree
…offers documentation, guidance and information in a professional manner?	-	-	54%	46%
…is proactive in their approach to provide a service to its employers?	-	-	62%	38%
…gives an appropriately timed service with regular updates?	-	-	69%	31%
…is customer focused and meets the needs of its employers?	-	7.7%	61.5%	30.80%
… has provided a high quality service to you in your role as employer?	-	-	62%	38%
… ensures you are aware of your LGPS employer related roles and responsibilities for the administration of the City & County of Swansea Pension Fund?	-	-	69%	31%
… communicates in a clear and concise manner?	-	-	62%	38%
… uses the most appropriate means of communication?	-	-	54%	46%

Comments made by employing authorities include:

- Dealing with repeated requests for PR's that have already been sent and received by Pensions, is very time consuming for the Payroll Team
- Excellent service provided!
- Sometimes we get lists of employees that have left with missing PR's but the PR'S have been done and sent, it takes some time to go through this list and re send the information and it would be better if the list could be checked in pensions before the request is made to payroll.
- We as a Council have always had an excellent service and communications with all dealings with the City & County of Swansea Pensions Department

Pension members where asked do you agree that the City & County of Swansea Pension Fund…

		Strongly Disagree	Disagree	Agree	Strongly Agree
Administration	…offers documentation, guidance and information in a professional manner?	2%	5%	73%	20%
	…is proactive in their approach to provide a service to members?	2.3%	9%	68.2%	20.5%
	…gives an appropriately timed service with regular updates?	7%	9%	66%	18%
	…is customer focused and meets the needs of its members? *only 44 responses	2%	9%	70%	19%
	… has provided a high quality service throughout your membership?	2.38%	7.14%	71.43%	19.05%
Communications	… promotes the scheme as valuable and provides sufficient information so you can make informed decisions about your pension?	2%	7%	72%	19%
	… communicates in a clear and concise manner?	2%	7%	68%	23%
	… uses the most appropriate means of communication?	2%	5%	73%	20%

	Didn't Say	Active	Deferred	Pensioner
Please tick your membership status	4.55%	22.73%	18.18%	54.54%

Internal Dispute Resolution Process

If there is a complaint or dispute against either the Fund or a decision made by an employer concerning a matter relating to the LGPS, there is a provision for its resolution known as the Internal Dispute Resolution Process (IDRP). The disputes process follows a set procedure.

Individual employers consider Stage 1 appeals if the dispute is against decisions made by them, or by the Administering Authority if the dispute is against a Pension Fund decision. Where the appellant remains dissatisfied with the outcome of Stage 1, they may refer the complaint to the Administering Authority for reconsideration under Stage 2 of the appeal process. The Administering Authority has appointed two independent officers to hear applicable Stage 1 and all Stage 2 appeals.

Should the appellant remain dissatisfied after the Stage 2 outcome, they may refer the complaint or dispute to the Pensions Ombudsman for determination.

An analysis of the dispute cases raised during the year to 31 March 2022 is as follows:

Stage	**No. of Appeals**	**Appeals upheld**
Stage 1	2	0
Stage 2	2	0
Referred to Pensions Ombudsman	2	Ongoing

Please note that the two Stage 1 appeals progressed to stage 2 and furthermore to the Pension Ombudsman for independent adjudication. A complaint submitted to the Pension Ombudsman in 2019/2020 by a pensioner member is still outstanding and we are awaiting receipt of the adjudicator's opinion.

Communications

The Fund is required to have a formal Communications Policy Statement under the regulations, which sets out the mechanisms used to meet its communication needs (see Appendix 10).

During 2021/22, the Fund member engagement focussed primarily on Covid-19 related activity. The Section updated the Business Continuity plan to provide assurances on the continued service levels.

With the digital world constantly evolving the Fund continues to review the way in which it engages/communicates with its stakeholders in order to meet both member and employer expectations. The Fund continues to keep employers and members updated with the latest changes affecting the scheme, options to increase pension entitlements, Annual and Lifetime Allowance pension tax implications and any other legislative changes. The key activity being:

- Member roadshows have been temporarily suspended due to the pandemic
- Attending member pre-retirement courses by virtual means

- Distribution of Annual Benefit Statements to both active and deferred members

- Newsletters sent to both Active members and Pensioner members

- Annual consultative meetings to discuss the Fund’s Annual Report and Accounts and to communicate strategic issues and significant legislative changes to operational staff by virtual means

- Training for and meetings with operational staff and employers with regard to the changes impacting on the LGPS by virtual means

- Continuing collaboration with the other Welsh Pension Funds to produce key communication material, thereby sharing expertise and costs

- The Fund’s website (www.swanseapensionfund.org.uk), which covers all aspects of the LGPS for its active members, councillor members, deferred members, pensioners and their dependants as well as an ‘Investment and Fund’ section which provides details of the governance of the Fund.

  The website provides members with access to pension forms and online literature, which assists with the reduction to the Fund’s carbon footprint by reducing printing and postage costs. Members also have access to the Additional Pension Contribution (APC’s) calculator if a member is considering increasing their benefits or buying pack lost pension. There is a suite of short videos on the LGPS, taxation matters and benefits of scheme membership.

  The website also includes a dedicated employer section that contains all information, including standard forms, which an employer needs to administer the LGPS.

Data quality

Data quality requirements are rooted in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations in 2014. The Pension Regulator (TPR) requires the City and County of Swansea Pension Fund to monitor and improve member data held. The Fund undertakes a review of the quality of data held on an annual basis to ensure data is present and accurate and provides TPR with the results of the data score based on members common and specific data. The scores are presented as a membership percentage.

Confirmation of the results are below broken down into the following two data categories:

- **Common Data** – basic data items used to identify scheme members
- **Scheme Specific Data (formerly Conditional Data)** – key data to running the Scheme and meeting legal obligations

Date data quality check undertaken	Data Area	Data Score	AIM
June 2018	Common Data	94.40%	100%
	Scheme Specific Data	72.10%	100%
June 2019	Common Data	97.10%	100%
	Scheme Specific Data	88.10%	100%
June 2020	Common Data	97.1%	100%
	Scheme Specific Data	89.1%	100%
June 2021	Common Data	99.6%	100%
	Scheme Specific Data	97.4%	100%

McCloud Judgement

The coalition government called for savings to the costs incurred by taxpayers concerning public sector pensions. Lord Hutton was commissioned to undertake an investigation into the sustainability of such costs, which led to The Independent Public Services Commission report being published, and the dawn of a new public sector Career Average Revaluation Earnings pension scheme being unveiled. The directive for the change was date effective 01/04/2014 in the LGPS in England and Wales and other public sector pension schemes from 01/04/2015.

When the Government reformed the LGPS members in England and Wales were automatically moved into the CARE scheme and an underpin protection was introduced to provide assurances that the retirement benefits payable within the CARE scheme equalled the benefits that the member would have received had they remained in the final salary scheme. The underpin protection applied to members who were in active membership on 31/03/2012 and transitioned into the new scheme on 01/04/2014. The protection applied to a certain group of members; those who were within 10-years of their 2008 normal pension age or aged at least 55-years on 31/03/2012 with no disqualifying break of more than 5-years in public sector membership. Members of the Judges and Firefighters Pension Schemes appealed to the Court of Appeal, as the perception was that younger members of the Pension Schemes had been discriminated against. The Courts found in favour of the complaintive, ruling that the underpin protection was indeed unlawful age discrimination.

On 16 July 2020 MHCLG published a consultation on proposals to introduce a remedy to the existing underpin protection in the LGPS in England and Wales; which when applied would lead to possible retrospective changes to member benefits who are within scope of the remedy.

The revised underpin will apply to current active members within scope and extend to qualifying members who were active members of the 2008 LGPS on 31/03/2012 and 31/03/2014 and transitioned to CARE on 01/04/2014. This encompasses pensioner, deferred members and those members whose member status is that of exit liability as they have transferred benefits out to an alternative pension arrangement. The remedy will also apply to death in service and survivor benefits. The remedy will be in place up to and including 31/03/2022 and apply to those members within scope.

A team of five experienced Pension personnel were seconded to the McCloud Team early 2021; the prime purpose of which is to oversee the application of the McCloud remedy to member benefits. In readiness of the application of the McCloud remedy, there has been considerable employer engagement whilst undertaking an in-depth data cleansing exercise to ensure the accuracy of all part-time hours and service breaks recorded on member records.

Audit of Fund

To ensure efficiencies are met the Fund is subject to both internal and external audit of its practices and internal controls on a regular basis. Full compliance is essential in response to reasonable requests. Recommendations presented are considered and actioned accordingly. Alternative means of gathering evidence of the efficiencies of the administration management includes:

Pension Committee Reporting
Reporting of breaches policy
The Pension Regulators annual scheme return.

The Pensions Regulator Code of Practice

The Fund complies with the Pensions Regulator Public Service Code of Practice (Governance and Administration of the Public Service Pension Schemes) which came into force with effect from 1st April 2015. The code is currently subject to review however, its main ethos is to provide LGPS Funds with a summary of their key governance and administration duties and the standards of conduct, record keeping and practice expected by the Pensions Regulator.

Legislative Changes in the LGPS during 2021/22

19 March 2021 – **Correction Slip 1 The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021** – prepared by the Lords Commissioners

of Her Majesty's Treasury Laid before Parliament 25th February 2021 and came into force 19th March 2021. The Regulations revoked the previously published Restriction of Public Sector Exit Payments Regulations 2020(2)

April 2021 – **The Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2021** – prepared by the Department for Work and Pensions and laid before Parliament on 04 March 2021 and come into force on 01 April 202 and confirm what the increased rates that will apply for the next three years. These Regulations give effect to a new structure and to new rates that will be used to calculate the General Levy ("the levy") payable by occupational pension schemes and personal pension schemes.

April 2021 – **The Accounts and Audit (Coronavirus)(Amendment) Regulations 21** – prepared by the Ministry of Housing, Communities and Local Government and laid before Parliament by Command of Her Majesty. This instrument amends the Accounts and Audit Regulations 2015 (S.I 2015/234) ("the 2015 Regulations") by delaying the dates for certain public and local bodies to publish, and make available for inspection, their annual accounts and supporting documents. These Regulations apply only in relation to annual accounts relating to the 2020/21 and 2021/22 financial years.

April 2021 – **The Pensions Increase Review Order 2021** in accordance with the Pension Increase (Review) Order 2021 - This Order Laid before Parliament on 11 March 2021 came into force 12 April 2021 and makes provision for the annual increase of official pensions (as defined in the Pensions (Increase) Act 1971). The Order provides for an increase of 0.5 per cent from 12 April 2021 for all official pensions, except for those, which have been in payment for less than a year, which will receive a pro-rata increase.

April 2021 - **THE PUBLIC SERVICE PENSIONS REVALUATION ORDER 2021 –** prepared by HM Treasury and laid before the House of Commons on 11 March 2021 by Command of Her Majesty. This Order specifies the annual percentage change in prices, and earnings, to be applied for the purposes of revaluation required by schemes under the Public Service Pensions Act 2013 ("the Act") in relation to the period 1 April to 31 March and applies to Career Average Revalued Earnings Schemes. . The prices metric that was used for revaluation from April 2020 to 31 March 2021 inclusive is the September 2020 CPI figure, which represents an increase of 0.5%. CPI is the Government's preferred measure of change in prices for the indexation of public service pensions in payment and deferment.

April 2021 **- LGPS Additional Pension purchase limit applicable for 2021/22 in England and Wales -** Regulations 16(6) and 31(2) of the LGPS Regulations 2013 state that the additional pension limit is increased on the 1 April each year as if it were a pension beginning on 1 April 2013 to which the Pensions (Increase) Act 1971 applied. The pensions increase due on the 1 April 2021 is the increase that applied on 06 April 2020 (as the 2021 increase does not take effect until 12 April 2021). The additional pension limit of £7,194 that applied in 2020/21 is increased by 1.7% to £7,316 from the 1 April 2021.

06 April 2021 - **THE AUTOMATIC ENROLMENT (EARNINGS TRIGGER AND QUALIFYING EARNINGS BAND) ORDER 2021** prepared by the Department for Work and Pensions and laid before Parliament by Command of Her Majesty. This sets out revised amounts for the 2021/22 tax year for the upper and lower thresholds of the automatic enrolment qualifying earnings band, and rounded figures for the earnings trigger and qualifying earnings band. It has been concluded that the amounts for the qualifying earnings band should continue to be aligned with the National Insurance Contributions Lower and Upper Earnings Limits for the tax year 2020/21 and that the automatic enrolment earnings trigger should remain at £10,000.

06 April 2021 - **THE SOCIAL SECURITY (CONTRIBUTIONS) (RATES, LIMITS AND THRESHOLDS AMENDMENTS AND NATIONAL INSURANCE FUNDS PAYMENTS) REGULATIONS 2021 -** prepared by HM Revenue and Customs and laid before Parliament by Command of Her Majesty. This instrument gives effect to the annual re-rating of various National Insurance contributions (NICs) rates, limits and thresholds for the purposes of calculating Class 1, Class 2, Class 3 and Class 4 NICs liability (or voluntary payment) for the tax year beginning 6 April 2021. It also allows for payment of a Treasury Grant not exceeding 17 per cent of the estimated benefit expenditure for the 2021-22 tax year to be made into the National Insurance Fund, and makes corresponding provision for Northern Ireland.

6 April 2021 -**The Guaranteed Minimum Pensions Increase Order 2021** - This Order specifies the percentage by which that part of any guaranteed minimum pension attributable to earnings factors for the tax years 1988-89 to 1996-97 and payable by contracted-out, defined benefit occupational pension schemes. This instrument specifies that the GMP is to be increased by 0.5 per cent from 06 April 2021 in accordance with Section 109(3) of the Pension Schemes Act 1993 (c. 48).

6 April 2021 **- Annual allowance and lifetime allowance limits applicable from 6 April 2019 -** The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2020 [SI 2019/29] amends the Lifetime Allowance limit to £1,073,100 with effect from the 6 April 2020. The Annual Allowance, as defined by the Finance Act 2004 (as amended), remains unchanged at £40,000 for 2020/21.

10 June 2021 – **Finance Act 2021** – received Royal Assent. The Act gives legal effect to the Government’s decision to freeze the lifetime allowance at £1,073,100 for tax years 2021/22 to 2025/26 as announced at the last budget.

19 July 2021 – **Public Service Pensions and Judicial Offices Bill** – This Bill makes provision to rectify the unlawful age discrimination identified by the McCloud judgement.

24 August 2021 – **The Pension Schemes Act 2021 (Commencement No 3 and Transitional and Savings Provisions) Regulations 2021**. The Secretary of State for Work and Pensions in exercise of the powers conferred by Section 131(1), (4) and (5) of the Pension Schemes Act 2021(1). These Regulations bring into force provisions of the Pension Schemes Act 2021. They are the third commencement regulations to be made under the Act.

01 October 2021 – **The Occupational Pension Schemes (Administration, Investment, Charges and Governance)(Amendment) Regulations 2021** - This instrument places new administration and governance requirements on trustees of occupational defined contribution pension schemes (DC), in particular to require trustees of certain DC pension schemes to disclose their investment returns and demonstrate that they are providing value for the members.

01 October 2021 – **The Pensions Regulator (Employer Resources Test) Regulations 2021** – This instrument sets out what constitutes the resources of the employer for the purposes of the "employer resources test" and sets out the basis for how the value of the resources of the employer is to be calculated, determined and verified. The "employer resources test" is one of the two new jurisdictional tests introduced by the Pension Schemes Act 2021, through which The Pensions Regulator can assess if any act or failure to act satisfies the requirements for issuing a contribution notice which imposes an obligation on the recipient to pay a specified sum of money to a define benefit pension scheme.

30 November 2021 – **The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021** – As prepared by the Department for Work and Pensions and laid before Parliament by Command of Her Majesty. This instrument introduces new powers for trustees and managers of occupational personal pension schemes to protect their members from scams in the exercise of those members statutory right to transfer pension benefits out of their scheme to another occupational or personal pension scheme. The statutory right to transfer accrued rights to benefits, or pension credit rights, to another pension scheme will only be able to be exercised by the member when one of the new conditions for transfers is met.

17 January 2022 – **The Occupational and Personal Pension Schemes (Disclosure of Information)(Requirements to Refer Members to Guidance etc.)(Amendment) Regulations 2022** – As prepared by the Department for Work and Pensions and laid before Parliament by Command of Her Majesty. The purpose of this instrument is to make amendments to regulations governing the disclosure requirements for occupational and personal pension schemes. It will place new requirements on the trustees or managers of certain occupational pension schemes (defined contribution pension schemes) to ensure relevant beneficiaries are referred to appropriate pension guidance. These Regulations come into force on 01 June 2022.

20 September 2021 – The Ministry of Housing, Communities and Local Government (MHCLG) was renamed by the government to 'Department for Levelling Up, Housing and Communities'.

06 October 2021 – Scheme Advisory Board confirm Kemi Badenoch MP as the new minister for the LGPS.

07 October 2021 – The Public Service Pensions (Valuations and Employer Cost Cap)(Amendment) Directions 2021 were published by HM Treasury. These Amending Directions allow schemes to conclude their 2016 valuations by setting out how they must carry out the cost control element of those valuations.

08 November 2021 – Updated Code of Transparency now online. Following a consultation with Code signatories proposed the Board at its meeting on 27 September 2021 agreed amendments to the LGPS Code of Transparency. The updated Code wording is available to view at LGPS Scheme Advisory Board - The Code (lgpsboard.org)

16 December 2021 – Review of the LGPS E & W 2019 Fund Valuations – Section 13 Report Published. The Department for Levelling Up, Housing and Communities published the Governments Actuary's Department report on the 2019 fund valuations, which is required by Section 13 of the Public Service Pensions Act 2013. Findings are available to view at Local Government Pension Scheme: review of the actuarial valuations of funds as at 31 March 2019 - GOV.UK (www.gov.uk)

31 January 2022 – DWO Consultation on Pension Dashboards Regulations launched. The consultation closed on 13 March 2022.

02 February 2022 - The Department for Levelling Up, Housing and Communities published Levelling Up whitepaper. The government published the Levelling UP whitepaper which includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas.

Other impacting legislation

Cessation of Contracting Out

The basic state pension and state second pension (S2P) were abolished on 5th April 2016 and replaced by a single-tier pension.

For LGPS members, this has meant an increase in National Insurance (NI) contributions for both members and their employers as the previous rebate allowed, to contract-out pension schemes out of S2P, now no longer applies.

An additional implication of the cessation of contracting out is that members of all pension schemes, which had contracted-out status, have a Guaranteed Minimum Pension (GMP), which relates to the part of their pension between 6th April 1978 and 5th April 1997 for which they were contracted out. The GMP is not an additional amount but is an amount which the Scheme must ensure at least equals the members equivalent LGPS pension at State Pension Age.

To ensure that pension scheme records reconcile with those of HMRC, the formerly contracted-out pension schemes, including the LGPS, are undertaking an exercise to ensure the correct information is held on members' records. The reconciliation exercise initially had to be completed by December 2018; however, to address outstanding queries this has been extended in accordance with HMRC direction.

This exercise has proved to be extremely challenging and has led to considerable work to ensure that the Fund does not incur unwarranted liabilities. To allow for this the Fund has outsourced the exercise to a third party who are dealing specifically with the reconciliation exercise. The exercise is still ongoing however, it is anticipated that the findings will be received by the Fund mid-late 2022.

Tax Reform

The last few years has seen major steps taken by the Government to reduce tax-free allowances on pension accrual.

The Lifetime Allowance (LTA), which is the total amount an individual can hold in all their pension savings, reduced to £1.25m from 6th April 2014 with further reductions applied. From 2018/19 onwards, the lifetime allowance has been subject to an increase each year in line with inflation and for the tax year 2021/22, this is £1,073,100m. The current LTA is frozen for the next 5 fiscal years.

As a means of best practice, the Fund engages with its members were a future LTA breach has been identified this will allow for sufficient time for individuals to seek independent financial advice concerning taxation matters.

In addition, HMRC also limits the amount by which the total value of a person's pension benefits can increase in a year. The Annual Allowance limit reduced to £40,000 with effect from 1st April 2014 and remained at this level for 2021/22, which has resulted in more members becoming subject to tax charges on the excess accrued. The Fund undertakes an exercise each year and any member subject to an Annual Allowance breach will be issued with a Pension Saving Statement by 06 October.

Wales Pension Partnership (WPP) – Asset Pooling

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

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

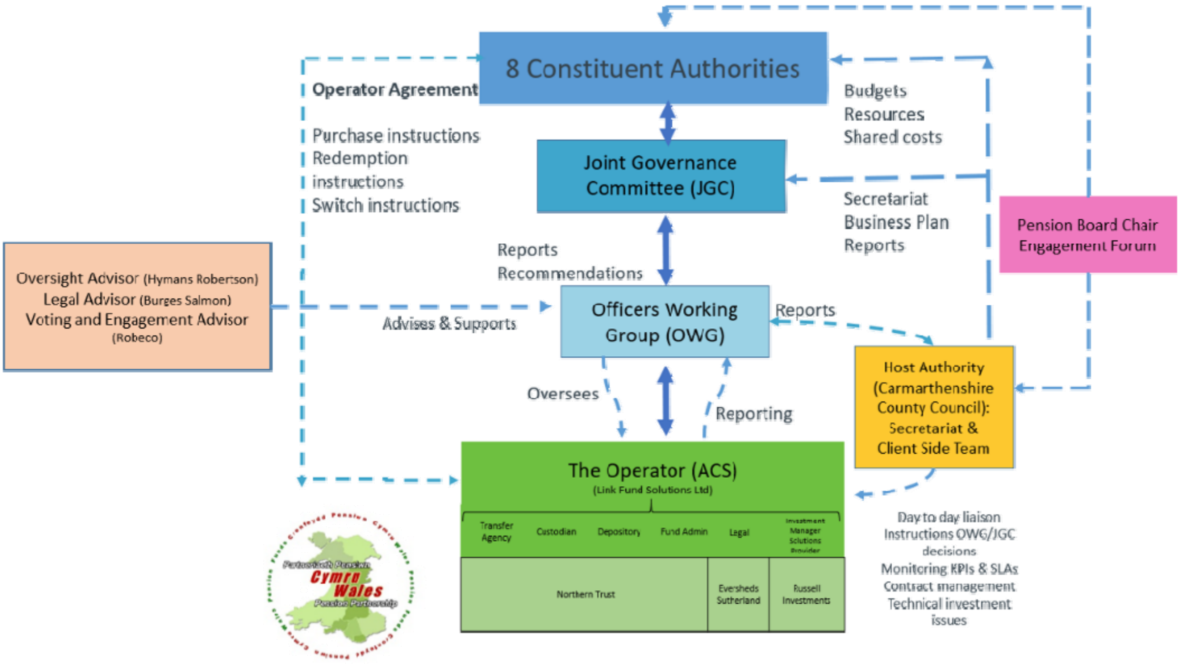
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history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

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.
WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Link Fund

Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

Governance

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



The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

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

The WPP operates a Joint Governance Committee (JGC), with the investment infrastructure and management appointment processes operated by Link Fund Solutions and Russell Investments.

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

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

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

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

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

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

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

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

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

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

Bfinance were appointed in 2021/22 to oversee the procurement of an Allocator for future WPP private market investments. The initial procurement exercise has resulted in the appointment of managers for private credit, open ended and closed ended infrastructure. The procurement exercise for private equity is ongoing and the property procurement will commence in the autumn of 2022.

WPP Policies

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans are listed below and can be found on the WPP website.

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

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

https://www.walespensionpartnership.org/

Risk

Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

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

Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP have made significant progress towards delivering on this objective. The launching of WPPs first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 72% of assets.

As at 31 March 2022, WPP has total assets worth £23.1bn, £16.6bn of which sits within the pool, see breakdown below:

Asset Class	**Managed by**	**Launch Date**	**31 March 2022 £000**	**%**
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,303,494	14.3
Global Opportunities Equity Fund	Russell Investments	February 2019	3,387,940	14.7
UK Opportunities Equity Fund	Russell Investments	September 2019	730,278	3.2
Emerging Markets Equity Fund	Russell Investments	October 2021	464,615	2
Global Credit Fund	Russell Investments	July 2020	757,659	3.3
Global Government Bond Fund	Russell Investments	July 2020	507,273	2.2
UK Credit Fund	Link Fund Solutions	July 2020	574,224	2.5
Multi-Asset Credit Fund	Russell Investments	July 2020	723,184	3.1
Absolute Return Bond Fund	Russell Investments	September 2020	509,605	2.2
Passive Investments	BlackRock	March 2016	5,599,927	24.2
Investments not yet pooled			6,534,711	28.3
Total Investments across all 8 Pension Funds			**23,092,910**	**100**

Investment assets split between City & County of Swansea Pension Fund and WPP

	31 March 2022 £000	%
WPP Global Opportunities Equity Fund	1,329,086	45
WPP Fixed Income Funds	128,818	4
Passive Equities	866,812	30
Equity Protection Mandate	35,481	2
Investments not yet pooled	561,470	19
Total Investment Assets	**2,921,667**	**100**

The above table is an extract taken the note on page 123 of the accounts and summarises City & County of Swansea Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund. The table above shows the assets currently managed by the pool as at 31st March 2022.

Pooling costs

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

The Host Authority and External Advisor costs, the running costs are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the City & County of Swansea Pension Fund for the financial year ending 31 March 2022 was £135k, see table below.

Included in the management expenses is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangements.

The table below reflects the costs incurred in financial years 2020/21 and 2021/22

	2020/21	**2021/22**
	£'000	**£'000**
WPP Oversight & Governance Costs		
Host Authority Costs	88	135
WPP Investment Management Expenses		
Fund Manager Fees	898	983
Custody Fees	238	252
Transaction Costs	834	1,165
Total	**2,058**	**2,535**

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 (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund’s percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV).

Transition Costs

In addition to the WPP Oversight and Governance costs shown above, the Fund also incurred costs associated with the transition of its assets into the pool. To date, the Fund has undergone three transitions in relation to the WPP, one in 2018/19 (Global equities) and a further two transitions in 2020/21 (Fixed Income).

The costs of transitioning assets can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs are both the explicit and implicit costs of transition, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Aside from the direct transition costs disclosed above, the majority of transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their value as opposed to a direct charge to the Fund.

There were no direct transition costs incurred by the City & County of Swansea Pension Fund in 2021/22.

Ongoing Investment Management Costs

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP. Noting that only the Direct costs are chargeable to the Fund, the Indirect costs represent the underlying fees paid to fund managers and are disclosed as a note only in the accounts.

	Asset Pool			Non-Asset Pool			Fund Total
	Direct £000s	Indirect £000s	Total £000s	Direct £000s	Indirect £000s	Total £000s	£000s
Management Fees	692	2,473	3,165	4,911	10,732	15,643	18,808
Performance Fees	0	0	0	5,710	0	5,710	5,710
Asset pool shared costs	135	0	135				135
Transaction costs	1,165	180	1,345	1,899	0	1,899	3,244
Custody	251	0	251	33	0	33	284
Other	291	0	291				291
Total £000	**2,534**	**2,653**	**5,187**	**12,553**	**10,732**	**23,285**	**28,472**

Asset Allocation and Performance

The following table shows how each of the investment mandates has performed during the year, with opening and closing values and one year performance included net of fees where available. In addition, the table splits out investments under pooled arrangements with the WPP and those that remain under non-pooled investment arrangements with the Fund's legacy managers as at 31st March 2022.

Asset Category	Opening Value		Closing Value		Performance (1 year)	Benchmark
Pooled Assets	**£'000s**	**%**	**£'000s**	**%**	**Net %**	**%**
LF Wales PP Global Opportunities Fund	1,222,602	47.1	1,329,086	45.4	11.0	12.4
LF Wales PP Multi Asset Credit Fund	65,578	2.5	64,439	2.2	-2.3	4.1
LF Wales PP Absoute Return Bond Fund	64,102	2.5	64,378	2.2	0.4	2.1
Equity Protection Mandate (includes Derivatives)	20,707	0.8	35,481	1.3	5.7	5.3
Blackrock ACS World Low Carbon Tracker Equity Fund	605,237	23.1	702,440	24.0	16.06	15.74
Aquila Life All Stk UK ILG IDX S1	35,919	1.3	37,745	1.3	5.08	5.11
Aquila Life All Stk UK Gilt IDX S1	65,790	2.5	62,458	2.1	-5.06	-5.08
Aquila Life Overseas Bond IDX	16,997	0.6	16,581	0.6	-2.45	-2.43
Ishares EM IDX FD GBP	51,453	2.0	47,588	1.6	-7.51	-7.12
Sub Total	**2,148,385**	**82.4**	**2,360,196**	**80.7**		
Assets not yet pooled						
Schroders UK Property Fund	52,971	2.0	65,010	2.2	19.0	23.1
Partners Group Global Property Fund	14,620	0.6	13,753	0.4	9.4	23.9
Invesco Real Estate European Property Fund	28,683	1.1	30,614	1.1	10.8	23.9
EnTrustPermal Global Absolute Return Fund	28,958	1.1	28,276	1.0	-3.5	0.8
Blackrock Appreciation Strategy Fund	31,104	1.2	32,581	1.1	4.7	9.2
HarbourVest Private Equity Fund	140,311	5.4	149,025	5.2	16.0	10.4
Blackstone Strategic Capital Holdings	6,580	0	48,893	1.7	14.1	7.1
First Sentier EDIF 11 Infrastructure Fund	73,822	2.8	81,910	2.8	22.6	6.0
Blackrock Global Renewable Power Fund 111	1,843	0.1	4,703	0.2	N/A	N/A
Alcentra European Direct Lending Fund 111	16,501	0.6	15,884	0.5	5.5	8.0
CVC Credit Partners Europe Direct Lending Fund 111	13,184	1.0	19,547	0.7	5.0	7.5
GSAM Broad Street Loan Partners 1V	8,295	0	20,817	0.7	2.0	5.9
BMO - UK Housing Fund	-	-	-	-	-	-
Man Group - Community Housing Fund	-	-	18,192	0.6	N/A	N/A
Manulife - Hancock Timberland & Farmland Fund	-	-	133	0.0	N/A	N/A
Cash (In-house and with Managers)	44,716	1.7	32,133	1.1	0.4	0.4
Sub Total	**461,588**	**17.6**	**561,471**	**19.3**		
Total	**2,609,973**	**100.0**	**2,921,667**	**100.0**		

* N/A - Where Net Performance Return is unavailabe or where the fund is less than one year old

Securities Lending

Northern Trust, Custodian for the Wales Pension Partnership manages a securities lending programme for the fund. Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time.

Total revenue of LF Wales Revenue during 2021/22 was £1,101,659 with £430,743,792 out on loan as at 31st March 2022.

Responsible Investment

Responsible Investment ("RI") continues to be a key priority for the Welsh Constituent Authorities. In 2020/21 WPP worked towards drafting and agreeing a Climate Risk Policy – this outlines the unified climate risk beliefs and what measures we have adopted to manage climate risk within the WPP Sub-Funds. In August 2020, a dedicated WPP RI Sub-Group was established in recognition of the important of this subject matter. The Sub-Group meets twice a quarter and is responsible for progressing any RI related workstreams. The RI Sub-Group has already demonstrated its effectiveness and efficiency by delivering on one of the main commitments made in both the WPP's RI and Climate Risk Policies – the development of reporting that allows the WPP to monitor and manage RI and Climate Risk risks. The sub group now receives detailed RI and Climate Risk monitoring reports for each of the WPP's Sub-Funds on a quarterly basis.

In 2022 the WPP established its approach as a responsible investor involving oversight and monitoring of its voting policy, the establishment of an engagement framework, Environmental, Social and Governance (ESG) metrics monitoring and reporting output in accordance with the requirements namely the Task Force on Climate Related Financial Disclosures (TCFD). This guidance is currently out for consultation.

(TCFD - A description of the governance-related arrangements of an organisation to measure and managing climate-related risks and opportunities. A description of the processes in place for measuring and managing climate-related risks and opportunities).

Objectives 2021/22

Private Market Sub Funds

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

In establishing the WPP pool, the focus has been on pooling the most liquid assets, namely equities and fixed income. The next step was formulate an approach to pooling to manage illiquid assets such as Private Equity, Property, Private Debt/Credit and Infrastructure.

For this to be successful, it was determined that a formal procurement process would be undertaken to appoint a private markets consultant with a view to them assisting in appointing managers for each private market sub fund/asset class. Following the procurement process using the Norfolk LGPS framework for consultants, Bfinance were appointed as private market advisor to facilitate the procurement exercise, this culminated in interviews with the short-listed fund managers in February 2022. The appointment of the three successful managers for Private Credit, Close-ended Infrastructure and Open-ended Infrastructure were approved by the Joint Governance Committee on the 23rd March 2022.

The process for procuring a Private Equity Allocator has commenced with the RFP (Request for Proposal) being launched in April 2022, with the hope that the successful managers will be approved by JGC in September 2022.

New Sub Fund – Sustainable Equity

Russell Investments, the funds appointed Investment Managers were tasked in 2021/22 to build a bespoke sustainable equity sub-fund to provide a framework for WPP's proposed exclusions to include:

- Diversified fund exposure
- Alignment to WPP sustainability goals including Net Zero alignment and a clear climate focus.
- Multi-channel approach to engagement and commitment to deliver reporting outcomes aligned with the Sustainable Development Goals (SDGs).
- To offer flexibility to evolve as the WPP's requirements change, or as the sustainable themes develop further. Utilising Russell's Enhanced Portfolio Implementation (EPI).

The final proposed sub-fund structure was discussed at OWG in May 22 and will be taken to JGC in July 22 for approval.

Other Matters

UK Stewardship Code

It was announced in March 2022 that Wales Pension Partnership became a signatory to the UK Stewardship Code.

https://www.frc.org.uk/investors/uk-stewardship-code/uk-stewardship-code-signatories

The 2020 UK Stewardship Code sets a high bar for stewardship, a standard to which the WPP sought to meet through its approach to responsible investment. The

WPP is therefore delighted to be recognised as a signatory to the Code.
The report for the year ending 31 March 2021 covered the first step on WPP's journey, a year when WPP put in place solid foundations through the appointment of Robeco as a stewardship provider, the establishment of our Responsible Investment Sub-Group and began the process of ensuring that our policy commitments were implemented. WPP also worked closely with Link Fund Solutions and Russell Investments during the year to develop and implement an innovative decarbonisation strategy for our Global Opportunities Fund, a process that we have since sought to extend to our other Sub-Funds.

JGC Scheme Member Representative

In November 2021, the Inter Authority Agreement was amended to reflect the changes required to support the appointment of Scheme Member JGC representatives.

The interviews took place in February 2022 and the following appointments were made :

SMR – Osian Richards
Deputy SMR – Ian Guy

Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes;
- relevant investment opportunities.

In accordance with the approved training plan, the following training was undertaken by both Committee and Board members during 2021/22.

Topic	Product Knowledge	Date
Private Markets	Asset Classes & Implementation, Fund Wrappers & Governance	21/04/2021
Responsible Investment	Responsible Investment Indices and Solutions, Responsible Investment Reporting	20/07/2021
Investment Performance & Risk Management	Performance Reporting & Manager Benchmarking. Roles & Responsibilities with the ACS.	18/09/2021
Guidance, Regulatory & Best Practice	Good Governance & Cost Transparency	19/01/2022

Pooling Risks

The following risk table identifies two frequently monitored risks from a Fund perspective when managing the arrangements in place through transitioning assets into the WPP.

Risk Identified	Potential Consequences	Risk Score Range	Controls / Mitigation
Financial losses experienced during the process of transitioning Fund assets into the Wales Pension Partnership (WPP) pool.	Poorly executed transitions of pension assets could result in high trading costs or loss of Net Asset Value in the short-term.	High	• The WPP and its constituent authorities take professional and timely advice from its advisors to ensure it is undertaking transition activity within an appropriate market environment. • A reconciliation of assets transferred to the pool is undertaken by the investments team following each transition. • A detailed report from the appointed transition experts commissioned by the WPP will be produced following each transition to provide added assurance to constituent Funds and their elected members.
Investment pooling with the Wales Pension Partnership (WPP) fails to deliver long-term investment returns.	The WPP fails to deliver long-term investment returns beyond what the Fund would have expected to generate had pooling not occurred. This would result in a longer payback period on the initial investment envisaged, and the likelihood of needing to increase employer contribution rates as a result in order to ensure pension liabilities are fully funded in the future.	High	• Substantial governance arrangements are in place at both officer (Officer Working Group) and shareholder (Joint Governance Committee) levels. • Both the WPP and the constituent authorities take professional external advice on the opportunities for investment through the contractual relationship with Link Fund Solutions and Russell Investment advisors. • The WPP, together with constituent authorities, monitor the performance of investments and hold Link and Russell to account as necessary.

Whilst the risk score range attributable to the above is categorised as high, the Fund is comfortable with the level of mitigation in place in which to manage them. The Fund recognises that the process of transitioning assets will continue for a number of years and so this risk will continue to be monitored as appropriate until such time that we feel it can reduced to an acceptably low level or removed altogether. The risk of the WPP failing to deliver long-term performance remains high as this underpins the justification for pooling collaboration generally. As such, this risk is likely to remain in place for the foreseeable future. However, as the WPP continues to establish itself and the governance arrangements mature it is expected that this level of risk will be reduced to an acceptable level.

City & County of Swansea – WPP Progress Update

City & County of Swansea Pension Fund currently has three sub-funds invested via WPP, a Global Equity portfolio and two fixed income mandates – a Multi Asset Credit fund and an Absolute Return Bond fund. Together with the Blackrock Passive equity fund, this equates to 81% (£2.3b) of the fund being pooled as at 31st March 2022.

The City & County of Swansea Pension Fund currently has an allocation to emerging markets within its passive mandate, so did not participate in the Emerging Market mandate which was established by WPP in 2020/21

As part of the WPP, City & County of Swansea officers participate in the Responsible Investment (RI) Sub Group. The group meets twice a quarter and is responsible for progressing any RI related work streams. In 2021/22 the group has worked towards drafting and agreeing a Climate Risk Policy which is aligned to the RI policy of the City & County of Swansea Pension Fund.

To aid the RI progress, during 2021/22, Russell Investments implemented an Enhanced Portfolio Implementation (EPI) of a Low Carbon overlay for the Global Opportunities equity fund.

In 2022/23 the fund will be participating in the new Sustainable Equity sub fund currently being developed by Russell Investments, as part of the Net Zero path.

The Private Markets sub group has also been working together regularly to find a solution to pooling the private market assets, this will be tranche 5 of the pooling process and is progressing as disclosed on page 30.

More detailed information can be found in WPP's Annual Return which is published on the WPP website - https://www.walespensionpartnership.org/

Local Pension Board - Annual Report 2021/22

Introduction

In April 2016, the LGPS Scheme Advisory Board (SAB) was established as a statutory body, to encourage best practice, increase transparency and co-ordinate technical and statutory issues at national level. To assist each Pension fund achieve these standards each Pension Fund has a new Local Pension Board working to standard guidance set nationally.

In addition 2015 saw the Pensions Regulator's (tPR) role extended from private sector pension to also cover public sector schemes. New procedures were introduced during the year to meet the requirements of the Pensions Regulator's Code of Practice, including the reporting of statutory and regulatory breaches such as late payment of contributions.

The purpose of the board is not to be involved in the day to day running of the Pension Fund but rather to assist the Administering Authority in the work carried out by the Fund and ensure that it complies with laws and regulations, including the requirements of the Pensions Regulator.

The Regulator has set clear standards which it expects Pension Funds to meet and will place reliance on the Local Pension Board to ensure these standards are met and that they assist the Pension Fund in continually improving its operations. Since the Board was established the Board has attended appropriate training to understand requirements of the role, including the specific requirements of the Pensions Regulator

Details of Membership

The Board consists of 6 members, 3 member representatives and 3 employer representatives. All members are unpaid volunteers. During 2021/22 the Board was made up of the following members :

Type	Status	Name	Organisation
Employer	New	Cllr Peter Jones	City & County of Swansea
Employer	Current	Cllr Alan Lockyer	Neath County Borough Council
Employer	Current	Mr David Mackerras	Pelenna Community Council
Member	Current	Mr Ian Guy (Chair)	Union nominated representative
Member	Current	Mr David White	Union nominated representative
Member	Current	Ms Rosemary Broad	Union nominated representative

Summary of 2021/22

During the year the Local Pension Board have reviewed the Pension Fund Committee Reports around:

- Breaches Reporting
- Competition and Markets Authority Update
- CCS PF Business Plan 2022/23
- The 2020/21 Annual Report and Statement of Accounts
- The Wales Audit Office Audit Plan and the ISA 260 Audit Report
- Funding Strategy Statement
- Investment Strategy Implementation Update
- Net Zero Investment Strategy
- Trustee Training
- Policy Update – Cash Management
- Policy Update – Exit Cap update
- Changes to Custody arrangements
- Wales Pension Partnership – Asset Pooling Updates
- Wales Pension Partnership – Responsible Investment Policy
- Quarterly Investment Managers Reports

Attendance at Meetings
The terms of reference for the Board state that there should be a minimum of 2 meetings per financial year. The Local Pension Board met on the :

- 1st April 2021
- 23rd September 2021
- 2nd December 2021

Attendance at the above meetings was recorded at 72% by the appointed Board members.

Skills & Development Activities

As the work of the Local Pension Board continues to develop, there is understandably a focus on training and skills and knowledge attainment.

Local Pension Board Member Training

At the meeting of the Local Pension Board on the 1st April 2021, The Chief Treasury and Technical Officer presented a report as part of the Business Plan outlining the importance of member training. The training ensures compliance with the CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice and the requirements for tPR.

Training Undertaken in the last 12 months as part of the Wales Pension Partnership Training programme included:

Topic	Product Knowledge
Private Markets	Asset Classes & Implementation, Fund Wrappers & Governance
Responsible Investment	Responsible Investment Indices and Solutions, Responsible Investment Reporting
Investment Performance & Risk Management	Performance Reporting & Manager Benchmarking. Roles & Responsibilities with the ACS.
Guidance, Regulatory & Best Practice	Good Governance & Cost Transparency

In 2021/22, informed by the National Knowledge Assessment undertaken and outstanding training identified previously, the following training was identified as appropriate training to be undertaken by members of the Local Pension Board :

- LGE (Local Government Employers) Trustee Fundamentals day 1, 2 & 3
- ESG training
- Pension Governance - the role of the Committee and the Board
- Pension Accounting & audit standards
- Actuarial valuation methodologies

Any other training identified by the Deputy Section 151 officer which is considered appropriate.

Budget
The Board agreed a budget of £5k per annum to assist with its operation.
In 2021/22 the Board incurred £3k in costs.

Annual Governance Statement 2021/22

1. Scope of Responsibility

1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 The City and County of Swansea adopted a Code of Corporate Governance on 24 August 2017, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016'.* A copy of the Code can be found on the Council's website.

2. The Purpose of the Governance Framework

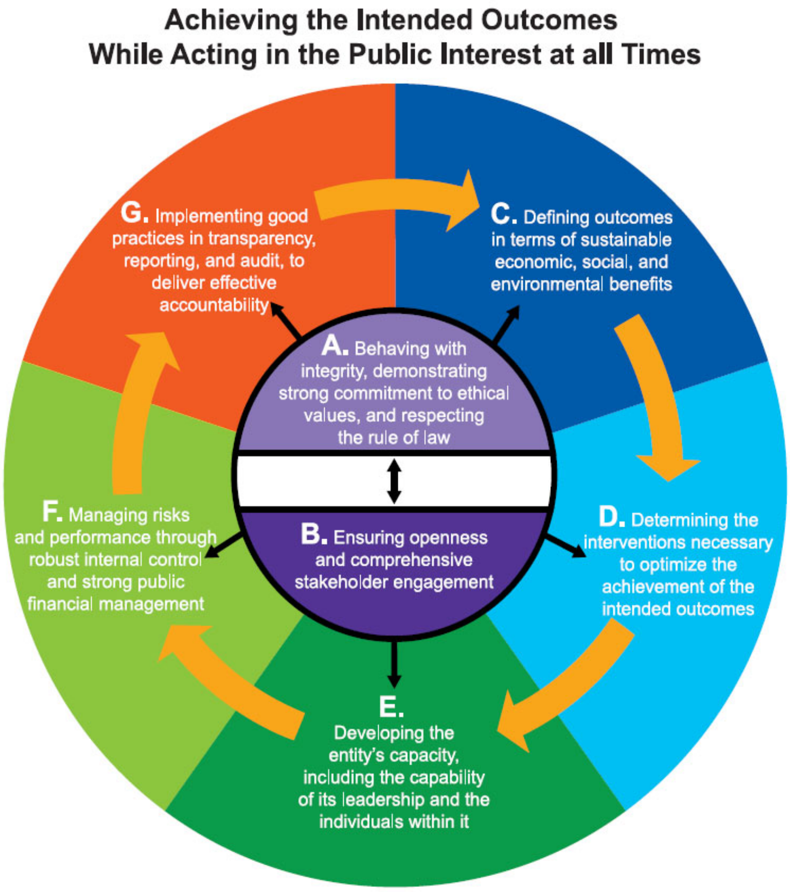
2.1 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

3.1 The Council has adopted a Code of Corporate Governance based on the "*Delivering Good Governance in Local Government"* framework published by CIPFA and SOLACE in 2016.



3.2 This Statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018. The Council aims to achieve a good standard of governance by adhering to the 7 key principles of the CIPFA/Solace 2016 Guidance.

3.3 The 7 key principles are:

A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
B) Ensuring openness and comprehensive stakeholder engagement.
C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F) Managing risks and performance through robust internal control and strong public financial management.
G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.4 The application of the principles of good governance is summarised below which sets out supporting information for the 7 key principles.

3.5 **Note - The issues set out within the Governance Statement have been materially affected by the COVID-19 pandemic. However, it should be noted that the Statutory Governance Chief Officers and CMT continued to maintain corporate grip to ensure that sufficient governance was maintained throughout this unprecedented crisis and during the recovery.**

Annual Governance Statement 2021/22

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub Principles:

How do this: we

Behaving with Integrity

- The behaviour and expectations of officers/members is set out in the Constitution, Officer and Member Code of Conduct and Protocol.
- The Monitoring Officer provides training on the code of conduct and ensures the highest standards of conduct by the authority, members and officers – including use of Council email protocol.
- The Standards Committee is responsible for monitoring and scrutinising the standards of Members.
- Member led authority principles with training to senior officers and Cabinet members.
- Compliance with a suite of policies/rules set out in the Constitution.
- The Constitution sets out requirements as to gifts and hospitality and there are regular reminders circulated to both officers and members.
- Adoption of Member Dispute Resolution Protocol.
- Officers/members declarations of interest.
- Officer Secondary Employment Policy.

Demonstrating strong commitment to ethical values

- The Council's appraisal and recruitment system based on competencies, training and objectives underpin personal behaviours with ethical values.
- Commitment to working to promote high standards of performance based on the Nolan principles.
- Adoption of Welsh Government ethical ways of working.
- The Swansea Pledge.
- The Constitution contains comprehensive Procurement and Financial Procedure Rules.

Respecting the rule of law

- The Statutory officers and Members ensure compliance with legislative and regulatory requirements via a robust framework including the scheme of delegation, induction training, standing procedures and rules set out in the Constitution.
- Reports to Committees have legal/finance clearance.
- Robust Scrutiny and Call-In function.
- Robust audit challenge.
- External challenge from auditors, Ombudsman and other external agencies.
- The Monitoring Officer ensures the Council complies with statute and reports on any maladministration.
- An effective anti-fraud and corruption framework supported by a suite of policies i.e. whistleblowing.

Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub Principles:

How we do this:

Openness

- The Council is committed to ensuring an open culture evidenced by open meetings and publication of agendas and minutes.
- A Forward Plan showing key decisions to be made by Council and Cabinet is published.
- There is appropriate Consultation and Engagement supporting the decision making process including annual budget consultation, co-production, engagement with trade unions and engagement with Disability and LGBT communities.
- There are Public questions at Council and Cabinet.
- There is engagement with children and young people to meet the requirement of the UNCRC.
- There is pre-decision scrutiny of Cabinet decisions and Call-In procedure
- Corporate risks are published.

Engaging comprehensively with institutional stakeholders

- The Council adopts a Team Swansea approach working as a whole Council and effectively engages with stakeholders to ensure successful and sustainable outcomes by:
  - targeting communications;
  - effective use of social media;
  - formal and informal meetings with key stakeholder groups i.e. External auditors, Welsh Government, Health board.
- The Council has an extensive range of partnerships to support the delivery of the Council's objectives including:
  - The Public Services Board.
  - The Safer Swansea Partnership.
- The Council has adopted the Community/Town Council Charter and facilitates the Community/Town Council forum meetings with the 24 Councils.

Engaging stakeholders effectively, including individual citizens and

- The Council has appropriate structures in place to encourage public participation which is used to inform proposals and key decisions including:
  - A Consultation and Engagement Strategy.
  - A Co-production Framework.
  - "Have your Say" consultations on website.
  - The Scrutiny Programme Committee invites stakeholder contributions and participation.
  - A Staff Survey with responses considered by CMT/Senior Management.
  - A Complaints Policy and Annual Report to assess organisational learning and change.
  - The appointment of Councillor Champions who provide a voice for under-represented groups.
  - An Integrated Impact Assessment to assess the equality, socio-economic and sustainability impacts on people with protected characteristics and future generations.

Principle C

Defining outcomes in terms of sustainable economic, social and environmental benefits

Sub Principles: **How we do this :**

Defining outcomes

- The Council has a clear vision which is set out in the Corporate Plan *Delivering a Successful & Sustainable Swansea* which prioritises 6 Well-being Objectives.
- Delivery of the Corporate Plan is monitored through the Council's Performance Management Framework with quarterly and annual performance monitoring by CMT/Cabinet.
- There is an Annual Performance Review.
- Annual Service Plans address the sustainability of service delivery along with key corporate priorities.
- There is monthly Performance and Financial Monitoring meetings held for each Directorate.
- There is a Corporate Risk Management Policy ensuring consistent application of risk registers and terminology and audit scrutiny.

Sustainable economic, social and environmental benefits

- The Council takes a long term and sustainable view and balances the economic, social and environmental impact of policies and plans by:
  - Medium Term Financial Planning covering 3 financial years approved annually by Council.
  - Refresh of the Corporate Plan annually
  - Annual service planning.
- The Council's new *Achieving Better Together* Recovery and Transformation programme, which replaces *Sustainable Swansea: Fit for the Future* seeks to allow the Council to recover from the COVID-19 pandemic and modernise and transform the council to meet the longer term challenges and ensure sustainable provision of services.
- There is public and stakeholder engagement.
- Council has passed a motion on tackling the climate emergency and has set a target and means to achieve net zero carbon emissions by 2030, including expanding our fleet of green vehicles, increasing tree cover, installing solar panels and improving energy efficiency.

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principles:

Determining interventions	Planning interventions	Optimising achievement of intended outcomes

How we do this:

Determining interventions

- The Council ensures that decision makers receive objective and rigorous analysis of options with intended outcomes and risks by:
  - written reports from Officers;
  - report clearance by legal, finance and Access to Services officers;
  - embedding of impact assessment in decision making process;
  - clear option appraisals reflected in reports detailing impact, risk and any best value considerations.
- The results of consultation exercises are fully considered by decision makers with consultation responses set out in report.
- Consultation on budget proposals is extensive and includes roadshows with staff.
- The Council has a Corporate Risk Management Policy.

Planning interventions

- The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through:
  - A timetable for producing and reviewing plans on an annual basis.
  - Working with a consultation and engagement strategy.
  - Quarterly and annual performance monitoring including achievement of national and local performance indicators.
- There is robust Medium Term Financial Planning.
- There is an Annual budget setting process in place including an extensive consultation exercise.

Optimising achievement of intended outcomes

- The Council ensures the Medium Term Financial Strategy integrates and balances service priorities, affordability and other resource constraints by setting out any shortfall in resources and spending requirements in the context of service priorities.
- To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement & Finance Scrutiny Performance Panel.
- *Achieving Better Together* (replacing Sustainable Swansea – Fit for the Future).
- The Council ensures the achievement of “social value” through the effective commissioning of service in compliance with CPR’s e.g. Beyond Bricks and Mortar (community benefit clauses in council contracts).

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Sub Principles: **How we do this :**

Developing the entity's capacity

- The Council aims to ensure that Members and Officers have the right skills, knowledge and mind set to operate efficiently and effectively to achieve intended outcomes by:
  - adopting a comprehensive induction training programme for members and officers;
  - a Councillor Training Programme based on a Training Needs Assessment;
  - annual performance review of staff;
  - adoption of a mentoring scheme.
- Operational capacity is supported by the Transformation & Future Council objective to help tackle rising demand and reducing revenue budget.
- The Organisational Development Strategy aims to develop the right staff with the right skills to work in a sustainable way.
- There is engagement with benchmarking groups such as APSE, CIPFA.
- There is collaborative and partnership working including the Public Service Board, Regional Partnership Board, ERW.

Developing the capability of the entity's leadership and other individuals

- Effective shared leadership and understanding of roles and objectives is supported by:
  - The Leader and Chief Executive have clearly defined leadership roles.
  - The Chief Executive Appraisal and Remuneration Committee have responsibility for the appraisal of the Chief Executive.
  - There has been member led training with both senior officers and cabinet members.
  - There are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Ex, CMT and Heads of Service.
  - The Transformation and Future Council objective and the Organisational Development Strategy.
- The Constitution sets out the Scheme of Delegation which is regularly reviewed.
- Annual appraisal and performance review.

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Principle F

Managing risks and performance through robust internal control and strong public financial management

Sub Principles - How we do this :

Managing risk

- Risk management is an integral part of decision making supported by:
- A Corporate Risk Management Policy with clear nominated officer responsibility.
- New risk register application.
- Monthly review of risks by CMT.
- Monthly review of Directorate Risks at PFM meetings.
- The publication of Corporate Risks allowing greater scrutiny.
- The Governance & Audit Committee regular review of risks (see paras 8.34 & 9)

Managing performance

- There are quarterly performance monitoring reports to Cabinet.
- Each Head of Service produces an Annual Service Plan setting out clear objectives and SWOT analysis of their service.
- There are regular reports as to performance indicators and milestones against intended outcomes.
- There is robust scrutiny challenge by pre decision scrutiny, inquiries and Call-In.
- Monthly Directorate Performance and Financial Monitoring meetings.

Robust internal control

- CIA provides independent assurance on the adequacy of internal control through the IA plan approved by the Governance & Audit Committee.
- The Governance & Audit Committee provides independent and objective assurance on effectiveness of internal control, risk management and governance arrangements.
- The Council is dedicated to tackling fraud and corruption and has an Anti-Fraud and Corruption Policy and Whistleblowing Policy
- The Governance & Audit Committee receives an annual report on the fraud function and Anti-Fraud Plan.
- The Internal Audit Plan is approved by Governance & Audit Committee.

Managing data

- The Council demonstrates effective safeguarding of personal data and information by:
  - The appointment of a Data Protection Officer.
  - The adoption of a Data Protection Policy.
  - An Information Governance Unit and Senior Information Risk Officer.
  - An information asset register
  - The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI).
  - Data Protection training is mandatory.

Strong public financial

- The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan.
- Financial management is integrated at all levels of planning and control by:
  - financial implications are included in all decision making reports;
  - there is a specific Corporate risk around Financial Control and MTFP owned by the S151 officer.

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Principle G

Implementing good practices in transparency, reporting and audit to deliver effective accountability

Sub Principles:

Implementing good practice in transparency	Implementing good practices in reporting	Assurance and effective accountability

How we do this

Implementing good practice in transparency

- The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-
  - A Report Authors Protocol which ensures consistency in reports.
  - A Clear Writing guide for Officers.
  - All reports are signed off by Cabinet Member, legal, finance and Access to Services officers.
  - The Council has a Publication Scheme which is available on the website.
  - Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report.
  - Publication of delegated decisions.
  - Reports are published on the website and agendas are published in the Welsh Language.

Implementing good practices in reporting

- The Council reports at least annually on performance as evidenced by:
  - Quarterly and annual reports to Cabinet on performance.
  - An annual Review of Performance report setting out how the Council has performed in meeting its Corporate Objectives.
  - The Annual Statement of Accounts audited by external auditor and approved by Council and published demonstrates how the Council has achieved performance, value for money and the stewardship of resources.
- Senior Managers complete Self-Assessment & Management Assurance Statements (SMAS) reflecting performance against governance, risk management and internal control. The SMAS contribute to the Annual Governance Statement.
- The Council have adopted the Code of Corporate Governance based on CIPFA framework.

Assurance and effective accountability

- Through the assurance mechanisms set out below the Council can demonstrate effective accountability:
- The Internal Audit work plan provides assurance on the council's control mechanisms, risk management and governance arrangements which is monitored by the Governance & Audit Committee.
- All agreed actions from Internal Audit reviews are monitored.
- Reports and plans to implement Audit Wales and Internal Audit recommendations reported (as relevant) to Scrutiny and Governance & Audit Committee.
- Peer Review and inspection from regulatory bodies and external compliance reviews which are reported to CMT/Cabinet and used to improve service delivery.
- There is Scrutiny and audit review of Audit Wales reports and action plans.
- Assurance on risks associated with delivery of services through third parties is achieved by:
  - Commissioning and monitoring arrangements and compliance with Contract Procedure Rules.
  - SMAS reflect risk assessments in relation to partnership/third party working.

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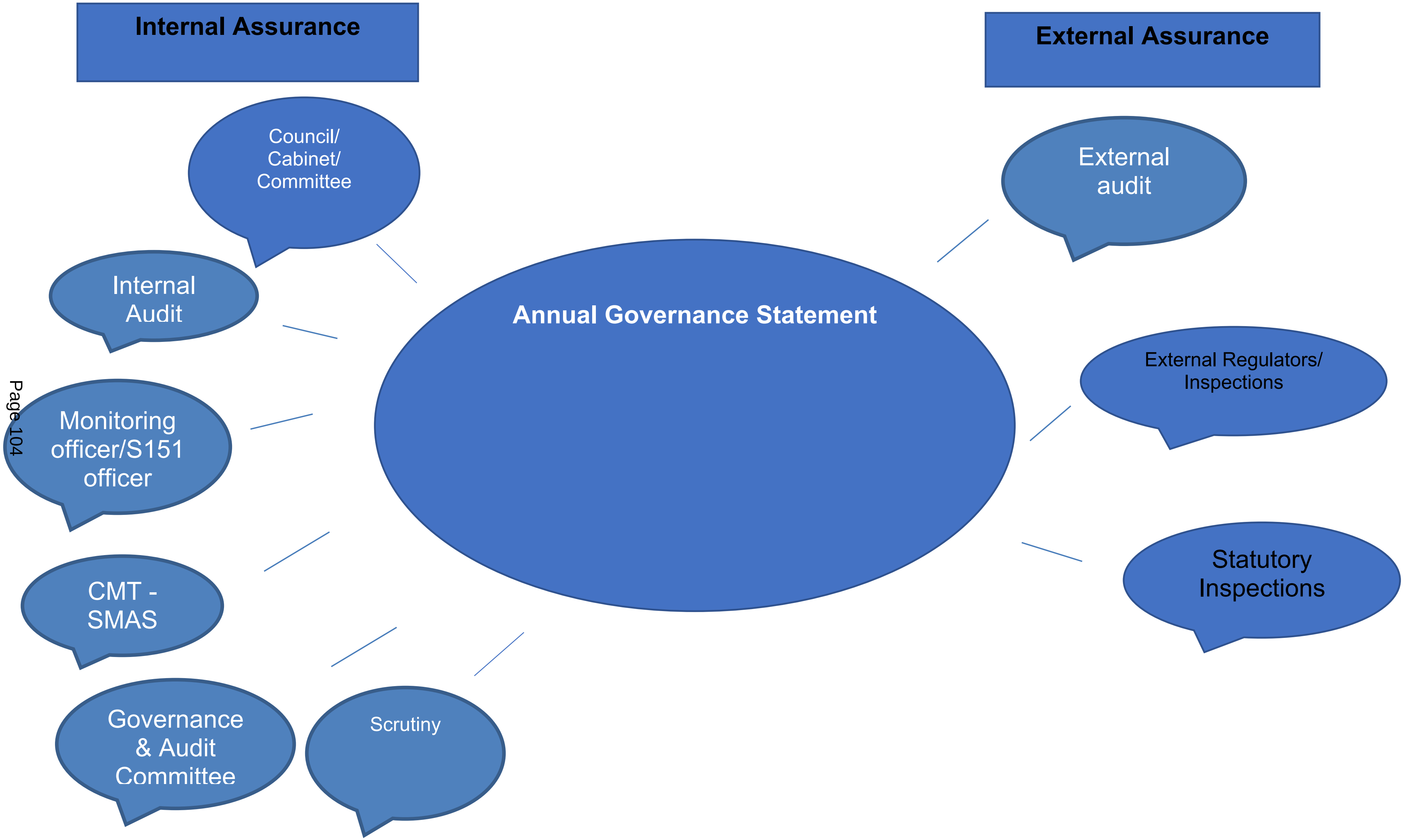

4. Review of Effectiveness

4.1 The City and County of Swansea annually reviews the effectiveness of its governance framework including the system of internal control.

(a) Statements from Corporate Management Team (CMT), Statutory Officers, the Internal Audit Manager and the Audit Committee.
(b) External organisations i.e. Audit Wales and regulators.
(c) Core evidence mapped to Council, Cabinet and Committees.

4.2 The following highlights the review of the governance framework in order to compile the Annual Governance Statement and sets out the assurance of CMT, officers and external organisations.

<u>INTERNAL SOURCES OF ASSURANCE</u>

5 Corporate Management Team/SMAS

5.1 The Self-Assessment & Management Assurance Statement (SMAS) form part of the governance and performance self-assessment framework. The new performance self-assessment requirements introduced by Part 3 of the Local Government and Elections Act 2021 have been incorporated into the SMAS during 2021/22. The information will be used to develop both the Annual Governance Statement and the Annual Self-Assessment Report as required by Part 3 of the Local Government & Elections Act. Through the SMAS each Director responds to 12 good governance and performance statements covering:

- Vision, Strategy & Performance.
- Organisational Governance, Ethics and Values.
- Organisational Leadership.
- Customer & Community Engagement and Involvement.
- Resources Planning & Management.
- Risk Management & Business Continuity.
- Partnership / Collaboration Governance.
- Internal Control Environment.
- Compliance with Policies, Rules Legal and Regulatory Requirements.
- Fraud & Financial Impropriety.
- Programme and Project Assurance.
- Innovation & Change Management.

5.2 The Directors assess assurance using a 5 point maturity scale for their areas of responsibility ranging from “Not in place” to “Embedded”. Directors are expected to consult with their Heads of Service to support a directorate approach to each statement.

5.3 The four SMAS from the Directors of Corporate Services and Finance (combined), Social Services, Place and Education are challenged and reviewed at CMT.

5.4 The assurance statements showed overall that there were no categories that were deemed as being “Not in place” or with “Limited Application”. A small number (13.8%) of categories were regarded as showing “Mixed Application”. These categories with the most showing mixed application were: Resources Planning & Management (4) and Vision, Strategy & Performance (3). These have been captured in the significant governance risks for 2022/23 where relevant. However, 64.2% demonstrated “Strong Application” and 20% were described as “Embedded”. A limited number of categories (1.9%) were left blank where a Director regarded them as non-applicable to their directorate, e.g. where a category was deemed a corporate or other directorate responsibility.

5.5 The Council established an Annual Governance Group for the purpose of challenging the SMASs and assisting and overseeing the development of the Annual Governance Statement. The Group is led by the Deputy Chief Executive and members include the Council’s Section 151 Officer and Monitoring Officer, as well as the Strategic Delivery & Performance Manager and a member of the Governance & Audit Committee. The Chief Internal Auditor attends in an advisory capacity. The work of the Group in reviewing the SMASs and finalising the Annual Governance Statement and CMT in reviewing and approving the SMASs and Statement was disrupted by the COVID-19 situation; the Group met twice during 2021/22. CMT reviewed the SMAS and draft Annual Governance Statement on 23rd March 2022. The Significant Governance Issues for 2022/23 as identified by CMT are those set out below.

6. The Monitoring Officer

6.1 The Chief Legal Officer is the Monitoring Officer with a specific duty to ensure that the Council, Officers and Members maintain the highest ethical standards of conduct. The standards Committee has the responsibility for monitoring the ethical standards of conduct and to deal with any breaches of the Code referred to the Committee by the Public Service Ombudsman (PSOW).

6.2 In 2021/22 the Standards Committee considered one referral from the PSOW which related to Mumbles Community Council. During 2021/2022 the Monitoring Officer was notified of 26 complaints relating to members conduct by the PSOW. The PSOW decided not to investigate 22 of those complaints. 3 complaints are being investigated and 1 complaint is outstanding. In relation to complaints reported to the PSOW the Committee receive regular updates as to the status of complaints. Regular PSOW bulletins are circulated to all councillors as to Code of Conduct issues when issued.

6.3 The Local Government and Election (Wales) Act 2021 brings in new duties for Standards Committees in Wales from May 2022. The Committee was provided with updates on 4 December 2020 and on 9 March 2022 the Committee considered changes to their Terms of Reference so as to comply with the legislation.

6.4 The Standards Committee Annual Report 2020/21 was presented to Council on 2 December 2021. The Report reflected the Committee’s view that generally the conduct of members was high with the Committee only having to consider one complaint against a community councillor.

6.5 In January and March 2022 the Standards Committee interviewed the Leader and all Leaders of the Opposition Groups. The discussion with group leaders focused on their new duties under the legislation and how they would meet that duty. The Monitoring Officer is therefore of the view that the Authority is in a good position to comply with the new legislative requirements.

6.6 The Monitoring Officer has not had to issue any statutory Section 5 Local Government and Housing Act 1989 reports during 2021/22.

6.7 Work on the Council Constitution has been progressed with amendments being made to the Land Transaction Procedure Rules, Article 12 – Officers and terms of reference of the Governance and Audit Committee. Further constitutional changes will be progressed during 2022/23.

7. The S151 Officer

7.1 Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2021/22. The reports consistently identified some service revenue budget overspends at year-end, driven exclusively by Covid spending, albeit reducing throughout the year and by third quarter down to a miniscule margin of variation, once adjusted for Covid, so that service underspend was as likely as overspend based on available information. Towards the year-end the pace and scale of reimbursement of costs and lost tax and service income from Welsh Government became increasingly clear and as a result at several verbal updates on third quarter position to Cabinet, Council, Governance & Audit Committee and Scrutiny panels, the S151 Officer advised an overall significant outturn underspend was once again expected.

7.1.1 Total service underspending has now been confirmed (at just over £20m) and is an extremely good outcome. On an even more positive note the equally fully planned substantial continued underspending on capital financing (£6.2m) and contingency, central inflation and other corporate items including additional Welsh Government Covid grants (also around £21m) has enabled sums to be added to the recovery reserve, the capital equalisation reserve, the general reserve and some to be carried forward once again on contingency which is a prudent way of planning for and addressing some of, the future certain increased costs of financing the ambitious mid-term capital programme and the uncertainty of COVID-19.

7.2 A verbal **Mid Term Budget Statement 2021/22** was presented to Council in November this year given the substantially delayed settlement due to Covid and the Comprehensive Spending Review. The written report on the **Review of Reserves** was presented to Council on 07/10/21, which provided a strategic and focussed assessment of the current year's financial performance and an update on strategic planning assumptions over the next 3 financial years.

7.2.1 The conclusion of the Statement was that the Council could potentially struggle to deliver within the overall resources identified to support the budget in 2022/23 and beyond unless the local government settlement was much enhanced and preferably multi-year (the quantum was duly confirmed much enhanced by March 2022 and pleasingly was a three year settlement albeit heavily front loaded then dropping off significantly). The likely projected outturn was dependent upon the ability of the Council to reduce and restrict ongoing expenditure across all areas, its ability to recover expenditure and lost income from Welsh Government and continued reliance on active capital financing strategies to maximise the short term savings to enable the capital equalisation reserve to be bolstered for the medium to long-term recognising the major future capital commitments already irrevocably made by Council decisions on the size of the capital programme and associated borrowing.

7.2.2 The Revenue and Capital Budgets were approved by Council on 03/03/22. They continued to set out an ongoing ambitious programme of approved capital spending plans and future capital spending plans (partly financed by the Swansea Bay City Deal but predominantly by unsupported borrowing now fully externalised at fixed rates for up to 50 years de-risking general fund exposure to future interest rate movements) which would require modest budget savings to be delivered to help facilitate that major capital investment and economic regeneration stimulus. These plans are likely to still be affected by ongoing ripple effects of COVID-19. It remains entirely unclear as to the scale of additional spending, the loss of income, and the funding arrangements for reimbursement in part, or in full, that the Authority faces in responding both locally, with partners, and supporting the national strategic response to the COVID-19 pandemic during the first part of 2022-23.

7.2.3 The impact will be very financially material on the 2021-22 accounts but the national lock down arrangements and the prioritisation of the response to COVID-19 may have impaired our ability to fully prepare the accounts to our normally exceptionally high standards in line with accounting standards. Any necessary deviation caused will be disclosed separately throughout these accounts.

7.3 The **Medium Term Financial Plan 2023/24 – 2025/26** was approved by Council on 03/03/2022. The Plan outlined the range of options around funding faced by the Council over the period, the key reliance on the scale and value of future local government finance settlements and the strategy to be adopted to address the various scenarios as well as the inherent risks to the success of the adopted strategy.

7.3.1 All spending and funding assumptions were set before the ongoing economic scale of the repayment of costs incurred during COVID-19 pandemic was fully apparent, exacerbated by the late nature of the UK and Welsh government budget setting processes. Whilst the Authority will consider future spending plans in line with projected funding announcements there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to close facilities and reduce the level of service provision.

7.4 Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.

7.5 **Audit Wales Annual Audit Summary 2021**. Audit Wales noted that their opinion on the financial statements was qualified. This was because the Council misclassified historical cost depreciation between its revaluation reserve and its capital adjustment account resulting in both being potentially materially misstated; the Council is undertaking further analysis to assess and correct the level of potential error. During 2020-21, Audit Wales examined the financial sustainability of each council in Wales. They concluded that the Council is well placed to maintain its financial sustainability and plans to strengthen some aspects of its financial management. The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties concerning continuous improvement for the financial year 2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

7.5.1 The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are:

- Investment Strategy Statement.
- Internal Dispute Resolution Process.
- Funding Strategy Statement.
- Administration Strategy Statement.
- A full actuarial valuation to be carried out every third year.
- Communications Strategy Statement.

8. Chief Auditors Opinion

8.1 The system of internal control is designed to help the Council manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.

8.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.

8.3 The table below provides a summary of the assurance levels across the audits completed in 2021/22:

2021/22 Audit Ratings Summary		
Total Number of Audits Finalised	90	
Assurance Rating	**Number**	**%**
High Assurance	38	42
Substantial Assurance	48	53
Moderate Assurance	4	5
Limited Assurance	0	0

8.4 As can be seen in the table above, the outcome of 86 (95%) of the 90 audits completed was positive with the audits receiving either a high or substantial level of assurance.

8.5 As has been reported to the Governance & Audit Committee throughout the year, four audits received a moderate level of assurance in the year. As has been the case for the past three years, the fundamental Accounts Receivable audit was one of the audits that received a moderate assurance level in 2021/22.

8.6 In total there are 14 audits which are classed as fundamental audits. The fundamental audits are the core systems that are considered to be so significant to the achievement of the Council's objectives that they are audited ether annually or bi-annually. Following the audits completed in 2021/22, 10 of the 14 fundamental audits have a high level of assurance. Three have a substantial level of assurance (Accounts Payable, Business Rates and Employee Services) and one has a moderate level of assurance (Accounts Receivable).

8.7 Prior to the audit in 2019/20, the Business Rates audit had received a consistent high assurance level and had therefore been subject to an audit every two years. However, as a result of the findings of the audit undertaken in 2019/20, a substantial level of assurance was awarded and as a result this audit is completed on an annual basis.

8.8 The Governance & Audit Committee was made aware that we were unable to complete the review of Business Rates in 2020/21 due to the fact that the department had to swiftly adapt to facilitate the roll out of the various Covid-19 support schemes, and as such the Business Rates Section did not have the capacity to accommodate an audit. Additional work was completed by the Audit Team during this period to provide assurance over the reactive work that has been undertaken by the Business Rates Team in facilitating the Council's continued response to the Covid-19 pandemic. However, Internal Audit was able to complete the review of Business Rates in 2021/22 with a substantial level of assurance being awarded.

8.9 The Accounts Payable audit also received a substantial assurance level in 2021/22, as was also the case in the past three financial years. As a result, this will continue to be audited on an annual basis.

8.10 The Accounts Receivable audit received a moderate assurance level in 2021/22, as has also been the case in the previous three financial years. The Governance & Audit Committee has received a number of updates from the relevant managers within the department in relation to the work that is ongoing to address the issues that have been identified. The Committee will continue to receive updates on this during 2022/23 as required.

8.11 It is disappointing that the Accounts Receivable audit received a fourth moderate assurance rating in 2021/22. As detailed in updates provided to the Governance & Audit Committee from the client department, the reasons for the weaknesses identified in this area are primarily in relation to reduced staff resources. As noted in previous annual reports, continuity and maintenance of core grip with changing, and more often diminishing, resources was a recognised clear challenge across the Council and this continues to be the case.

8.12 Despite this, as stated previously it should be noted that of the 14 fundamental system audits, 10 have a high assurance level and three have a substantial assurance level. In addition, the results of the work undertaken in 2021/22 shows that as at the 31st March 2022, 95% of all of the audits completed in year have either a high or substantial assurance level. This provides reasonable assurance that across the Council the systems of internal control are operating effectively.

8.13 The Internal Audit Team has continued to operate in a very challenging environment throughout 2021/22. As a result of continued challenges also being faced by client departments caused by the ongoing pandemic, a small number of audits on the 2021/22 audit plan had to be deferred to 2022/23. However, we have successfully completed a significant number of audit activities on the 2021/22 plan with 94 audit activities (72%) issued as final or completed and 2 audits (2%) issued as draft, with an additional 11 audits (8%) in progress at year end. As a result, 82% of the audit activities on the 2021/22 audit plan had either been completed or were in progress at year end. This is a positive result given the circumstances faced by the Team. It is also pleasing to note the overall positive outcomes of the work that has been completed in year as highlighted above.

8.14 A review was also undertaken in March 2022 to establish whether those charged with governance within the Council had undertaken a detailed review of their financial management arrangements. The review was undertaken to determine whether the standards, as defined by the Financial Management Code (FM Code) introduced by the Chartered Institute of Public Finance & Accountancy (CIPFA) were being met. The FM Code is designed to support good practice in financial management and assist Local Authorities in demonstrating their financial sustainability. The FM Code is based on a series of principles supported by specific standards. The requirement to be fully compliant with the FM Code came into effect from the 1 April 2021.

8.15 Our review confirmed that the Director of Finance & Section 151 Officer had completed a number of self-assessment exercises to benchmark Swansea Council's processes and practices against the FM Code Standards using a RAG Rating approach throughout 2021/22 which have been presented to Corporate Management Team. The RAG rating approach evaluated the Council's level of compliance with each element of the Financial Management Standards as follows:

Rag Rating:

- Green - Compliance is being demonstrated.
- Amber - Minor to moderate improvements are required to demonstrate full compliance.
- Red - Moderate to significant improvements are required to demonstrate full compliance.

8.16 The latest high-level self-assessment review completed in February 2022 concluded that of the 17 Standards, the Council could demonstrate full compliance with 13 standards (assessed as green) with minor to moderate improvements required to demonstrate full compliance with the remaining 4 standards (assessed as amber).

8.17 Changes that have been made throughout the year in order to improve the level of compliance with the Standards have been clearly documented as part of the self-assessment process. In addition, the self-assessment includes a comprehensive list of evidence to substantiate and support the Director of Finance & Section 151 Officer's assessment of compliance.

8.18 To conclude, the self-assessment review completed by the Director of Finance & Section 151 Officer demonstrates that the Council is broadly compliant with the FM Code, with only minor to moderate improvements being required to demonstrate full compliance with 4 of the 17 Standards.

8.19 Throughout the year, a significant amount of effort has continued to be directed at further strengthening the systems of risk management across the Council. The Governance and Audit Committee has received regular update reports from the Strategic Delivery and Performance Manager outlining the status of key risks from the Corporate Risk Register. The Corporate Management Team and Risk Owners have also reviewed the risk register entries regularly throughout the year to ensure the register is up to date. The new Risk Management System has also been further embedded in the year which has improved the monitoring and control of risks.

8.20 As per the Terms of Reference, the Governance and Audit Committee must be satisfied that they have sufficient information in order to gain assurance over the risk management controls across the Council. Prior to the introduction of the new Risk Management System, the Committee highlighted concerns over the amount of information that was available to Members to allow them to discharge this responsibility. These concerns were also echoed by the Council's External Auditors. The introduction of the new Risk Management System has facilitated greater scrutiny of the risk management arrangements in place by the Governance and Audit Committee and detailed reports from the new system have been presented to the Committee throughout the year.

8.21 A number of concerns were raised previously by both the Chief Auditor and the Governance and Audit Committee in relation to the documentation of the mitigating control measures recorded in the Risk Register for a number of Corporate Risks.

8.22 As part of the migration from the old Risk Registers to the new Risk Management System, Risk Owners were asked to review and update the risks and associated mitigating controls under their management. Following a review of the mitigating controls in 2020/21, it was noted that in some instances the control measures documented on the new system could not be considered to be 'control measures' as such. As a result, it was not possible to place reliance on the documented mitigating controls for some of the corporate risks on the Risk Management System. This is not to say that mitigating controls were not in place, but the way they had been documented meant that we were unable to place reliance on some of the 'controls' as they were recorded. As a result, last year's Annual Governance Statement and Chief Internal Auditor's Opinion noted that this area required attention and improvement in 2021/22.

8.23 It is pleasing to note that a significant amount of work has taken place throughout 2021/22 in order to ensure that the corporate risks remain relevant and up to date. In addition, as evidenced by the most recent Risk Update Report from the Strategic Delivery & Performance Manager, the quality of the documentation of the associated control measures has greatly improved.

8.24 The Covid-19 Pandemic has continued to have a significant impact on the Council and most 'business as usual' operations. The meetings of the Governance Group, tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective, resumed in 2021/22 in the lead up to the year end and in preparation for the production of the Annual Governance Statement.

8.25 In response to the unexpected and unpredictable impact of the pandemic, a number of emergency protocols were introduced in 2020/21 to ensure governance and overall corporate grip remained strong and effective during such unprecedented times. This included the formation of an Executive Control Group (ECG) in early March 2020.

8.26 Those attending the ECG included the Leader, Deputy Leaders, Chief Executive, S151 Officer, Monitoring Officer, Director of Place, Head of Communications & Marketing, Corporate Health Safety & Wellbeing Manager and Temporary CCoS/NPT/SBUHB Liaison Officer. We were advised that attendance at meetings varied due to the fluid situation facing the Council and due to daily meetings taking place, including on weekends. The Sit Rep group was a wider group of members and senior officers.

8.27 The ECG ceased to be a decision-making forum when Cabinet and Council meetings resumed in June 2020, but it continued to exist as a forum for information and communication throughout 2021/22.

8.28 The work undertaken by the Internal Audit Team in the year did not uncover any significant concerns in relation to governance and overall management control across the areas of the council that were subject to internal audit review. Despite the ongoing period of upheaval and change, Officers have continued to adapt speedily and effectively to the emergency response to the pandemic with no obvious signs of deterioration in control or corporate grip across the areas subject to audit in the period.

8.29 In conclusion, Statutory Governance Chief Officers and CMT have succeeded in continuing to maintain appropriate corporate grip and have ensured adequate recording and reporting mechanisms have been maintained throughout the crisis.

8.30 At the time of writing this opinion, it is unclear as to the scale of additional spending, including rapidly rising inflation, or ongoing losses of income that the Council faces in dealing with the pandemic both locally, with partners, and supporting the national strategic response to the residual immediate public health crisis and now rapidly growing economic and wider health effects of Covid-19 and the ongoing crisis in Ukraine going into 2022/23. The Director of Finance & Section 151 Officer has advised that his view is that there is adequate assurance of sufficient and necessary recovery and reimbursement in relation to 2021/22 already in place, pending the formal final outturn and statement of accounts certification. However, it should be noted that there are currently no meaningful sums announced available to bid against nationally for 2022/23 by UK or Welsh Governments. In March 2022, the Leader of the Council set out the Council's intention to expand the locally funded Covid-19 Economic Recovery Fund with the target sum of a further £20m-25m. This in part may mitigate the known certainty of significantly reduced Government funding cash increases in future years. This may also assist with dealing with some, but not all, of the immediate inflationary effects, which means future real terms reductions look inevitable. However, this is pending formal certification of the final outturn and statement of accounts by the Section 151 Officer and Council.

8.31 Given the audit plan completion rates noted previously, and the fact that Internal Audit has completed all of the planned fundamental audits and the majority of the cross cutting audits by year end, the Chief Auditor feels that no impairment to the Chief Auditor's opinion on internal control is required. Assurance can be provided across a range of Council services as a result of the audits completed and other assurance work undertaken in the year.

8.32 In addition, for the reasons set out previously, the Chief Auditor is of the opinion that governance arrangements across the Council have proven to continue to be robust and resilient throughout the continuing period of challenge and change that the Council has faced over the past year. It should also be noted that the Senior Management Assurance Statements have been enhanced during the year to incorporate the new provisions of Part 6 of the Local Government and Elections (Wales) Act in relation to performance self-assessment. The Council has continued to adapt speedily and effectively to the challenges brought about as a result of the pandemic, with core services continuing to operate effectively throughout.

8.33 Given the previous points made in relation to internal control, governance and risk management the Chief Auditor is of the opinion that there is no need to issue any limitation of scope on the aspects of governance and internal control. In addition, as a result of a significant amount of work undertaken in year to further enhance and embed risk management controls across the Council, and to strengthen the documentation of risks and control measures on the Corporate Risk Register, the Chief Auditor believes that there is no longer a need to declare a limitation of scope in relation to risk management. However, improvements should continue to be made in this area throughout 2022/23 to further embed and strengthen the Council's risk management controls across all of the Directorate and Service Level Risk Registers.

8.34 The Governance and Audit Committee and the Chief Auditor have also raised concerns throughout the year around the absence of a Workforce Strategy. In February 2022 the Strategic HR&OD Manager confirmed that a proposed Workforce Strategy has been developed for the financial year April 2022/23, with the Strategy due to be launched in March 2022. It should also be noted that Internal Audit were unable to complete the audit of the 'Transformation' element of the Achieving Better Together programme that had been planned for completion in 2021/22. As a result, these areas will be reviewed as part of the 2022/23 work programme.

8.35 **Chief Auditors Opinion for 2021/22**

Based on the programme of audit work undertaken in 2021/22, the Chief Auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control is effective with no significant weaknesses identified in 2021/22 which would have a material impact on the Council's financial affairs or the achievement of its objectives.

9. The Governance & Audit Committee

9.1 The Council has continued to face significant challenges during 2021/22 with the ongoing impact of the COVID virus. Once again the Chair pays tribute to all staff and officers of the Council in dealing admirably with the challenges brought about by the COVID pandemic. Throughout this year officers of the Council as well as the Council Partners' were fully committed to meeting their responsibilities. The Chair also acknowledges that the
Council continued its efforts to maintain continuity of governance.

9.2 Noted below is an overview of the Governance & Audit Committee's work in the municipal year 2021/22. On 9th June 2021 the Governance & Audit Committee considered the election of Chair for 2021/22 Municipal Year where it was resolved that Paula O'Connor be elected Chair. At the meeting on 13th July 2021 Councillor P R Hood-Williams was elected Vice-Chair for the 2021/22 Municipal Year. In addition, at the September 2021 meeting the Committee considered the requirements of the Local Government and Election (Wales) Act that states that the Governance & Audit Committee shall consist of one third Lay Members. The Committee was asked to consider its new size and implication that one third would be Lay Members. The recommendation made by Members to the full Council was to opt for 15 members consisting of 10 Councillors and 5 Lay Members. The Council approved this and in March 2022 progress was made in recruiting for three Lay Members.

9.3 As a result of the Act the Governance & Audit Committee Terms of Reference was amended to reflect the new membership plus the additional roles of the Committee. The new Act requires careful coordination between the Governance & Audit Committee and the Scrutiny Committee as both embark on the new co-ordinated responsibilities. It is a benefit at this time that the Scrutiny Committee Chair is also a Member of the Governance & Audit Committee. The Chair has also ensured that the Work Programme of the Scrutiny Committee is appended to every meeting of the Governance & Audit Committee. With regard to the Governance & Audit Committee's responsibility to review the annual Self-Assessment Report and also the Panel Performance Assessment Report the Chair has liaised with the Chair of Performance Committee who has agreed to attend the Governance & Audit Committee when these reports are presented.

9.4 The Committee's terms of reference forms part of each Agenda as an aide to ensure that Members are sighted of the Committee's effectiveness in satisfying it's role. The Chair has continually reviewed Committee Agenda's in consultation with Democratic Services to ensure they meet the requirements of the Terms of Reference. In addition, the Chair has liaised with the Deputy Chief Executive to establish a formal Training Programme for Members to include the new areas of responsibility plus a clear understanding of the roles of Scrutiny Committees that also consider these subject matters.

9.5 The Chair also notes that Part 5 of the Local Government and Elections (Wales) Act 2021 provided for the establishment through regulations of Corporate Joint Committees (CJC). This resulted in the establishment of the South West Wales Corporate Joint Committee. At the September 2021 Governance & Audit Committee further insight was given to Members as to the current status and progress of the CJC and then in December 2021 the Governance & Audit Committee were informed of progress and next steps being taken in establishing a formal governance framework. The status and progress of the work of the CJC will be brought back to the Governance & Audit Committee during the early part of 2022 where consideration will be given to any further changes to Terms of Reference of the Governance & Audit Committee.

9.6 The Chair would highlight that changes were taking place with the Management Structure in February 2021 and these changes remained under consideration and consultation during 2021/22. The Governance & Audit Committee have continued to express concern around the absence of the Workforce Strategy and the challenges placed on resource throughout 2021/22. In February 2022 the Strategic HR&OD Manager confirmed that a proposed Workforce Strategy has been developed for the financial year April 2022-2025. It was also confirmed that the Strategy took into consideration the Council's Corporate Plan "Delivery a Successful and Sustainable Swansea" as well as the provisions of the Well-Being of Future Generations (Wales) Act 2015. Subject to any final changes the Strategy was to be launched in March 2022.

9.7 The Chair also highlights that the Committee has previously reported on the shortfall in assurances being received around the Council's Risk Management arrangements. However, the Chair has ensured that the Service Directors have attended the Governance & Audit Committee during the year to provide assurance to the Committee that individual functions are exercised effectively, there is economic, efficient and effective use of resources and effective governance.

9.8 The development and roll out of the new electronic risk management system continued into early 2021 and the Chair would note that improvement had been made in the reporting format of the Risk Register. However, during the majority of 2021 the content of the Risk report still required improvement. A Risk Report was presented to the Committee in September 2021, November 2021 and February 2022. The Chair also notes that additional Training had been undertaken along with Video Training access and towards the end of 2021/22 some improvement was recognised in the February 2022 report.

9.9 The new Act has placed responsibility on the Governance & Audit Committee to review the Council's draft response to the Panel Performance Assessment report, any Audit Wales recommendations arising from Council's performance as well as the Council's draft annual Self-Assessment report. The Governance & Audit Committee Work Programme has been updated to reflect the presentation of these reports in 2022.

9.10 The Annual Complaints report was presented to the Governance & Audit Committee in December 2021. The Committee welcomed the report but noted that it was important not to overlap the work of Scrutiny Committee. The Chair of Scrutiny Committee confirmed that the Complaints report was due to be considered by Scrutiny in March 2022.

9.11 The Committee has reviewed the work programme at each meeting, taking account of risk and priorities and in particular pandemic issues and Internal Audit Moderate Assurance reports issued.

9.12 The Chair attended a further meeting of the All Wales Audit Committee Chairs network in September 2021 where there was opportunity to network, share ideas and problem solve with peers performing similar roles. The event was dedicated to understanding Governance and Audit Committee 'performance' responsibilities resulting from the Local Governments Elections (Wales) Act 2021, to support us to discharge our new responsibilities effectively. Presentations were given by the Welsh Local Government Association and also the Public Service Ombudsman for Wales. An interactive section was also facilitated by Audit Wales to consolidate some of the learning from the Act.

9.13 The Governance & Audit Committee terms of reference states that the Committee "oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

9.14 The Committee received the 2021/22 Internal Audit Plan and Charter on 20th April 2021 and has received reports regularly during the year from the Chief Internal Auditor. The Chair has expressed her gratitude to the Chief Auditor in progressing with the plan alongside the pressures of the pandemic and also for responding to a request to enhance the detail in the reports to provide further understanding of the work undertaken and the risks identified. During 2021/22 the Chief Auditor reported a number of Moderate Assurance audit reports that resulted in those responsible attending Governance & Audit Committee to give assurance that appropriate action was being taken where significant weaknesses in control were identified. During the year the Chief Internal Auditor updated the Governance & Audit Committee of those audit assignments that had to be deferred as a result of the pandemic impacts. The final Chief Internal Auditor opinion is due to be presented to the Governance & Audit Committee in May 2022.

9.15 In March 2021 the Chief Internal Auditor presented the Draft Internal Audit Plan for 2021/22 and methodology applied. The Chair commented that the Committee was able to support approval of the Plan to Council with the caveat that assurances had been obtained from the Chief Internal Auditor that the Plan was risk based and complied with the Public Sector Internal Audit Standards. The Committee would seek to gain further understanding of the scope of the reviews during 2021/22.

9.16 Audit Wales presented their 2021 Audit Plan to the Governance & Audit Committee on 20th April 2021, and has provided the Committee with regular updates to their work. The most recent update to Quarter 31 December 2021 presented on 8th March 2022. In 2017/18 and continuing to date the Chair suggested that consideration be given to developing a tracker to give focus to improved completion of external audit recommendations. This work is yet to be completed but the Chair acknowledges the attempts being made to develop an electronic system to track action against recommendations but in the interim the Scrutiny Committee has the opportunity to challenge non implementation of recommendations as well as the Governance & Audit Committee.

9.17 The Chair has met during the period with the Deputy Chief Executive, S151 Officer, Monitoring Officer, Chief Internal Auditor and Audit Wales. When necessary during the year the Chair has been in communication with the Chief Executive.

9.18 On 20th April 2021 the Committee received the 2021/22 Fraud Function Annual Plan. The 2020/21 Anti-Fraud Annual Report was received at the meeting in July 2021.

9.19 An additional report was presented to provide the Governance & Audit Committee with an update against progress being made against recommendations in the Audit Wales report Raising our Game - Tackling Fraud in Wales in March 2021 with an update on progress in November 2021. The Committee noted that some further work was required to address all those recommendations.

9.20 Cllr Lesley Walton is the Governance & Audit Committee Representative on the Council's Governance Group. The Governance Group was established to review the production of the AGS during the year. The Group met in March 2022 to discuss the draft AGS for 2021/22.

9.21 The Chair attended the Scrutiny Panel Conference 12th October 2021. The Governance & Audit Committee also received the Scrutiny Committee's Annual Report and Work Programme.

9.22 Looking ahead to 2022/23 the Governance & Audit Committee's membership and responsibilities will need to have careful consideration and support. The Deputy Chief Executive has confirmed that following the May 2022 local elections it will be his intention to enact the Training Programme to support the work of the Committee in all new areas of responsibility. Also, this programme will reflect the needs of all new Councillor and Lay Members.

9.23 The Committee's concerns expressed during the 2021/22 Municipal year will be appropriately reflected in the Annual Governance Statement and will include the absence of the Workforce Strategy, the further improvements to embedding the risk management arrangements and enhanced reporting and the Moderate or Limited Assurance Internal Audit reports where audit recommendations remain outstanding.

EXTERNAL SOURCES OF ASSURANCE

10. External Auditors

10.1 In response to the COVID-19 pandemic, Audit Wales changed the approach and focus of their performance audit work in local government and other bodies. Audit Wales undertook a project to support public sector efforts by sharing learning through the pandemic. The project aims to help prompt some thinking, and practise exchange. During 2020-21, Audit Wales reviewed the arrangements that each council in Wales was putting in place to support recovery planning. Audit Wales undertook this work on an ongoing basis, providing real-time and ongoing feedback where appropriate.

10.2 Audit Wales' Annual Audit Summary 2020 noted that during 2020-21, Audit Wales examined the financial sustainability of each council in Wales. Audit Wales concluded that the Council is well placed to maintain its financial sustainability and plans to strengthen some aspects of its financial management. Audit Wales were satisfied the Council had met its legal duties for improvement planning and reporting and is likely to meet the requirements of the Local Government Measure (2009) concerning continuous improvement.

10.3 Audit Wales on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2020/21** to Governance & Audit Committee on 24/08/21 and to Council on 02/09/20. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The Auditor General issued a qualified audit report on narrow but material technical matters for the financial statements; the Director of Finance has already started looking to address this issue working alongside Audit Wales. The report concluded that the financial statements for the City & County of Swansea and the City and County of Swansea Pension Fund, (which was presented separately to the Pension Fund Committee on the 17/11/21), gave a true and fair view of the financial position of the Council and had been properly prepared.

11. Statutory external inspections/regulators

11.1 CiW carried out an Assurance visit in June 2021. Estyn recently provided feedback to the Council, and more recently a Risk Assessment Workshop was delivered by CiW, Estyn and Audit Wales to CMT and Leadership Team.

11.2 Both CiW and Estyn recently provided feedback to the Council on 23rd February 2022 at an Assurance and Risk Assessment Workshop delivered alongside Audit Wales to CMT and Leadership Team.

11.3 Estyn noted in general, most inspection outcomes have been strong in both primary and secondary schools. The Council's Education directorate responded well to the challenges during the COVID-19 pandemic and supported schools and PRUs effectively. Officers consider the current issues in education appropriately, including the new curriculum and ALN reform, and identify current needs well, such as the recent upward trend in exclusion rates. The Director of Education has developed a good understanding of the needs of the local Authority and schools and know schools well; an experienced Council member is appointed as portfolio holder. Good support to schools is provided in follow-up.

11.4 The Council has undertaken a review of its ALN provision – but it is too soon to measure the impact of this on implementation of ALNET Act and provision in schools and PRUs. There has been a 2nd tier structure review underway with three Head of service posts and the Council is now in a new regional partnership with two other local authorities. School reserves continue to be high especially in secondary schools. The needs of learners met by the 10 year Welsh in Education Strategic Plan will need to be kept under review.

11.5 CiW sought Authority-wide assurance review on how well local authority social services continue to help and support adults and children with a focus on safety and well-being. Also feedback was structured around their key lines of enquiry - the four principles of the

Social Services and Wellbeing (Wales) Act 2014: People - Voice and Control, Prevention, Well-Being, Partnerships and Integration. In their letter CiW notes that at the beginning of the pandemic, Swansea Council was able to build on its established agile working systems, developing proactive regional approaches to support front-line services and recovery planning, with specific examples in Adults and Child and Family Services. More specific feedback and areas of improvement were noted in the four key areas:

- **People - voice and control** – whilst there are good examples of practice to build on in Swansea, people's and child's voices need to be strengthened in assessments and care planning, and to follow up on improving the carers experience in accessing support.
- **Prevention-** Swansea Council's approach to prevention is co-developed and delivered by a wide range of partners, including third-sector organisations within multi-agency hubs through Tackling Poverty initiatives, Discharge to Assess/Re-able, and Local Area Coordination. Delays and waiting times in some areas such as availability of domiciliary care and common access point lessened the impact of early intervention and support to parents and carers. Swansea Council is actively exploring means of incorporating best practice into longer-term service provision
- **Partnerships and Integration** – CiW commented that partnerships had been strengthened within Swansea Council during the pandemic, for example working more closely with education in relation to vulnerable children, and on how flexibility shown with providers and in adapting services helped meet demand. Although there has been positive impact on reducing the number of children looked after. Locally and nationally, a lack of specialist placements for those with more complex needs was commented on. They also noted how good working relationships between professional are helping to produce better outcomes, though closer partnership working with police and health services could be achieved and that more resource at a strategic level may be needed to drive change.
- **Well-being**- whilst staff felt appropriately supported throughout the pandemic staff, they have continued to work under significant pressure in a number of teams, and with the added challenges in recruitment and retention to key posts. CiW were positive about the initial changes in adult safeguarding, with the new team demonstrating a good analysis of risk, balancing between risk management and individual well-being. CiW are keen to follow these changes in safeguarding adults, and in applying quality assurance frameworks in services to adults, children and families, once they are fully embedded.

CORE EVIDENCE

12. Council & Cabinet

12.1 The following provide assurance based on reports covering 2021/22. In some instances reports from 2020/21 are reflected in the Annual Governance Statement as the reports for 2021/22 are not yet available.

12.2 Council adopted a revised Corporate Plan 2017/22 *Delivering a Successful and Sustainable Swansea* on 25 October 2018. The Corporate Plan for 2017/22 was refreshed and approved at Cabinet on 19th March 2019 and was refreshed again and approved by Cabinet on 19th March 2020. The five year Corporate Plan was rolled forward into 2021/22 and will be refreshed and rolled forward for a further year into 2022/23 until after the local government elections when a five year plan will be produced.

The Corporate Plan sets out the Council's values and principles underpinning the delivery of the objectives and sets out how the Council will monitor progress through quarterly and annual performance monitoring reports.

12.3 Performance on delivery of the Council's Well-being Objectives is monitored quarterly by Cabinet. The reports contain outturn compliance with performance indicators and an overview of performance for each Objective provided by Directors/Heads of Service. The End of Year Performance Monitoring Report for 2020/21 was presented to Cabinet on 15th July 2021. The report showed that 35 out of 59 (59%) of comparable indicators showed improvement or stayed the same compared to the previous year. Continued disruption from COVID-19 meant that performance targets were not set during 2021/22 and any comparisons to previous performance were appropriately contextualized.

12.4 The Annual Review of Performance 2020/21 was approved by Cabinet on 21st October 2021. The report showed the results of each performance measure for the 6 Objectives set out in the Corporate Plan 2017/22. The results showed that overall the Council has made significant progress undertaking the steps to meet its Well-being Objectives but that there were areas for development and lessons learnt.

12.5 The Corporate Complaints Policies were reviewed to ensure they were in line with the Public Services Ombudsman (Wales) Act 2019 and the Welsh Language Standards. The Annual Complaints Report 2020/21 was presented to the Scrutiny programme Committee on the 15th March 2022. In addition, the Ombudsman's annual report was presented to Cabinet in November 2021. The Annual Complaints Report reflects the continued emphasis on prompt resolution of complaints and includes compliments about services. 73 complaints were made to the Ombudsman including corporate complaints and Social Services (there were 92 cases received in 2019-20). 67 of which were closed within the year, and nine of which received intervention (early resolution / voluntary settlement (5) or were upheld (4)). PSOW complaints reduced compared with the 92 closed in 2019-20. There was an assurance that there were no s16 Public Interest reports during the year.

12.6 The Governance & Audit Committee Annual Report 2020/21 was presented to Council on 7th July 2021 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2020/21. In particular, the report highlighted the work that had been undertaken throughout the year in line with the Committee's terms of reference.

12.7 The Equality Review Report 2020/21 was reported to Cabinet on 16th September 2021, which highlighted progress against the Council's Equality Objectives. The report highlighted work linked to the core principles i.e. co-production, engagement and embedding of children's rights.

12.8 The Welsh Language Annual Report 2020/21 reflected progress and compliance on the 163 Welsh Language Standards across five categories with which the Council has to comply. The report contained an overview of activity and how the Council internally promotes the Welsh Language Standards with tools and information. The report concluded that good progress continued to be made on implementing the Welsh language standards during 2020/21 and highlighted some areas to support ongoing development and improvement.

12.9 There were a number of key reports presented to Cabinet/Council during 2021/22 including reports relating to the Swansea Bay City Deal, regeneration and capital works and a number of Cabinet reports in response to the COVID-19 pandemic. On 15th October 2020 Cabinet approved the new Swansea - *Achieving Better Together "From Recovery to Transformation"* Transformation Strategy and Programme Framework. In January 2022 an update report reflected the progress and changes to the programme since the framework was adopted as well as identifying the ongoing flexibility required to respond to the ongoing and emerging challenges and changes to the Council, its services and its workforce.

12.10 The Report showed that Council has not only **maintained services throughout the pandemic** but is well underway on its journey to refocus the Council. Projects, plans and strategies have been re-introduced when safe to do so, ensuring that Swansea did not fall behind in its ambitions to make Swansea better.

12.11 An internal Audit examination has been undertaken and the outcome was "high" level of assurance with no recommendations. This indicates that 'there is a sound system of internal control designed to achieve the programme objectives and the controls are being consistently applied.

12.12 The strategic governance of the *Achieving Better Together* is undertaken by the Recovery, Reshaping & Budget Strategy Board and the operational and Delivery of the workstreams is overseen by the Organisational Cross Cutting & Transformation Steering Group. Reports are considered by Cabinet, Scrutiny and Governance and Audit Committee.

13. Committees

13.1 The Council's Scrutiny function is carried out by a **Scrutiny Programme Committee,** which delivers an agreed programme of work through Committee meetings and through **Scrutiny Panels and Working Groups** established by the Committee. Through this range of activities, scrutiny councillors make sure the work of the Council is accountable and transparent, effective and efficient, and help the Council to achieve its objectives and drive improvement, by questioning and providing challenge to decision-makers on issues of concern. This covers a wide range of policies, services and performance issues. The Committee is a group of 13 cross-party councillors who organise and manage what Scrutiny will look at each year, and develop a single work programme showing the various activities that will be carried out. The Committee has questioned Cabinet Members on specific portfolio responsibilities and is the statutory Committee for Scrutiny of Swansea Public Services Board and Crime & Disorder Scrutiny. It also co-ordinates pre-decision scrutiny enabling consideration of specific Cabinet reports and views being brought to the attention of Cabinet ahead of decision-making.

13.2 Over the last year the work of Scrutiny has included an in-depth scrutiny inquiry looking at Council Procurement processes and practice, focusing on what the Council is doing to ensure it procures locally, ethically, and greenly while being cost effective and transparent in its practices. Also, the Equalities Inquiry Panel reconvened to follow up actions agreed by Cabinet in 2019. In order to ensure ongoing monitoring and challenge to key service areas there have been regular meetings of Scrutiny Performance Panels, looking at Education, Adult Services, Child & Family Services, Development & Regeneration, Natural Environment, as well as one looking at overall Service Improvement & Finance focusing on corporate performance and financial monitoring and budget scrutiny. One-off Scrutiny Working Groups met to consider the following topics: Workforce, Digital Inclusion and Bus Services. There has also been collaborative scrutiny with other Local Authorities for topics / issues of shared interest or concern, and models of regional working. Scrutiny activity has continued to be flexible and responsive to organisational pressures following the COVID-19 pandemic, which has affected the delivery of some planned activities. There are also clear processes in place for members of the public to raise issues for scrutiny, or ask questions and contribute views on matters being discussed. A number of public requests were considered over the past year.

13.3 Views and recommendations from scrutiny activities are communicated either by reports to Cabinet or letters sent directly to individual Cabinet Members, with responses provided as requested and followed up. The practice of writing 'chair's letters' is well-established way of communicating quickly with Cabinet Members, and letter and responses are monitored to ensure scrutiny is getting a timely response.

13.4 The **Scrutiny Annual Report 2020/21** was presented to Council on 2nd September 2021. The report highlighted the work carried out by Scrutiny during that year, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. As a consequence of the pandemic the 2020/21 Council year was a shorter one than usual and accordingly reflects on a less than typical amount of scrutiny that was carried out then. Nevertheless, the report continues to shows a high level of councillor commitment to scrutiny. It shows action taken to improve the scrutiny process and its effectiveness, and further efforts to support councillors, take practice forward and improve the quality of scrutiny.

13.5 Although Scrutiny and Audit have distinctive roles, there are common aims in terms of good governance, improvement in performance and culture, and financial management, and so a regular conversation is held which helps to ensure we are working together effectively. The Chair of the Scrutiny Programme Committee addressed the Governance & Audit Committee on this in October 2021 and the Committee also heard from the Chair of the Governance & Audit Committee, at the Scrutiny Programme Committee that month. This has made sure there is good awareness of each other's work, avoiding duplication and gaps in work programmes, and the ability to refer issues between Committees. It was highlighted that some of the areas that will benefit from co-ordination between Committees include the new responsibilities arising from the Local Government and Elections (Wales) Act 2021 around Council performance, and around the systematic reporting of external audit reports, and respective role in considering and monitoring these.

13.6 The **Standards Committee** met on 4 occasions during 2021/22 and the **Standards Committee Annual Report 2020/21** was presented to Council on 2 December 2021. The Committee is chaired by an independent person and is responsible for monitoring the ethical standards of the authority and maintaining the highest standards of conduct by elected councillors. The Committee has been updated as to their new duties under the Local Government and Elections (Wales) Act 2021 and has been consulted on both the statutory guidance in relation to the new duty and has considered their new terms of reference which will go forward to Constitution Working Group and Council in due course. The Committee also had an opportunity to meet with the Leader and all political group leaders during the year to discuss with them how they intend to discharge their new duties to ensure the highest ethical standards within their group from May 2022.

13.7 The **Governance & Audit Committee** met on 12 occasions during 2021/22 and followed a structured work-plan, which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes two lay members, one of which is also the Chair of the Committee. The Committee receive all Audit Wales reports once reported to Scrutiny Programme Committee. The Committee may decide to track or prioritise specific proposals or recommendations in addition to the oversight provided by Scrutiny. This arrangement provides additional assurance that the Council responds and puts in place action plans to address any recommendations. The Committee also receives quarterly updates on the overall status of risk within the Council to give assurance that the risk management process is being followed.

13.8 During 2015/16, The Local Pension Board was established, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council (and Pension Fund Committee) as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Terms of Reference for the Board were established and appropriate Board members were appointed. The Board successfully convened meetings under Covid regulations, virtually on 4 occasions during 2021/22, with the single cancelled meeting agenda being rolled forward and considered at the next convened meeting.

13.9 The **Pension Fund Committee** establishes and keeps under review policies to be applied by the Council in exercising its obligations duties and discretions as an administering Authority under the Local Government Pension Scheme (LGPS) Regulations. The Committee is Chaired by a Councillor and membership consists of six elected Members, including the Chair, and two lay members. The Committee met on 3 occasions during 2021/22, virtually, under Covid Regulations and dealt with all issues relating to the investment matters, governance and administration of the Pension Fund. The Chair of the Pension Fund Committee also represents the Council on the Joint Governance Committee (JGC) of the Wales Pension Partnership, a collaborative Working arrangement between the 8 local government pension funds in Wales. The Chair also represents the WLGA (Welsh Local Government Association) on the Scheme Advisory Board (SAB) advising the HM Government (Ministry of Housing, Local Government, MHCLG) on matters relating to the LGPS.

13.10 The **Democratic Services Committee** reviews the adequacy of provision by the authority of staff, accommodation and other resources to discharge Democratic Services functions. The Committee is chaired by a Councillor and, along with the Chair, membership consists of thirteen Councillors. The Committee met on 5 occasions during 2021/22 and considered the Councillors Handbook, Councillors Questionnaire, Councillor Training & Induction Programme 2022, Democratic Services Annual Report, Interim Guidance on Multi-Location Meetings, Diversity in Democracy Action Plan, Cllrs ICT

Policy – May 2022 & Beyond, Multi-Location Meetings Policy, Councillors Safety & Support, and the Independent Remuneration Panel for Wales (IRPW Annual Report).

13.11 The purpose of the **Policy Development Committees (PDCs)** is to drive the development of policy for consideration and adoption by Cabinet and or Council as appropriate. Due to COVID-19, some of the Council meetings, including PDC meetings, were cancelled or re-arranged. However, the work now being done by the PDCs has become more embedded over 2021/22 in carrying out the Council's function of developing policy. Both PDCs and Scrutiny are open to all non-executive Councillors, in developing policy then reviewing its effectiveness.

13.12 The PDCs are chaired by a Councillor and, along with the Chair, membership consists of ten elected Members. There were five Committees meeting in 2021/22: listed here with examples of both completed work and that in progress:

- **Economy, Environment & Infrastructure** – Swansea Bay City Deal Skills and Talent business case; Economic Recovery Plan. High Street Regeneration; Green Fleet Policy; Tree Policy; Siting of Bus Stops; Ultra Low Emission Vehicle Strategy.
- **Education & Skills** – Vocational Education; Data Trends on Vulnerable Learners; Adverse Childhood Experiences.
- **Recovery & Future Generations** – Supporting the overarching *Achieving Better Together* transformation work programme and COVID-19 Recovery; Workforce Strategy; Co-production; Sustainable Development.
- **People** – Young Carer's Strategy; Volunteers Strategy; Employability; Children and Young People's Rights Scheme.
- **Poverty Reduction** – Tackling Poverty Strategy revision; Promoting Affordable Credit Draft Policy; Benefits Take-up; Fairness in Green Health; Corporate Personal Debt Recovery.

Significant Governance Issues

The following table identifies issues that had been identified in 2020/21 during the review of effectiveness, together with the proposed actions to be taken during 2021/22 to address the issues. **Note - the COVID-19 pandemic has had an impact on the timescales and actions included in the action plan below.**

Significant Governance Issue linked to Framework	**Action to be taken**	**Update**	**Status**
Budget pressures (including external and demand-led pressures and overspends) & problems living within budgets.	Address continued material uncertainty as a result of Covid and other challenges and continue a deliberately blended approach to robust monitoring of budgets, savings and	• Budgets are monitored at a service level, department level and corporate level. PFM meetings are held across the directorates to monitor budgets. In addition, the financial	• Arrangements in place.

	transformation activity and action consistent with other Councils and policy responses at Welsh Government, UK Government and report as such to Cabinet, Council, Governance & Audit Committee and Scrutiny.	quarters are reviewed by CMT, Cabinet and Scrutiny committees and governance and assurance is also monitored via Governance & Audit Committee.	
	Commence and oversee delivery of the Achieving Better Together Transformation Programme through the Strategic Recovery Board to ensure that the Council is sustainable and financially resilient in the longer term.	• The Achieving Better Together Steering Group and Board meet monthly and has overseen the development of the MTFP and savings plan. The Board has also monitored the in-year savings targets and ensured delivery of the targets through holding Directors to account. • The work streams also identify transformation and change programmes that are required to ensure services are fit-for-purpose and horizon scan to ensure that changes are sustainable and value for money and meet future needs of the council and its residents.	• Arrangements in place.
Lack of workforce capacity, capability and resilience and relying on staff	Development of a Workforce Plan to support high performance and enable a skilled, flexible and engaged	• The Workforce Strategy has been developed following thorough consultation with Members,	• Adoption and implementation during 2022/23.

goodwill.	workforce as part of the Council's Achieving Better Together Transformation Plan.	Leadership teams, Trade Unions and employees. This has taken into account corporate and service level plans, council vision and key objectives. • The Strategy has been developed taking into consideration the requirements of the Well-being of Future Generations Act and the Council's Achieving Better Together Transformation Plan. • The Workforce Strategy has 4 Key Themes and 9 Key Strands. Underneath each Strand there are a series of agreed activities with key milestones and success criteria identified. • The agreed activities will be subject to regular review. Additional funding has been sourced for 2022/23 to enable progression on key activities.	
Performance Reviews, i.e. appraisals system / induction training not fit for purpose.	Recommence appraisals and continue to develop a new appraisal solution to be delivered digitally through the new Oracle Cloud solution in November	• Oracle Cloud implementation now to be delivered by October 2022. This includes a "Goals and Performance" module that will inform a revised	• Oracle Cloud implementation in 2022/23.

	2021.	performance management approach in the Council, to incorporate the ability of continuous appraisals and/or more regular 121 discussions. • Appraisals have been carried out due to Covid through a streamlined model via 121's or (where able) a normal appraisal scheme. Appraisals are now being fully reintroduced.	
	Address Induction training of new staff as part of the review of the induction process and future policy reviews.	• Induction training is part of the activities identified in the Workforce Development Strand of the Workforce Strategy and an action plan has been developed within the strategy to ensure delivery.	• Implementation in 2022/23.
Embed the Future Generation Act principles into the Council's processes and decision making.	Provision of training/information on the requirements of the Future Generations Act.	• An Integrated Impact Assessment (IIA) has been developed and rolled-out to take account of the Well-being of Future Generations Act, as well as the Equalities Act, Socio-economic Duty and Welsh Language (Wales) Measure, in decision-making. • Training of decision	• Arrangements in place.

		makers including CMT, Leadership Team and Members has taken place on the socio-economic duty. The training programme for elected members after May has been updated to reflect the training requirements, along with the various committee who have been directly affected by the LG&E Act such as Governance & Audit Committee. Training on the Well-being of Future Generations Act is incorporated in the action plan to deliver the Workforce Strategy.	
Patchy Partnership Governance, including application of risk management.	Develop a plan to establish CJCs resulting from the Local Government and Elections (Wales) Act.	• CJC's have been established as a result of the LG&E Act. A major review has been undertaken of the regional school improvement delivery model through ERW and the new partnership model and footprint from September 2021 should continue to enhance transparency of funding and decision-making. • A partnership review document was presented to	• Arrangements in place.

		Governance & Audit Committee showing the governance of the key strategic partnerships and gave assurance of the management of risk.	
ICT Disaster recovery.	Resolve through the move to cloud services, particularly Oracle Cloud in November 2021.	• Plans to improve DR, all of which are underway, include: ○ The move to Cloud; ○ the new data centre infrastructure, which will have multiple lines and access to a generator if needed; ○ Phase 2 of the data centre move will also include a secondary fall-over site.	• Oracle Cloud implementation in 2022/23.
Continue to improve risk management arrangements	Work with responsible officers to improve the quality of risk controls.	• Training specifically on improving Risk Control Measures took place at Leadership Team on 25 May 2021. • A video based on the workshop was uploaded, which is now directly accessible through the risk register along with all other videos provided on risk management and on using the risk register. • Responsible officers were signposted to the video and	• Arrangements in place.

		reminders to review and revise control measures in line with the training and video have also been issued each month since the workshop took place. • Control Measures and changes to Control Measures in the Corporate Risks were reviewed and feedback / advice on improving them was provided to responsible officers in Feb 2022.	

The following table identifies issues which have been identified during the review of effectiveness, and also highlights any other significant governance issues that need to be considered, together with the proposed actions to be taken during **2022/23** to address the issues. **At the time of writing the COVID-19 is in remission but there remains an ongoing risk for the foreseeable future that the timescales and actions in the table below could be impacted depending on the future severity and longevity of the pandemic.**

Significant Governance Issue linked to Framework	**Action to be taken**
Lack of workforce capacity, capability and resilience and relying on staff goodwill.	• Workforce Strategy approved. Action Plan to be adopted in each service area and the groups to be established to lead and monitor actions. End August 2022.
Performance Reviews, i.e. appraisals system / induction training not fit for purpose.	• Continue to develop a new appraisal solution to be delivered digitally through the new Oracle Cloud solution in October 2022. • Develop Corporate Induction training for delivery in 2022.
ICT Disaster recovery.	• Resolve through the move to cloud services, particularly Oracle Cloud in October 2022. • National performance issues with WCCIS being addressed nationally through a review of continued viability and a local / regional options appraisal being undertaken in partnership with Health.

Annual Governance Statement 2021/22

New - Procurement – Governance around Contracts.	• Internal Audit to undertake a review in 2022 on the operation of contracts within CPR and the UK PCR. • Review how advice and support can be given and whether capacity can be increased to assist Schools to consider the full implications from decisions from entering into contract with third parties. • Review the process from sign-off to Contract issued to ensure any risk is removed. • Review Governance arrangements for involvement by commercial services.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ……………………………. Interim Chief Executive
Date …………………………….

Signed…………………………….. Leader
Date ……………………………..

PART B

Chief Financial Officers Certificate and Statement of Responsibilities for the Financial Statements of the City and County of Swansea Pension Fund.

I hereby certify that the Financial Statements presents a true and fair view of the financial position of the City and County of Swansea Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2022

Director of Finance

The Authority's Responsibilities
The Authority is required to:

- Make arrangements for the proper administration of the City and County of Swansea Pension Fund and to secure that one if its officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Director of Finance
- Manage the affairs of the City and County of Swansea Pension Fund to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Financial Statements.

The Responsibilities of the Director of Finance
The Director of Finance is responsible for the preparation of the City and County of Swansea Pension Fund's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).
In preparing these financial statements, the Director of Finance has:

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

The Director of Finance has also:

- Kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Date of Authorisation for Issue
The 2021/22 Financial Statements were authorised for issue on 16th November 2022 by Ben Smith, Director of Finance who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2021/22 Financial Statements were formally approved by Pension Fund Committee 16th November 2022.

Councillor Mike Lewis
Chairman

The independent auditor's report of the Auditor General for Wales to the members of City and County of Swansea as administering authority for City and County of Swansea Pension Fund

Opinion on financial statements

I have audited the financial statements of City and County of Swansea Pension Fund for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004. City and County of Swansea Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of the City and County of Swansea Pension Fund as at 31 March 2022 and of the amount and disposition at that date of its assets and liabilities, and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statement, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management, the administering authority's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to City and County of Swansea Pension Fund's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or noncompliance with laws and regulations.

- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals and biases in accounting estimates.
- obtaining an understanding of the City and County of Swansea Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Pension Fund.

In addition to the above, my procedures to respond to identified risks included the following:
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, those charged with governance about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, the Pension Fund Committee and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of City and County of Swansea Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.
A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Certificate of completion of audit
I certify that I have completed the audit of the accounts of City and County of Swansea Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
21 November 2022

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of City and County of Swansea Pension Fund's website is the responsibility of the Authority; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

STATEMENT OF ACCOUNTS 2021/22

1. Introduction

The City & County of Swansea Pension Fund is administered by the City & County of Swansea. However it is a separate statutory fund and its assets and liabilities, income and expenditure are not consolidated into the accounts of the Authority. That is, the Pension Fund's assets and liabilities are distinct.

The summarised accounts of the Pension Fund shown here comprise three main elements:-

- The Fund Account which shows income and expenditure of the Fund during the year, split between payments to/contributions from members and transactions relating to fund investments.

- The Net Assets Statement which gives a snapshot of the financial position of the Fund as at 31 March 2022.

- The Notes to the Financial Statements which are designed to provide further explanation of some of the figures in the statements and to give a further understanding of the nature of the Fund.

2. Summary of transactions for the year

Where the money comes from:-

	£'000
Contributions and transfers in	113,943
Other	5
	113,948

And where it goes……..

	£'000
Pensions payable	72,012
Lump sum benefits	17,880
Refunds and transfers out	2,806
Management Expenses	16,544
	109,242

	£'000
Net new money into the Fund	4,706
Net return on Investments	305,071
Increase in Fund value	**309,777**

Fund Account For The Year Ended 31st March

2020/21 £'000		Note	2021/22 £'000	2021/22 £'000
	Contributions and benefits :			
	Contributions receivable :			
81,813	Employers contribution	3	86,043	
20,199	Members contribution	3	21,485	107,528
3,092	Transfers in	4		6,415
50	Other income	5		5
105,154				113,948
	Benefits payable :			
-70,195	Pensions payable	6	-72,012	
-14,544	Lump sum benefits	6	-17,880	-89,892
	Payments to and on account of leavers :			
-113	Refunds of contributions	7	-131	
-3,934	Transfers out	7	-2,675	-2,806
-13,514	Management expenses	8		-16,544
2,854	**Net additions from dealing with members**			**4,706**
	Returns on investments			
39,722	Investment income	9		27,164
583,857	Change in market value of investments	12		277,907
623,579	**Net returns on investments**			**305,071**
626,433	**Net increase in the Fund during the year**			**309,777**
1,988,022	Opening Net Assets of the Fund			2,614,455
2,614,455	Closing Net Assets of the Fund			**2,924,232**

Net Assets Statement As At 31st March

31st March 2021 £'000			31st March 2022 £'000
	Investments at market value:	**Note**	
2,565,257	Investment Assets	11	2,889,534
4,330	Cash Funds	12	0
40,346	Cash Deposits	12	31,832
40	Other Investment Balances – Dividends Due	12	301
2,609,973	**Sub Total**		**2,921,667**
7,256	Current Assets	15	6,686
-2,774	Current Liabilities	15	-4,121
2,614,455	**Net assets of the Scheme available to fund benefits at the period end**		**2,924,232**

The financial statements on pages 81 to 118 summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee. The financial Statements do not take account of liabilities and other benefits which fall due after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Part D of this report and these accounts should be read in conjunction with this information.

Notes to the Financial Statements

1. Basis of preparation

The financial statements summarise the fund's transactions for the 2021/22 financial year and its position at year-end 31 March 2022. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements do not take account of liabilities and other benefits which fall due after the period end.

2. Accounting Policies

The following principle accounting policies, which have been applied consistently (except as noted below), have been adopted in the preparation of the financial statements:

(a) Contributions

Normal contributions, both from the employees and from the employer, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Early Access contributions from the employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received. Under current rules, employers can exercise discretion to give access to a person's pension rights early (other than for ill health). Where this is done, the additional pension costs arising are recharged to the relevant employer and do not fall as a cost to the Fund. Under local agreements some Employers have exercised the right to make these repayments over three years incurring the relevant interest costs. As a result total income is recognised in the Fund Account with amounts outstanding from Employers within debtors.

Other Contributions relate to additional pension contributions paid in order to purchase additional pension benefits.

(b) Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund as appropriate.

(c) Transfers to and from other Schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Fund. They are accounted for on a cash basis or where Trustees have agreed to accept the liability in advance of receipt of funds on an accruals basis from the date of the agreement.

Accounting Policies cont'd

A bulk transfer involves a group of employees changing to a new employer in a different Fund or moving along with their existing employer to a new Fund. It is usually triggered by a contract being transferred, a service being restructured or a merger or acquisition involving an LGPS employer. They are accounted for on a cash basis, or on an accrual basis where the liability hasn't been settled before the date of agreement.

(d) Investments

i) The net assets statement includes all assets and liabilities of the Fund at the 31st March.

ii) Listed investments are included at the quoted bid price as at 31st March.

iii) Investments held in quoted pooled investment vehicles are valued at the closing bid price at 31st March if both bid and offer price are published; or, if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

iv) Unquoted securities are valued by the relevant investment managers based on the Fund's share of the net assets or a single price advised by the Fund Manager, in accordance with generally accepted guidelines.

v) Unit trusts are valued at the Managers' bid prices at 31st March.

vi) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.

vii) Investment management fees are accounted for on an accrual basis.

viii) Transaction costs are disclosed in Note 8 – Administrative and Investment Management Expenses.

ix) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.

x) Property Funds/Unit Trusts are valued at the bid market price, which is based upon regular independent valuation of the underlying property holdings of the Fund/Unit Trust.

(e) Financial Instruments

Pension Fund assets have been assessed as fair value through profit and loss in line with IAS19.

(f) Management Expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accrual basis.

(g) Cash and Cash Funds
Cash comprises cash in hand and cash deposits. Cash funds are highly liquid investments that mature in three months from date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

(h) Investment Income
Investment income and interest received are accounted for on an accruals basis. When an investment is valued ex dividend, the dividend is included in the Fund account. Distributions from pooled investment vehicles are automatically reinvested in the relevant fund.

(i) Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. As permitted under the code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by the way of a note to the net asset statement in Part D of this report.

(j) Critical judgements in applying accounting policies

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary. The estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted private equity investments – these are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the international Private Equity and Venture Capital Guidelines (IPEVCG) outside the US. The value of the unquoted private equities as at 31st March 2022 was £197.9 million (£146.8 million as at 31st March 2021).

(k) Other

Other expenses, assets and liabilities are accounted for on an accruals basis.

(l) Additional Voluntary Contributions (AVC's)

City & County of Swansea Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential as its AVC provider. Some AVC contributions from prior years are also held with Aegon and Utmost (previously known as Equitable Life). AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. AVC's are not included in the accounts in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed for information in Note 20.

(m) Actuarial Present Value of Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS19) and relevant actuarial standards. As permitted under the code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by the way of a note to the net asset statement in Part D of this report.

(n) Taxation

The fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises. The Fund operates in the VAT registration for Swansea Council and the accounts are shown exclusive of VAT. The Fund can recover VAT input tax on all Fund activities.

3. Analysis of Contributions

Total Contributions 2020/21 £'000		Total Contributions 2021/22 £'000
	Administering Authority	
55,453	City & County of Swansea	**59,167**
	Admitted Bodies	
378	Celtic Community Leisure	358
127	Wales National Pool	131
2,994	Tai Tarian	2,552
1,609	University of Wales Trinity St Davids	1,691
303	Pobl Group	286
446	Wealdon Leisure	417
31	Parkwood Holdings	20
98	The Wallich	7
5,986	**Total Admitted Bodies**	**5,462**
	Scheduled Bodies	
10	Cilybebyll Community Council	10
74	Coedffranc Community Council	77
5	Llanrhidian Higher Community Council	6
5	Ystalyfera Community Council	6
17	Mumbles Community Council	22
3,205	Gower College	3,294
2,549	NPTC Group	2,704
62	Neath Town Council	61
34,523	Neath Port Talbot County Borough Council	36,596
62	Margam Joint Crematorium Committee	62
5	Pelenna Community Council	5
19	Pontardawe Town Council	20
27	Swansea Bay Port Health Authority	27
8	Briton Ferry Town Council	7
2	Llangyfelach Community Council	2
40,573	**Total Scheduled Bodies**	**42,899**
102,012	**Total Contributions Receivable**	**107,528**

3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

2020/21 £'000		2021/22 £'000
	Employers	
80,114	Normal	84,679
572	Other	584
1,127	Early Access	780
81,813	**Total**	**86,043**
	Employees	
20,172	Normal	21,447
27	Other	38
20,199	**Total**	**21,485**
102,012	**Total Contributions Receivable**	**107,528**

4. Transfers In

Transfers in comprise of:

2020/21 £'000		2021/22 £'000
3,092	Individual transfers from other schemes	6,415
3,092	**Total**	**6,415**

5. Other Income

Other income comprise of:

2020/21 £'000		2021/22 £'000
45	Interest on Cash Deposits	0
5	Early Access - Interest	5
50	**Total**	**5**

Interest on Cash deposits was reduced in 2021/22 due to the fund not investing surplus cash holdings with City & County of Swansea Treasury as in previous years. It was necessary to hold substantial cash balances in the bank account to fund the large capital commitments to new yielding assets programme, expected in the year.

6. Benefits Payable

The lump sum benefits paid comprise of:

2020/21 £'000		2021/22 £'000
70,195	Pensions	72,012
11,417	Commutation and lump sum retirement benefits	15,235
3,127	Lump sum death benefits	2,645
84,739	**Total**	**89,892**

6 Benefits Payable cont'd - Analysis of Benefits Paid

Total Benefits Paid 2020/21 £'000		Total Benefits Paid 2021/22 £'000
	Administering Authority	
34,095	City & County of Swansea	**35,253**
	Admitted Bodies	
212	Celtic Community Leisure	230
5	Swansea Bay Racial Equality Council	5
13	Wales National Pool	15
1,046	Tai Tarian	1,125
969	University of Wales Trinity St Davids	1,008
403	Pobl Group	430
9	RathboneTraining (Gower College)	9
16	Cap Gemini	18
70	BABTIE	70
4	West Wales Art Association	4
11	Colin Laver Heating	12
1	Phoenix Trust	3
2	Wealdon Leisure	2
1	Parkwood Holdings	1
4	The Wallich	11
81	The Careers Service	62
2,847	**Total Admitted Bodies**	**3,005**
	Scheduled Bodies	
13	Coedffranc Community Council	13
18	Cilybebyll Community Council	22
25	Bishop Vaughan School	26
138	Swansea Bay Port Health Authority	106
96	Swansea City Waste Disposal Company	93

1,033	Gower College	1,146
1,024	NPTC Group	1,132
14	West Glamorgan Valuation Service	26
2	West Glamorgan Fire Service	2
44	Neath Town Council	50
22,024	Neath Port Talbot County Borough Council	22,868
63	Margam Joint Crematorium Committee	54
10	Neath Port Talbot Waste Management	10
4	Pelenna Community Council	5
8	Pontardawe Town Council	9
1,121	Lliw Valley Borough Council	1,037
5	Briton Ferry Town Council	5
207	West Glamorgan Magistrates Court	191
7,404	West Glamorgan County Council	6,959
33,253	**Total Scheduled Bodies**	**33,754**
70,195	**Total Benefits Paid**	**72,012**

7 Payments to and on account of leavers

Transfers out and refunds comprise of:

2020/21 £'000		**2021/22 £'000**
113	Refunds to members leaving service	131
3,934	Individual transfers to other schemes	2,675
4,047	**Total**	**2,806**

8 Administrative and Investment Manager Expenses

All administrative and investment management expenses are borne by the Fund:

2020/21 £'000		**2021/22 £'000**
	Administrative Expenses	
790	Support Services(SLA) & Employee Costs	793
8	Printing & Publications	17
418	Other	347
1,216		**1,157**
	Oversight & Governance	
65	Actuarial Fees	35
101	Advisors Fees	209
43	External Audit Fees	44
14	Performance Monitoring Services Fees	6

3	Pension Fund Committee	3
3	Pension Board	3
88	Wales Pension Partnership	135
317		**435**
	Investment Management Expenses	
4,887	Management Fees	5,894
5,197	Performance Fees	5,710
266	Custody Fees	284
1,631	Transaction Costs	3,064
11,981		**14,952**
13,514	**Total**	**16,544**

Included in the management expenses is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangements.

The table below reflects the costs incurred in financial year 2020/21 and 2021/22

	2020/21	**2021/22**
	£'000	**£'000**
WPP Oversight & Governance Costs		
Host Authority Costs	88	135
WPP Investment Management Expenses		
Fund Manager Fees	898	983
Custody Fees	238	252
Transaction Costs	834	1,165
Total	**2,058**	**2,535**

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 (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV).

Note 8 cont'd - Investment Management Expenses

	2020-21				2021-22			
	Total	Management Fees	Performance Fees	Transaction Costs	Total	Management Fees	Performance Fees	Transaction Costs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Funds								
Equities	**1,655**	821	0	834	**1,992**	827	0	1,165
Fixed Income	**660**	165	495	0	**57**	57	0	0
Other Investments								
Property	**665**	640	15	10	**749**	554	150	45
Private Equity	**6,777**	2,147	3,983	647	**7,054**	2,689	3,319	1,046
Hedge Funds	**928**	431	497	0	**587**	376	145	66
Infrastructure	**691**	512	71	108	**2,195**	642	1,553	0
Private Debt	**235**	67	136	32	**1,161**	453	543	165
Residential Housing	**0**	0	0	0	**710**	133	0	577
Derivatives	**104**	104	0	0	**163**	163	0	0
Timberland & Farmland	**0**	0	0	0	**0**	0	0	0
	11,715	**4,887**	**5,197**	**1,631**	**14,668**	**5,894**	**5,710**	**3,064**
Custody Fees	**266**				**284**			
Total	**11,981**				**14,952**			

The above represents direct fees payable to the appointed fund managers, however, the following investments are appointed via a fund of funds/manager of managers approach which have their own underlying manager fees.

The table below represents the underlying manager fees, these fees are not charged to the accounts but are disclosed here for transparency. The returns for these mandates are net of underlying manager costs, this is reflected in Note 12 within the Change in Market Value.

2020/21 £'000		2021/22 £'000
176	Partners Group	88
629	Blackrock Hedge Fund	0
449	Schroders Property Fund	526
1,780	EnTrustPermal	1,114
7,711	HarbourVest	8,664
7,578	WPP	2,473
48	Blackstone	0
0	Man Group	341
18,371	**Total**	**13,206**

9 Investment Income

2020/21 £'000		2021/22 £'000
10	U.K. Equities	0
37,064	Pooled Fund - Overseas Equities	23,117
927	Pooled Fund – Fixed Interest	1,709
1,721	Pooled Investment vehicles - Property Fund	2,338
39,722	**Total**	**27,164**

The equity assets under management by Blackrock are managed wholly in a pooled investment vehicle. The pooled investment vehicles are a combination of equity, bond and money market unit funds which operate on an 'accumulation' basis, i.e. all dividends and investment income are automatically reinvested back into their relevant funds and not distributed as investment income. Therefore, the Fund value and change in market value on this fund will reflect both capital appreciation / depreciation plus reinvested investment income.

During 2021/22, Link Asset Services paid distributions in respect of the income earned on all Wales Pension Partnership sub-funds in which the Fund invests. This income is automatically reinvested into the pooled fund to increase the market value of the holding. Income is only distributed when there is a sufficient amount to do so, after the deduction of any costs, the surplus income is then reinvested.

Stock Lending

The Fund's investment strategy permits stock lending subject to specific approval. The income earned by the fund through stock lending was £250k. Currently the Wales Pension Partnership has total quoted equities of £431m on loan. These equities continue to be recognised in the relevant fund's financial statements. No liabilities are associated with the loaned assets

10 Taxation

a) United Kingdom
The Fund is exempt from Income Tax on interest dividends and from Capital Gains Tax but now has to bear the UK tax on other income. The Fund is reimbursed V.A.T. by H.M. Revenue and Customs and the accounts are shown exclusive of V.A.T.

b) Overseas
The majority of investment income from overseas suffers a withholding tax in the country of origin.

11. Investment Assets
An analysis of investment assets based on class of investment is shown below :

31st March 2021 £'000	Investment Assets	31st March 2022 £'000
230,537	Fixed Interest	241,705
35,919	Index Linked Securities	37,745
1,879,292	Global Equities	2,079,114
96,274	Property	109,377
60,062	Hedge Funds	60,857
146,891	Private Equity	197,918
75,665	Infrastructure	86,613
37,980	Private Debt	56,248
0	Residential Housing	18,192
0	Timberland & Farmland	133
2,637	Derivatives	1,632
2,565,257	**Total Investment Assets**	**2,889,534**

12. Changes in Investment Assets

		Value at 31.3.21	Purchases	Sales	Change in Market Value	Value at 31.3.22
		£'000	£'000	£'000	£'000	£'000
Equities						
	Blackrock (Passive)	656,690	0	0	93,338	750,028
	WPP	1,222,602	23,117	(27,304)	110,671	1,329,086
		1,879,292	23,117	(27,304)	204,009	2,079,114
Property						
UK & Europe	Schroders	52,971	5,558	(2,986)	9,467	65,010
Overseas	Partners	14,620	0	(2,427)	1,560	13,753
	Invesco	28,683	0	(1,081)	3,012	30,614
		96,274	5,558	(6,494)	14,039	109,377
Fixed Interest						
Fixed Interest						
	Blackrock (Passive)	82,787	0	0	(3,748)	79,039
	WPP - Absolute Return Bonds	64,102	0	(44)	320	64,378
	WPP - Multi Asset Credit	65,578	1,709	(53)	(2,795)	64,439
	Russell (Equity Protection)	18,070	0	0	15,779	33,849
		230,537	1,709	(97)	9,556	241,705
Index-Linked						
	Blackrock (Passive)	35,919	0	0	1,826	37,745
		35,919	0	0	1,826	37,745
Hedge Funds						
	Blackrock	31,104	0	(340)	1,817	32,581
	EnTrustPermal	28,958	0	(333)	(349)	28,276
		60,062	0	(673)	1,468	60,857
Private Equity						
	HarbourVest	140,311	13,619	(42,852)	37,947	149,025
	Blackstone	6,580	35,848	(4,925)	11,390	48,893
		146,891	49,467	(47,777)	49,337	197,918
Infrastructure						
	First Sentier	73,822	0	(9,789)	17,877	81,910
	Blackrock GRP	1,843	3,146	(644)	358	4,703
		75,665	3,146	(10,433)	18,235	86,613
Private Debt						
	Alcentra	16,501	(119)	(1,259)	761	15,884
	CVC	13,184	6,158	(1,295)	1,500	19,547
	GSAM Broad Street	8,295	10,276	(546)	2,792	20,817
		37,980	16,315	(3,100)	5,053	56,248
Residential Housing	BMO	0	0	0	0	0
	Man Group	0	18,524	(710)	378	18,192
		0	18,524	(710)	378	18,192
Timberland & Farmland	Manulife	0	123	(1)	11	133
		0	123	(1)	11	133

Derivatives						
	Russell	2,637	25,000	0	(26,005)	1,632
		2,637	25,000	0	(26,005)	1,632
Cash funds						
	Schroders	4,330	0	(4,330)	0	0
	Fidante	0	0	0	0	0
	T Rowe Price	0	0	0	0	0
		4,330	0	(4,330)	0	0
SUB TOTAL		**2,569,587**	**142,959**	**(100,919)**	**277,907**	**2,889,534**
Cash		**40,346**				**31,832**
Other Investment Balances - Dividends Due		**40**				**301**
TOTAL		**2,609,973**			**277,907**	**2,921,667**

13. Realised Profit on the Sale of Investments

2020/21 £'000		2021/22
143	Fixed Interest	0
1,239	Overseas Equities	0
409	Property Fund	396
1,791	**Net Profit**	**396**

14. Concentration of Investments

The following investments represented more than 5% of the Plan's net assets as at 31st March 2022.

	Value as at 31st March 2021 £'000	Proportion of Net Assets	Value as at 31st March 2022 £'000	Proportion of Net Assets
Blackrock ACS Low Carbon Tracker	605,237	23.1%	702,440	24.0%
Goldman Sachs Global Libor Plus 11	-	-		
WPP Global Opportunities Fund	1,222,602	46.8%	1,329,086	45.4%
HarbourVest Private Equity Fund	140,311	5.4%	149,025	5.1%

15. Current Assets & Liabilities

The amounts shown in the statement of Net Assets are comprised of:

31st March 2021 £'000		31st March 2022 £'000
	Current Assets	
745	Contributions - Employees	900
3,081	Contributions – Employers	3,656
636	Early Access Contributions Debtor	661
282	Transfer Values	488
2,512	Other	981
7,256		**6,686**
	Current Liabilities	
-108	Investment Management Expenses	-89
-824	Commutation and Lump Sum Retirement Benefits	-1,585
-313	Lump Sum Death Benefits	-322
-317	Transfers to Other Schemes	-601
-671	Payroll Deductions - Tax	-705
-541	Other	-819
-2,774		**-4,121**
4,482	**Net**	**2,565**

16. Current Assets & Liabilities – Early Access Debtor

	Instalment Due 2022/23 £'000	Instalment Due 2023/24 £'000	Instalment Due 2024/25 £'000	Total £'000
Early Access Principal Debtor	656	0	0	656
Early Access Interest Debtor	5	0	0	5
Total (Gross)	**661**	**0**	**0**	**661**

17. Capital and Contractual Commitments

As at 31 March 2022 the Scheme was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £258.7m (2020/21: £175.8m).

During the year, in accordance with approval from Pensions Committee, the fund made the following further commitments to existing and new funds :

Fund Manager	Asset Class	Fund Name	New Commitment £M
CVC	Private Debt	CVC 111	25
Blackstone	Private Equity	Strategic Capital Holdings 11	59
Man Group	Residential Housing	Community Housing Fund	30
Manulife	Timberland & Farmland	Hancock Timberland & Farmland Fund	50

In addition, in September 2021, the Pension Fund Committee approved the more efficient management of pension fund balances in line the Council's treasury management Policy, with a view to enhancing the yield on pension fund cashflow balances (required both for working capital but also to fund ever increasing capital calls).

As a result, the following two accounts were opened, however they were not funded until April 2022.

Fidante	Liquidity management	Ardea Global Bond Strategy Fund
T Rowe Price	Liquidity management	Dynamic Global Bond Fund

18. Related Party Transactions

£793k (£790k 20/21) paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.

The Chief Finance Officer of City & County of Swansea also undertakes the role of Clerk and Treasurer of Swansea Bay Port Health Authority

Contributions received from admitted and scheduled bodies are detailed on page 90.

The City & County of Swansea acts as administering Authority for the City & County of Swansea Pension Fund (formerly the West Glamorgan Pension Fund).

Transactions between the Authority and the Pension Fund mainly comprise the payment to the Pension Fund of employee and employer payroll superannuation deductions, together with payments in respect of enhanced pensions granted by Former Authorities.

Related Party Transactions Cont'd

The Pension Fund currently has 40 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by an investment consultancy service.

Key Management Personnel

The key management personnel of the Fund are the Chief Executive and the Director of Finance. The figures show the change in value of post-employment benefits provided to these individuals over the accounting year based on the percentage of time spent on matters relating to the Pension Fund. The value of these benefits has been calculated consistently with those of the whole Fund disclosure (provided in Part D of this report), albeit that the figures have been calculated at different dates to those used for the whole of fund disclosure.

	Increase/(decrease) in IAS19 liability to 31 March 2022		Increase/(decrease) in IAS19 liability to 31 March 2021	
	Amount (£)	Percentage (%) of year end liability	Amount (£)	Percentage (%) of year end liability
Chief Executive	45,000	2.6	(6,000)	(0.3)
Section 151 Officer & Director of Finance	45,000	7.4	69,000	11.7

	Short Term Benefits to 31 March 2022		Short Term Benefits to 31 March 2021	
	Remuneration (Including Fees & Allowances) £	Pension Contributions (24.7%) £	Remuneration (Including Fees & Allowances) £	Pension Contributions (24.7%) £
Chief Executive	154,962	-	152,671	-
Section 151 Officer & Director of Finance	110,677	27,337	105,671	26,101

I. The Chief Executive became a deferred member in 2019.
II. The figures for the Chief Executive relate to the Chief Executive who retired in May 2022.
III. The Director of Finance was promoted from Chief Finance Officer in 2021/22. The short term benefits for the Section 151 Officer, are reduced due to the Officer opting to take up the 50/50 scheme during 2020/21, however the Officer re-joined the main scheme in 2021/22.

Governance

There are 7 Council members of the Pensions Committee who are active members in the City & County of Swansea Pension Fund. The benefit entitlement for the Councillors is accrued under the same principles that apply to all other members of the Fund.

The following Councillors on the Pension Fund committee were also members of other bodies during 2021/22 :

- Clive Lloyd – Member of Swansea Bay Port Health Authority and Chair of the WPP Joint Governance Committee
- Gareth Sullivan – Member of Swansea Bay Port Health Authority
- Will Thomas – Member of Mumbles Community Council

19. Other Fund Documents

The City & County of Swansea Pension Fund is required by regulation to formulate a number of regulatory documents outlining its policy. Attached at the Appendices are :

- Statement of Investment Principles
- Funding Strategy Statement
- Governance Statement
- Communication Policy
- ESG Policy

20. Additional Voluntary Contributions

Some members of the Fund pay voluntary contributions to the Fund's AVC providers, The Prudential, to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. Some members also still invest and have funds invested with the legacy AVC providers, Aegon and Utmost.

The Pension Fund accounts do not include the assets held by The Prudential, Utmost or Aegon. AVC's are not included in the accounts in accordance the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only.

AVC Provider	**Value of Funds at 01/04/21**	**Purchases at Cost (Contributions In/Out)**	**Sale Proceeds**	**Change in Market Value**	**Value of Funds at 31/03/22**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Prudential	8,634	1,761	-887	437	9,945
Aegon	1,124	0	-93	31	1,062
Utmost	251	0	-15	14	250
Totals	**10,009**	**1,761**	**-995**	**482**	**11,257**

21. Membership

The Pension Fund covers City & County of Swansea employees, (except for teachers, for whom separate pension arrangements apply) and other bodies included in the schedule.

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2022 there were 21,424 contributors, 14,294 pensioners and 12,263 deferred pensioners.

Of the 21,424 Contributors to the fund, it has been established that 1,874 of those have not made contributions during 2021/22. This is as a result of instances such as employers setting up records for auto enrolled casual employees, whose records have not been extinguished and employees on long term sick on nil pay. Covid continues to impact on these numbers (940 2019/20, increasing to 1,585 in 2020/2021), as some establishments were closed during the pandemic and some services are still to resume. There is an ongoing exercise to investigate each case, in the hope of reducing this number.

Membership statistics	31/03/18 Number	31/03/19 Number	31/03/20 Number	31/03/21 Number	31/03/22 Number
Contributors	19,671	19,888	20,050	20,388	21,424
Pensioners	12,763	13,229	13,610	13,864	14,294
Deferred Pensioners	11,394	11,874	11,838	11,829	12,263
Total	**43,828**	**44,991**	**45,498**	**46,081**	**47,981**

See Appendix 1 for current year analysis.

22. Fair Value of Investments

Financial Instruments
The Fund invests through pooled vehicles. The managers of these pooled vehicles invest in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings and unlisted equity and also monitor credit and counterparty risk, liquidity risk, and market risk.

Financial Instruments – Gains and Losses
Gains and losses on Financial Instruments have been disclosed within note 12 of the Pension Fund accounts.

IFRS9 introduced a new classification under the code :

- recognition of expected loss allowances for financial assets at amortised cost, fair value through comprehensive income (FVOCI) assets, lease receivables, contract assets, loan commitments and financial guarantees.
- the option of additional disclosures for hedge accounting.

As the assets and liabilities held by the Pension Fund are already classed as fair value through profit and loss (FVTPL) and this is expected to continue, consequently there are no changes to the measurement or classification of investment assets and liabilities.

Fair Value – Hierarchy
The fair value hierarchy introduced as part of the new accounting Code under IFRS7 requires categorisation of assets based upon 3 levels of asset valuation inputs :

- Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.

- Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

- Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The table on the following page shows the position of the Fund's assets at 31st March 2021 and 2022 based upon this hierarchy.

FAIR VALUE - HIERARCHY

	31 March 2021				31 March 2022			
	Market Value	Level 1	Level 2	Level 3	Market Value	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles								
Global Equity	1,879,292		1,879,292		2,079,114		2,079,114	
Fixed Interest	230,537		230,537		241,705		241,705	
Index-linked	35,919		35,919		37,745		37,745	
Property Unit Trust	21,668			21,668	27,562			27,562
Property Fund	74,606			74,606	81,815			81,815
Hedge Fund	60,062			60,062	60,857			60,857
Private Equity	146,891			146,891	197,918			197,918
Infrastructure	75,665			75,665	86,613			86,613
Private Debt	37,980			37,980	56,248			56,248
Residential Housing Fund	0			0	18,192			18,192
Timberland & Farmland Fund	0			0	133			133
Derivatives	2,637	2,637			1,632	1,632		
Cash	44,716	44,716			32,133	32,133		
Total	**2,609,973**	**47,353**	**2,145,748**	**416,872**	**2,921,667**	**33,765**	**2,358,564**	**529,338**

Fair Value of Investments cont'd - Fair Value Hierarchy - Basis of Valuation

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable & unobservable inputs	Key Sensitivities affecting the valuations provided
Pooled Investment Vehicles				
Market Quoted Investments - Global Equity	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV based pricing set on a forward pricing policy	Not Required
Fixed Interest and Index Linked	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV based pricing set on a forward pricing policy	Not Required
Property Fund	Level 3	Valued quarterly at NAV in accordance with International Private Equity and Venture Capital Association Guidelines	EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts.
Infrastructure	Level 3	Valued quarterly at NAV using independent valuations prepared by an external expert. Valuations are in accordance with International Private Equity and Venture Capital Association Guidelines and primarily utilise a DCF methodology. Fund financial statements are audited on an annual basis by an external auditor under Luxembourg GAAP.	Valuations are based on company specific financial models. Cross-checks are made to comparable listed company valuations.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts.
Hedge Fund	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV based pricing set on a forward pricing policy	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts.

Timberland & Farmland Fund	Level 3	Each of the Fund's investments is appraised semi-annually. Prior to its first appraisal, an investment is valued at cost plus any capital expenditures less any liabilities and thereafter is independently appraised in June and December in the year following the acquisition date.	Under the Fund's current valuation policy, MIMTA selects and supervises third party appraisal firms. For operating company investments, the Fund engages financial advisory firms to conduct an enterprise valuation analysis within 12 months after the operating company's acquisition date and each June and December thereafter.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts
Unquoted Private Equity	Level 3	Valued quarterly at NAV using the market approach using quarterly financial statements in accordance with International Private Equity and Venture Capital Association Guidelines	EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts.
Residential Housing	Level 3	Quarterly calculated NAV with at least annual investment appraisals. Prior to its first appraisal, an investment is valued at cost plus capital expenditures until independently appraised in December following the acquisition date. Valuation methods are applied in accordance with the RICS Red Book Global Standards.	Cashflow period, projected income and expenditure based on expected tenure type, growth of income and expenditure, voids, staircasing rate, discount rate, margin risk for developments.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts. Changes to assumption of unobservable inputs and to observable inputs.

23. Investment Risks

As demonstrated above, the Fund maintains positions indirectly via its fund managers in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings, unlisted equity products, commodity futures and other derivatives. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

Procedures for Managing Risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and require an Administering Authority to invest any Pension Fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Investment Strategy Statement (ISS) and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Fund continues to review its structure. A key element in this review process is the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore alternative assets are subject to their own diversification requirements and some examples are given below :

- Private equity – by stage, geography and vintage where funds of funds are not used
- Property – by type, risk profile, geography and vintage (on closed-ended funds)
- Hedge funds – multi-strategy and/or funds of funds.

Manager Risk
The Fund is also well diversified by manager. On appointment, fund managers are delegated the power to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. Some private equity and property investment is fund rather than manager-specific, with specific funds identified by the investment sub group after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

23. Investment Risks (Continued)

Credit Risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above almost all the Fund's investment are through pooled vehicles and a number of these are involved in derivative trades of various sorts, including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties. However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk.

There has been no historical experience of default on the investments held by the Pension Fund.

Within the Fund, the areas of focus in terms of credit risk are bonds and some of the alternative asset categories :

- The Fund's active fixed interest mandates are valued at £128,817k is managed (by Russell Investments on behalf of Wales Pension Partnership) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2022, the Fund's exposure to non-investment grade paper was 59.8% of the actively managed fixed income portfolio.

- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Funds private equity investments of £197,918k are managed by HarbourVest and Blackstone in fund of funds portfolios.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2022 is set out below with their relative exposure to credit risk :

	March 2022 £'000	**Credit Exposure %**
EnTrustPermal	28,276	44.76
Blackrock	32,581	16.60

Liquidity Risk

The Pension Fund has its own bank accounts. At its simplest, liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, especially pension payments to its members. At a strategic level the Administering Authority, together with its consulting actuary, reviews the position of the Fund triennially to ensure that all its obligations can be suitably covered. Ongoing cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions is also essential. This is in place with the Fund's position updated much more regularly.

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 81% of the Fund's value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at worst – often weekly or fortnightly.

On alternative assets the position is more mixed. Most are subject to their own liquidity terms or, in the case of property, redemption rules. Closed-ended funds such as most private equity vehicles and some property funds are effectively illiquid for the specified fund period (usually 10 years), although they can be sold on the secondary market, usually at a discount.

The table below analyses the value of the Fund's investments at 31st March 2022 by liquidity profile :

	Amounts at 31st March 2022 £000s	Within 1 month £000s	1-3 months £000s	4-12 months £000s	> 1 Year £000s
Pooled Investment Vehicles					
Overseas Equity	2,079,114	2,079,114	0	0	0
Fixed Interest	241,705	241,705	0	0	0
Index-linked	37,745	37,745	0	0	0
Property Unit Trust	27,562	0	0	27,562	0
Property Fund	81,815	0	0	37,448	44,367
Hedge Fund	60,857	0	0	60,857	0
Private Equity	197,918	0	0	0	197,918
Infrastructure	86,613	0	0	0	86,613
Private Debt	56,248	0	0	0	56,248
Residential Housing	18,192	0	0	0	18,192
Timberland & Farmland	133	0	0	0	133
Derivatives	1,632	1,632	0	0	0
Deposits with banks and other financial institutions	32,133	32,133	0	0	0
Total	**2,921,667**	**2,392,329**	**0**	**125,867**	**403,471**

23. Investment Risks (Continued)

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses some pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach has been applied and all such investments have been designated "within 4-12 months".

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4). In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative drawdowns well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 2000 to 2021.

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 82% of the portfolio is realisable within 1 month and 86% is realisable within 12 months.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

Market risk is comprised of two elements :

- The risks associated with volatility in the performance of the asset class itself (beta).
- The risks associated with the ability of managers, where allowed, to move away from index weights and to generate alpha, thereby offsetting beta risk by exceeding market performance.

The table below sets out an analysis of the Fund's market risk positions at 31 March 2022 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark, the target set for managers against this benchmark:

23. Investment Risks (Continued)

Asset Class	Asset Allocation	Fund Manager		Benchmark	Performance target
		Passive	Active		
Global Equities	65% +/- 5%	25% **Blackrock - Low Carbon Fund**	46% **Wales Pension Partnership**	MSCI All World Index Net	+2% p.a. over rolling 3 year
Global Fixed Interest	12% +/- 5%	4% **Blackrock**	5% **Wales Pension Partnership**	Libor	LIBOR +3%
Property	5% +/- 5%	-	4% **Schroders, Partners & Invesco**	IPD UK Pooled Property Fund Index	+ 1% p.a. over rolling 3 year, 8% absolute return
Hedge Funds	5% +/- 5%	-	2% **Blackrock & EnTrustPermal**	LIBOR	+4%
Private Equity	3% +/- 5%	-	7% **Harbourvest, Blackstone**	FTSE allshare	+3% p.a. over 3 year rolling
Infrastructure	2% +/- 5%	-	3% **First Sentier, Blackrock**	10% Absolute	10% Absolute
Residential Housing	5% +/- 5%	-	1% **BMO, Man Group**	6% Absolute	6% Absolute
Timberland & Farmland	2% +/-5%	-	**0%** **Manulife**	7% Absolute	7% Absolute
Private Debt	1% +/-1%	-	2% **Alcentra, CVC, GSAM Broad Street**	9% Absolute	9% Absolute
Cash	2% +/- 5%	-	1% **In house and cash flows of fund managers**	7day LIBID	=
TOTAL	**100%**	**29%**	**71%**		

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's ISS) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation strategy, is designed to diversify and minimise risk through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects.

23. Investment Risks (Continued)

Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of financial instruments. Possible losses from shares sold short is unlimited.

Following analysis of historical data and expected investment returns movement during the financial year and in consultation with the Fund's investment advisors, the Council has determined the following movements in market price risk are reasonably possible. Had the market price of the fund investments increased/decreased in line with the potential market movements, the change in the net assets available to pay benefits in the market price as at 31st March 2022 would have been as follows:

Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
Overseas Equities	2,079,114	13.58	2,361,458	1,796,770
Total Bonds & Index-Linked	281,082	5.40	296,260	265,904
Alternatives	419,961	5.29	442,177	397,745
Cash	32,133	0.91	32,425	31,841
Property	109,377	5.24	115,108	103,646
Other Investment Balances	-	-	-	-
Total Assets*	**2,921,667**	**8.94**	**3,182,864**	**2,660,470**

The % change for Total Assets includes the impact of correlation across asset classes

And as at 31st March 2021

Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
Overseas Equities	1,879,292	14.1	2,144,648	1,230,618
Total Bonds & Index-Linked	266,456	5.2	280,285	244,857
Alternatives	323,235	5.0	339,429	307,041
Cash	44,716	0.9	45,118	43,495
Property	96,274	2.2	98,382	98,834
Other Investment Balances	-	-	-	-
Total Assets*	**2,609,973**	9.4	**2,855,832**	**2,364,114**

The % change for Total Assets includes the impact of correlation across asset classes

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

In consultation with the Fund's investment advisors, the Council has determined that the following movements in currencies are reasonably possible. The following represents a sensitivity analysis associated with foreign exchange movements as at 31st March 2022 :

Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	-	-	-	-
Brazilian Real	-	-	-	-
Canadian Dollar	-	-	-	-
Danish Krone	-	-	-	-
EURO	159,103	5.5939	168,003	150,203
Hong Kong Dollar	-	-	-	-
Indian Rupee	-	-	-	-
Indonesian Rupiah	-	-	-	-
Israeli Shekel	-	-	-	-
Japanese Yen	-	-	-	-
Malaysian Ringgit	-	-	-	-
Mexican Peso	-	-	-	-
Norwegian Krone	-	-	-	-
Chinese Renminbi Yuan	-	-	-	-
Philippine Peso	-	-	-	-
Russian Rouble	-	-	-	-
Singapore Dollar	-	-	-	-
South African Rand	-	-	-	-
South Korean Won	-	-	-	-
Swedish Krona	-	-	-	-
Swiss Franc	-	-	-	-
Taiwan Dollar	-	-	-	-
Thai Baht	-	-	-	-
Turkish Lira	-	-	-	-
US Dollar	210,292	8.3051	227,757	192,827
Pooled Vehicles				
Overseas Equities	1,329,086	6.4050	1,414,214	1,243,958
Low Carbon Index	702,440	6.4050	747,431	657,449
Emerging Mrkts	47,588	5.7500	50,324	44,851
Total Currency*	**2,448,509**	**7.3000**	**2,627,250**	**2,269,768**

The % change for Total Currency includes the impact of correlation across the underlying currencies

As at 31st March 2021

Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	-	-	-	-
Brazilian Real	-	-	-	-
Canadian Dollar	-	-	-	-
Danish Krone	-	-	-	-
EURO	148,584	5.7875	157,183	139,984
Hong Kong Dollar	-	-	-	-
Indian Rupee	-	-	-	-
Indonesian Rupiah	-	-	-	-
Israeli Shekel	-	-	-	-
Japanese Yen	-	-	-	-
Malaysian Ringgit	-	-	-	-
Mexican Peso	-	-	-	-
Norwegian Krone	-	-	-	-
Chinese Renminbi Yuan	-	-	-	-
Philippine Peso	-	-	-	-
Russian Rouble	-	-	-	-
Singapore Dollar	-	-	-	-
South African Rand	-	-	-	-
South Korean Won	-	-	-	-
Swedish Krona	-	-	-	-
Swiss Franc	-	-	-	-
Taiwan Dollar	-	-	-	-
Thai Baht	-	-	-	-
Turkish Lira	-	-	-	-
US Dollar	138,754	8.4657	150,500	127,007
Pooled Vehicles				
Overseas Equities	1,222,602	7.3303	1,312,223	1,132,981
Low Carbon Index	605,237	7.3303	649,603	560,871
Emerging Mrkts	51,453	6.2278	54,657	48,248
Total Currency*	**2,166,630**	**8.3594**	**2,347,747**	**1,985,512**

The % change for Total Currency includes the impact of correlation across the underlying currencies

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

24. Events After the Balance Sheet Date

Events after the balance sheet date are those events both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified :

- those that provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect such events.

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of those events and their estimated financial effect.

There are no known events that have a material impact on these accounts.

25. Covid 19

As the Covid pandemic started its global spread early in 2020, global financial markets reflected the impending risks, with resultant material falls in valuations of most asset classes in February and March 2020, however since that time markets have bounced back very strongly with record LGPS returns in 2020/21, which continued for most of 2021/22, with the fund producing another strong positive year.

LGPS defined benefit pensions are not linked to stock market performance and are set out in statute. Although short term investment values may vary, the LGPS as a long term investor is securely managed to address any longer term impacts.

LGPS Scheme members can therefore be reassured that both their contributions and their pensions, whether in payment or build up to date, will be unaffected.

The lockdown imposed by HM Government on 23rd March 2020, presented operational hurdles for LGPS Administration Authorities, however, with the implementation of contingency planning, leveraging the use of technology, flexible working and professionalism and goodwill of staff, normal business has been maintained. The payment of members’ pensions and the processing of pensioners/joiners has been prioritised and maintained throughout this period and has been maintained since.

Employer/employee contributions have not been affected during this period and the Administration Authority continues to liaise with employers to manage any cash flow issues which may arise.

26. Cost Management Process and McCloud Judgement

Initial results from the Scheme Advisory Board 2016 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 was issued in July 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.5% of pay in relation to the potential additional costs of 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 final details of the LGPS changes arising from the 2016 cost management process have been agreed.

27. Further Information

Further information about the fund can be found in the attached appendices. Information can also be obtained from the Deputy Chief Finance Officer, Room 1.4.1, Civic Centre, Oystermouth Road, Swansea SA1 3SN or on www.swanseapensionfund.org.uk.

28. Financial Position

The accounts outlined within the statement represent the financial position of the City and County of Swansea's Pension Fund at 31 March 2022.

PART C
INVESTMENT REPORT

Pension Fund – Budget 2022/23

	Actual 2020/21	Actual 2021/22	Estimate 2022/23
Membership Numbers			
Contributors	20,388	21,424	21,600
Pensioners	13,864	14,294	14,750
Deferred	11,829	12,263	12,670
	46,081	**47,981**	**49,020**

	Actual 2020/21 £'000	Actual 2021/22 £'000	Estimate 2022/23 £'000
Income			
Employer Contributions	81,813	86,043	87,500
Employee Contributions	20,199	21,485	22,784
Transfers In	3,092	6,415	5,000
Other Income	50	5	5
Investment Income	39,722	27,164	28,000
	144,876	**141,112**	**143,289**
Expenditure			
Pensions Payable	70,195	72,012	76,375
Lump Sum Benefits	11,417	15,235	15,000
Death Grants	3,127	2,645	2,500
Refunds	113	131	100
Transfers Out	3,934	2,675	3,000
	88,786	**92,698**	**96,975**
Administrative Expenses			
Support Services	790	793	793
Actuarial Fees	65	35	40
Consultancy Service	101	209	200
External Audit Fees	43	44	44
Performance Monitoring Fees	14	6	6
Printing & Publications	8	17	17
Software Licences	262	253	255
Membership Fees	30	35	35
Legal Fees	22	18	20
Other	94	36	40
Pension Fund Committee	3	3	3
Pension Board	3	3	3
Training	10	5	5
Wales Pension Partnership Fees	88	135	135
	1,533	**1,592**	**1,596**
Investment Expenses			
Management Fees	4,887	5,894	6,000
Performance Fees	5,197	5,710	6,000
Custody Fees	266	284	300
Transaction Costs	1,631	3,064	3,000
	11,981	**14,952**	**15,300**

Investment Strategy

The Strategic Aim of the Fund is to achieve the maximum return consistent with acceptable levels of risk and the long term nature of the Fund's liabilities.

Fund monies that are not currently needed to meet pension and benefit payments are invested in approved securities and the Fund receives income from these investments. The powers to invest are contained within the Local Government Pension Scheme Regulations.

Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2022 comprised (Appendix 2):-

- 7 Councillor Members (one member from Neath Port Talbot CBC representing other scheme employers) advised by:

- Section 151 Officer
- Deputy Chief Finance Officer
- Investment Consultants

The Committee, after taking account of the views of the investment consultants/advisors and appointed actuary to the Fund, is responsible for determining broad investment strategy and policy, with appointed professional fund managers undertaking the operational management of the assets.

The fund is regularly reviewed to achieve a structure which efficiently and effectively meets the Fund's objective.

The Fund's current managers are:

Asset Class	**Manager**
Global Equities	Russell Investments on behalf of Wales Pension Partnership & Blackrock
Equity Protection Mandate	Russell Investments
Fixed Interest	Russell Investments on behalf of Wales Pension Partnership & Blackrock
Fund of Hedge Funds	Blackrock & EnTrustPermal
Fund of Private Equity Funds	HarbourVest & Blackstone
European Property Fund	Invesco
Fund of Property Funds	Partners Grp & Schroders Investment Management
Infrastructure Funds	First Sentier Investments & Blackrock
Fund of Private Debt	Alcentra, CVC Credit Partners, Goldman Sachs
Residential Housing	BMO, Man Group
Timberland & Farmland	Manulife
Liquidity Management	Fidante & T Rowe Price

Valuation of Investments

The value of the Fund's investments of £2,921.6m together with net assets totalling £2.6m increased from £2,614.5m to £2,924.2m during 2021/22

The increase of £309.7m is comprised of two elements:

2020/21 £'000		2021/22 £'000
623,579	Net Return on Investments	305,071
2,854	Add Net additions from dealing with members	4,706
626,433		**309,777**

The market value of the Fund's investments over the past 10 years is illustrated in Appendix 3.

Distribution of Investments

The following table shows the distribution of the Fund's investments at 31 March 2022 at Bid price Market Values.

31 March 2021 £'000	%		31 March 2022 £'000	%
230,537	8.9	Fixed Interest Securities	241,705	8.3
35,919	1.4	Index Linked Securities	37,745	1.3
1,879,292	72.0	Global Equities	2,079,114	71.0
96,274	3.7	Property	109,377	3.8
60,062	2.3	Hedge Funds	60,857	2.0
146,891	5.6	Private Equity	197,918	6.8
75,665	2.9	Infrastructure	86,613	3.0
37,980	1.4	Private Debt	56,248	2.0
0	0	Residential Housing	18,192	0.6
0	0	Timberland & Farmland	133	0
2,637	0.1	Derivatives	1,632	0.1
44,716	1.7	Cash/Temporary Investments	32,133	1.1
2,609,973	**100**		**2,921, 667**	**100**

31st March 2022 - Distribution of Investments

Fund Manager Bid Prices

	Blackrock (Low Carbon)	WPP	Russell	Schroders Property	Invesco	Partners Group	WPP - MAC	WPP - ARB	Blackrock (Hedge)	EnTrust Permal	First Sentier	Blackrock GRP 111	Harbour Vest	Black stone	Alcentra	CVC	Broad Street 1V	BMO	Man Group	Manulife	Fidante	T Rowe Price	Custodian Cash	External Cash	Internal Cash	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equities																										
World Low Carbon Fnd	702,440																									**702,440**
Ishares Emerging Mkts	47,588																									**47,588**
Global Pooled		1,329,086																								**1,329,086**
Equity Protection			1,632																							**1,632**
Property																										
UK & Europe				65,010	30,614																					**95,624**
Overseas						13,753																				**13,753**
Fixed Interest																										
Fixed Interest	79,039		33,849				64,439	64,378																		**241,705**
Index-Linked	37,745																									**37,745**
Hedge Funds									32,581	28,276																**60,857**
Private Equity													149,025	48,893												**197,918**
Infrastructure											81,910	4,703														**86,613**
Private Debt															15,884	19,547	20,817									**56,248**
Residential Housing																		0	18,192							**18,192**
Timberland & Farmland																				133						**133**
Cash	0			4,836																	0	0	94	1,000	25,902	**31,832**
Sub Total	866,812	1,329,086	35,481	69,846	30,614	13,753	64,439	64,378	32,581	28,276	81,910	4,703	149,025	48,893	15,884	19,547	20,817	0	18,192	133	0	0	94	1,000	25,902	**2,921,366**
Other Investment Balances - Divs Due				301																						**301**
TOTAL	866,812	1,329,086	35,481	70,147	30,614	13,753	64,439	64,378	32,581	28,276	81,910	4,703	149,025	48,893	15,884	19,547	20,817	0	18,192	133	0	0	94	1,000	25,902	**2,921,667**

A more detailed sector and geographical analysis of the distribution of the Fund's investments is provided in Appendices 4(i)-(iii).

Investment Returns

	City & County of Swansea Fund	Local Authority Average Fund	Relative Performance	Peer Group Ranking	Average Earnings Increase	RPI*
	%	%	%		%	%
2021/22	10.7	8.6	+2.1	12th	7.0	9.0
2020/21	31.1	22.8	+8.3	8th	4.3	1.5
2019/20	-4.5	-4.8	+0.3	45th	2.3	2.6
2018/19	6.1	6.6	-0.5	52nd	3.3	2.44
2017/18	2.8	4.5	-1.7	58th	2.6	3.3
2016/17	22.0	21.4	+0.6	27th	2.6	3.14
2015/16	-1.7	0.3	-2.0	72nd	2.2	1.6
2014/15	10.8	13.2	-2.4	89th	4.4	0.9
2013/14	7.2	6.3	+0.9	35th	1.9	2.45
2012/13	13.7	13.7	-0.1	43rd	-0.7	3.28
2011/12	0.6	2.6	-2.0	92nd	0.8	3.6
2010/11	7.9	7.9	0.0	51st	2.2	5.3

The annual returns on the City and County of Swansea Fund compared with the Local Authority average and against the Fund specific benchmark are illustrated above.

Market Commentary- Local Authority Universe

Last year the average fund returned 8.6%, with 50% of Funds delivering a return between 6% and 10%. Developed equities performed well until the first quarter of 2022 when the Ukraine war and fear of resulting inflation weighed heavily and markets fell.

Over the twelve months however, developed markets were positive. Emerging markets, battered by a strong US Dollar and the continuing impact of COVID were the worst performing of all asset classes.

Bond markets delivered negative results for the year, only inflation linked and private debt making it into positive territory.

Strong results were delivered from the alternative assets. Private equity once again delivering outstanding returns. Property too continued to do well, returning almost 18%.

Fund Performance

City & County of Swansea Pension Fund returned 10.7% for the year, which was well above the local authority universe benchmark of 8.6% and placing the fund in 12th place in the Local Authority Universe. Over three years the fund returned 11% against a benchmark of 8.3%, placing the fund in 2nd place overall out of ALL LGPS funds and top decile over 5 and 10 years.

The Fund is actively looking to reduce its equity overweight which has served it well during these last few years. This was further enhanced by strong results from the equity managers, ranking in the top decile, with the active equity protection put into place serving it well during the pandemic and in Q1 2022.

The fund continues to re-allocate these growth assets into yielding real assets such as infrastructure, housing, property and private debt.

Environmental Social Governance (ESG) Policy Implementation

As part of its Net Zero Carbon journey, in November 2021, the Pension Committee approved the following :

- A commitment to achieve a net zero carbon position in its investment portfolio by 2037

- The adoption of the Fund's Responsible Investment Beliefs to underpin the Fund's actions on climate risk

- The climate actions of the Fund to be developed across three key areas ('3- dimensions') to give greater balance between:

1. Carbon and other ESG metrics (both backward and forward looking)
2. Opportunities that will benefit from the transition to a lower carbon economy
3. Engagement activities focussed on climate, and encouraging best practice amongst fund managers, investee companies and other investors.

In continuing to implement the Fund’s ESG policy and as part of the re-allocation of approximately 10% of growth assets into yielding assets, the fund made a £30m commitment to the Blackrock Global Renewable Energy Infrastructure Fund in March 2020 and deployed £3m of capital to this fund in 2020/21. The previously appointed infrastructure manager First Sentier continues to deploy assets into renewable energy infrastructure, the whole commitment amount of £65m has now been deployed.

The fund has also made commitments totalling £60m to two residential community housing funds which seek to deploy mixed tenure housing schemes with the aim of providing affordable rented housing in the Community. Man Group has drawn down £18m capital in 2021/22, BMO is yet unfunded but is likely to drawdown capital in 2022/23.

A new venture for the fund in 2021/22 was a commitment of £50m to the Hancock Timberland & Farmland Fund (HTFF) with Manulife. The fund strives to make appropriate investments in water supplies and infrastructure as part of farmland investments with a focus on long term stewardship and conservation. Timberland and agriculture demonstrates significant potential to reduce greenhouse gases and to boost carbon storage.

City & County of Swansea Pension Fund policy on Environment & Social Governance Policy can be found at Appendix 11.

PART D

ACTUARIAL REPORT

City & County of Swansea Pension Fund
Statement of the Actuary for the year ended 31 March 2022

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 City & County of Swansea 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

1. 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 £2,044.0M) covering 91.5% 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, and for other membership for future pension revaluation and increases.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
   - 20.2% 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 1.5% p.a. of pensionable pay for McCloud and cost management – see paragraph 9 below,

   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 3.3% p.a. of pensionable pay (or £10.3M in 2020/21, and increasing by 3.6% p.a. thereafter), which together with the allowance above comprises the secondary rate.
3. In practice, each individual employer's or group of employers' position is assessed separately taking into account other factors (see note 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 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	25.1	0.57
2021	25.0	0.58
2022	25.0	0.68

4. 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. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).

5. 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	
Secure scheduled body employers *	4.25% p.a.
Ongoing Orphan employers	4.25% p.a.
Discount rate for periods after leaving service	
Secure scheduled body employers *	4.25% p.a.
Ongoing Orphan employers	1.6% p.a
Rate of pay increases	3.6% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% p.a.

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

In addition, 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) S2 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	22.1	24.1
Current active members aged 45 at the valuation date	23.1	25.6

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. Any such changes will be reflected in the results of the triennial valuation as at 31 March 2022, which is currently ongoing. The final report disclosing the results of the valuation is due to be completed by 31 March 2023.

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 Guaranteed Minimum Pensions (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. On 23 March 2021, the Government published a response to its consultation on the longer term solutions to indexation and equalisation for GMPs and set out its proposal to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. 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 (SAB) 2016 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 due to this judgement was issued in July 2020.

  On 13 May 2021 Government confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement, although final Regulations are not expected to be come into force until 2023. After incorporating the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded, with no benefit improvements or member contribution changes being recommended under that process. However some uncertainty remains as the inclusion of McCloud costs in the cost management process is the subject of a Judicial Review.

  The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.5% of pay in relation to the potential additional costs of 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 final details of the LGPS changes arising from the 2016 cost management process have been finalised.

- **Goodwin**

  An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. This Statement has been prepared by the Actuary to the Fund, Aon Solutions UK Limited, 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, City and County of Swansea Council, the Administering Authority of the Fund, in respect of this Statement.

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

    https://www.swanseapensionfund.org.uk/investment-and-fund/actuarial-valuations/

Aon Solutions UK Limited

May 2022

Statement of the Actuary for the year ended 31 March 2022 (continued)

Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice on Local Authority Accounting for 2020/21 sets out that the actuarial present value of promised retirement benefits based on projected salaries be disclosed, consistent with the requirements of IAS19.

The results as at 31st March 2019, together with the results at 31st March 2016 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS19 assumptions.

	Value as at 31st March 2019 £M	Value as at 31st March 2016 £M
Fair Value of Net Assets	2,044.0	1,512.6
Actuarial present value of the defined benefit obligation (see Notes)	3,215.9	2,249.7
Surplus/(deficit) in the fund as measured for IAS26 purposes	(1,171.9)	(737.1)

McCloud/Sargeant Judgement

The actuarial present value of the defined benefit obligation at 31st March 2019 includes an estimated liability in relation to the McCloud/Sargeant judgment of £35.2m. The McCloud/Sargeant judgement (December 2018) found that the transitional arrangements put in place when the Firefighters' and Judges' Pension Schemes were reformed constituted illegal discrimination. The Government has since committed to compensate all members of public service schemes who were illegally discriminated against. MHCLG published its McCloud consultation for the LGPS (in England and Wales) on 16th July 2020, setting out proposed changes aimed at removing the unlawful age discrimination in the LGPS. The consultation closed on 8th October 2020 and on 13th May 2021 the Government published the key elements of the changes to scheme regulations, the key points are:

- Underpin protection will apply to LGPS members who meet the revised qualifying criteria, principally that they were active in the scheme on 31st March 2012 and subsequently had membership of the career average scheme without a continuous break in service of more than five years.
- The period of protection will apply from 1st April 2014 to 31st March 2022 but will cease earlier where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31st March 2022.
- Where a member stays in active membership beyond 31st March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.
- A ‘two stage process’ will apply for assessing the underpin so that, where there is a gap between a member’s last day of active membership and the date they take their pension, members can be assured they are getting the higher benefit.
- Scheme regulations giving effect to the above changes will be retrospective to 1st April 2014.

The government's intention is that new regulations will come into force on 1st April 2023. The additional liability included within this note assumes the underpin covers all members who were actively participating in the Scheme on 1st April 2012.

Statement of the Actuary for the year ended 31 March 22 (continued)

Equalisation and Indexation of Guaranteed Minimum Pensions

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of Guaranteed Minimum Pensions (GMP's) beyond the arrangements already formally in place, which applies to members whose State Pension Age (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements required the LGPS to pay pension increase on GMP's at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. On 23 March 2021 the Government published a response to its consultation on the longer-term solutions to indexation and equalisation for GMPs and set out its proposal to extend the interim solution further to those reaching SPA after 5 April 2021. The additional liability included in this note allow for proposed extension of the interim solution. This has increased the defined benefit obligation in the region of 0.1% to 0.3%.

Cost Management Process

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from the cost management valuations. Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. After incorporating the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded with no benefit improvements or member contribution changes being recommended under that process. However, some uncertainty remains as the inclusion of McCloud costs in the cost management process is the subject of a Judicial Review.

A full detailed report on the IAS26 figures can be found on the Pension Fund website at the following link :

https://www.swanseapensionfund.org.uk/investment-and-fund/actuarial-valuations/

Statement of the Actuary for the year ended 31 March 22 (continued)
Actuarial Present Value of Promised Retirement Benefits

Definitions

Admission Body

An employer admitted to the Fund under an admission agreement.

Orphan Body

This is an admission body or other employer whose participation in the Fund may cease at some future point in time, after which it is expected that the Administering Authority will have no access to future contributions in respect of the employer's liabilities in the Fund once any liability on cessation has been paid.

Scheduled Body

Employers which participate in the Fund under schedule 2 of the Administration Regulations.

Subsumption and Subsumption Body

When an admission body or other employer ceases participation in the Fund, so that it has no employees contributing to the Fund and once any contribution on cessation as required by the regulations has been paid, the Fund will normally be unable to obtain further contributions from that employer (eg. if future investment returns are less that assumed). It is however possible for another long-term employer in the Fund (generally a scheduled body) to agree to be a source of future funding should any funding shortfalls emerge on the original employer's liabilities. The long-term employer effectively subsumes the assets and liabilities of the ceasing employer into it's own assets and liabilities. In this document this is known as subsumption. In this document the admission body or other employer being subsumed is referred to as a subsumption body and its liabilities are known as subsumed liabilities.

Rates & Adjustment Certificate

Actuarial certificate given for the purposes of Regulation 62 of the Local Government Pension Scheme Regulations 2013.

In accordance with regulation 62 of the Local Government Pension Scheme Regulations 2013 (the "2013 Regulations"), we certify that contributions should be paid by the employers at the following rates for the period 1 April 2020 to 31 March 2023.

- Primary contribution rates for individual employers as shown below. The primary rate for the whole fund, calculated as a weighted average of the employers' individual rates, is 20.3% p.a. of Pensionable Pay.
- Individual adjustments (i.e. secondary contribution rates) which, when added to or subtracted from the primary rate, produce the following minimum employer contribution rates :

Actuarial Present Value of Promised Retirement Benefits – Statement of the Actuary for the year ending 31st March 2022 (Continued)

Employer	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable Pay and £s) Year commencing 1 April			Total contributions (% Pensionable Pay and £s) Year commencing 1 April		
		2020	2021	2022	2020	2021	2022
Schedule 2 Part 1 bodies/ Schedule 2 Part 2 bodies (Scheduled bodies)							
City & County of Swansea	20.2%	4.5%	4.5%	4.5%	24.7%	24.7%	24.7%
Neath Port Talbot County Borough Council	20.0%	6.7%	6.8%	6.9%	26.7%	26.8%	26.9%
Briton Ferry Town Council	22.6%	1.5% plus £660	1.5% plus £680	1.5% plus £700	24.1% plus £660	24.1% plus £680	24.1% plus £700
Cilybebyll Community Council	22.6%	0.9%	0.9%	0.9%	23.5%	23.5%	23.5%
Coedffranc Community Council	22.6%	1.5% plus £2,900	1.5% plus £3,000	1.5% plus £3,100	24.1% plus £2,900	24.1% plus £3,000	24.1% plus £3,100
Gower College	19.8%	1.5%	1.5%	1.5%	21.3%	21.3%	21.3%
Llanrhidian Higher Community Council	22.6%	1.5% plus £50	1.5% plus £50	1.5% plus £60	24.1% plus £50	24.1% plus £50	24.1% plus £60
Mumbles Community Council	22.6%	1.5%	1.5%	1.5%	24.1%	24.1%	24.1%
Margam Joint Crematorium Committee	22.6%	1.5% plus £5,700	1.5% plus £6,000	1.5% plus £6,200	24.1% plus £5,700	24.1% plus £6,000	24.1% plus £6,200
NPTC Group of Colleges	19.7%	1.5%	1.5%	1.5%	21.2%	21.2%	21.2%
Neath Town Council	22.6%	1.5% plus £5,400	1.5% plus £5,600	1.5% plus £5,800	24.1% plus £5,400	24.1% plus £5,600	24.1% plus £5,800
Pelenna Community Council	22.6%	1.5%	1.5%	1.5%	24.1%	24.1%	24.1%

Pontardawe Town Council	22.6%	1.5%	1.5%	1.5%	24.1%	24.1%	24.1%
Swansea Bay Port Health Authority	25.4%	1.5% plus £6,900	1.5% plus £7,200	1.5% plus 7,400	26.9% plus £6,900	26.9% plus £7,200	26.9% plus 7,400
Ystalyfera Community Council	22.6%	1.5%	1.5%	1.5%	24.1%	24.1%	24.1%
Schedule 2 Part 3 bodies (Admission bodies)							
Celtic Community Leisure	17.5%	(4.6%)	(4.6%)	(4.6%)	12.9%	12.9%	12.9%
Freedom Leisure	20.2%	4.5%	4.5%	4.5%	24.7%	24.7%	24.7%
Grwp Gwalia Cyf	24.9%	(14.2%)	(14.2%)	(14.2%)	10.7%	10.7%	10.7%
Tai Tarian **	22.1%	4.2% plus £17,000	0.2% plus £17,000	0.2% plus £18,000	26.3% plus £17,000	22.3% plus £17,000	22.3% plus £18,000
Parkwood Holdings	20.2%	4.5%	4.5%	4.5%	24.7%	24.7%	24.7%
Wales National Pool	16.4%	(2.2%)	(2.2%)	(2.2%)	14.2%	14.2%	14.2%
University of Wales Trinity St David Swansea	35.6%	-7.6% / +1.5% plus £533,400 *	1.5% plus £544,600	1.5% plus £640,800	28.0% / 37.1% plus £533,400 *	37.1% plus £544,600	37.1% plus £640,800
Total	**20.3%**	**4.8% plus £572,010**	**4.7% plus £584,130**	**4.7% plus £682,060**	**25.1% plus £572,010**	**25.0% plus £584,130**	**25.0% plus £682,060**

* The contribution rate as a percentage of Pay from 1 April 2020 to 31 July 2020 will be 28.0% of pay and from 1 August 2020 to 31 March 2021 will be 37.1% of pay.

** Overall contributions payable as a percentage of Pay over the period covered by the Rates & Adjustments Certificate are subject to an underpin of the equivalent contributions payable at 23.6% of Pay p.a. in aggregate over the three year period.

The contribution rates for the City & County of Swansea and Neath Port Talbot County Borough Council have been set as a percentage of pay. However, minimum monetary contribution amounts for these employers have been agreed with the Administering Authority, and if the contributions actually received fall below this minimum level then additional payments will be required. Theses minima are such that the total contributions in aggregate must be no less than :

The contributions shown above represent the minimum contributions to be paid by each employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Swansea Bay Racial Equality Council exited the Fund prior to signing this Rates & Adjustments Certificate and further payments may be certified under Regulation 64.

Additional contributions may be payable by any other employers which have ceased to participate in the Fund since 31 March 2019 and these will be certified separately.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that employer may be adjusted to take account of any amounts payable, in respect of surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant Employer.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the 2013 Regulations and employers will be notified of such contributions separately by the Administering Authority.

Contribution rates for Employers commencing participation in the Fund after 31 March 2019 will be advised separately.

Regulation 62(8) requires a statement to be made of the assumptions on which the certificate is given as regards the number of members, and the associated amount of liabilities arising, who will become entitled to payment of pensions under the LGPS regulations during the period covered by the certificate. These assumptions can be found in section e of the Further Information Section of the formal report on the valuation as at 31 March 2019. They include assumptions relating to the members who are expected to become entitled to payment of pensions via normal retirement and ill health retirement. In practice members will also become entitled to payment of pension via early retirement for reasons of redundancy or efficiency reasons as well as on voluntary early retirement, for which no assumption has been made.

City & County of Swansea	21.7% of pensionable pay plus £5.120M in 2020/21 21.7% of pensionable pay plus £5.310M in 2021/22 21.7% of pensionable pay plus £5.500M in 2022/23
Neath Port Talbot County Borough Council	21.5% of pensionable pay plus £5.060M in 2020/21 21.5% of pensionable pay plus £5.242M in 2021/22 21.5% of pensionable pay plus £5.431M in 2022/23

Chris Darby FIA

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31 March 2020

Alison Murray FFA

alison.murray@aon.com

31 March 2020

Appendix 1

SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1ST APRIL 2021 TO 31ST MARCH 2022

Administering Authority	Contributors Number @ 31/03/22	Pensioners Number @ 31/03/22	Deferred Benefits Number @ 31/03/22	Employer Contribution Rate (% of Pensionable Pay) plus additional annual monetary amount
City & County of Swansea	13,083	5,943	5,664	24.7%
Scheduled Bodies				
Neath Port Talbot County Borough Council.	6,072	4,049	4,435	26.8%
Briton Ferry Town Council	1	2	0	24.1% (+£680)
Cilybebyll Community Council	4	2	2	23.5%
Clydach Community Council	0	1	0	-
Coedffranc Community Council	12	3	3	24.1%(+£3,000)
Gower College Swansea	705	170	263	21.3%
Neath Town Council	9	19	5	24.1% (+£5,600)
Lliw Valley BC	0	176	10	-
Margam Joint Cremation Committee	10	13	4	24.1% (+£6,000)
NPTC Group	617	194	365	21.2%
Neath Port Talbot Waste Management Co. Ltd.	0	1	0	-
Pelenna Community Council	1	3	3	24.1%
Pontardawe Town Council	5	3	0	24.1%
Swansea Bay Port Health Authority	1	10	1	26.9% (+£7,200)
Swansea City Waste Disposal Company	0	17	1	-
West Glamorgan County Council	0	1,756	138	-
West Glamorgan Magistrates Courts	0	37	8	-
West Glamorgan Valuation Panel	0	2	0	-
Mumbles Community Council	5	0	0	24.1%
Llanrhidian Higher Community Council	1	0	0	24.1% (+£50)
Ystalyfera Community Council	1	0	0	24.1%
Llangyfelach Community Council	1	0	0	24.1%
Port Talbot Borough Council	0	243	23	-
Swansea City Council	0	647	110	-
Neath Borough Council	0	152	21	-
Bishop Vaughan School	0	8	1	-
Swansea College	0	124	203	-
Afan College	0	11	0	-
Neath College	0	11	4	-
Gorseinon College	0	44	39	-
Neath Port Talbot College	0	104	140	-
West Glamorgan Fire Service	0	1	0	-
Swansea Councillors	52	22	14	-
Neath Councillors	20	8	5	-

Admitted Bodies				
BABTIE	0	7	8	-
Celtic Community Leisure	106	48	209	12.9%
Colin Laver Heating Ltd	0	3	1	-
Swansea Bay Racial Equality Council	0	1	4	-
The Careers Service	0	8	5	-
Wales National Pool	85	8	82	14.2%
West Wales Arts Association	0	1	0	-
Cap Gemini	0	2	3	-
Tai Tarian	281	138	131	22.3% (+£17,000)
Phoenix Trust	0	2	2	-
Pobl Group	93	114	97	10.7%
Rathbone CCS	0	0	2	-
Rathbone Gower College	0	2	2	-
Freedom Leisure	150	3	22	24.7%
Parkwood Leisure	4	1	4	24.7%
University of Wales Trinity St David	102	178	229	37.1% (+£544,600)
The Wallich	3	2	0	26.8%
	21,424	**14,294**	**12,263**	

Appendix 2

Pension Fund Committee 2021/22

Chairman	Cllr C E Lloyd
Vice Chairman	Cllr P Downing
Committee Members	Cllr M B Lewis Cllr D G Sullivan Cllr W G Thomas Cllr J P Curtice Cllr P Rees (Neath Port Talbot CBC)
Advised by: **Council Officers**	B Smith, Section 151 & Director of Finance J Dong, Deputy Chief Finance Officer
Consultancy Service	Hymans Robertson LLP
Local Pension Board (as at 31st March 2022)	Mr Ian Guy Cllr Peter Jones Ms Rosemary Broad Mr David White Cllr Alan Lockyer

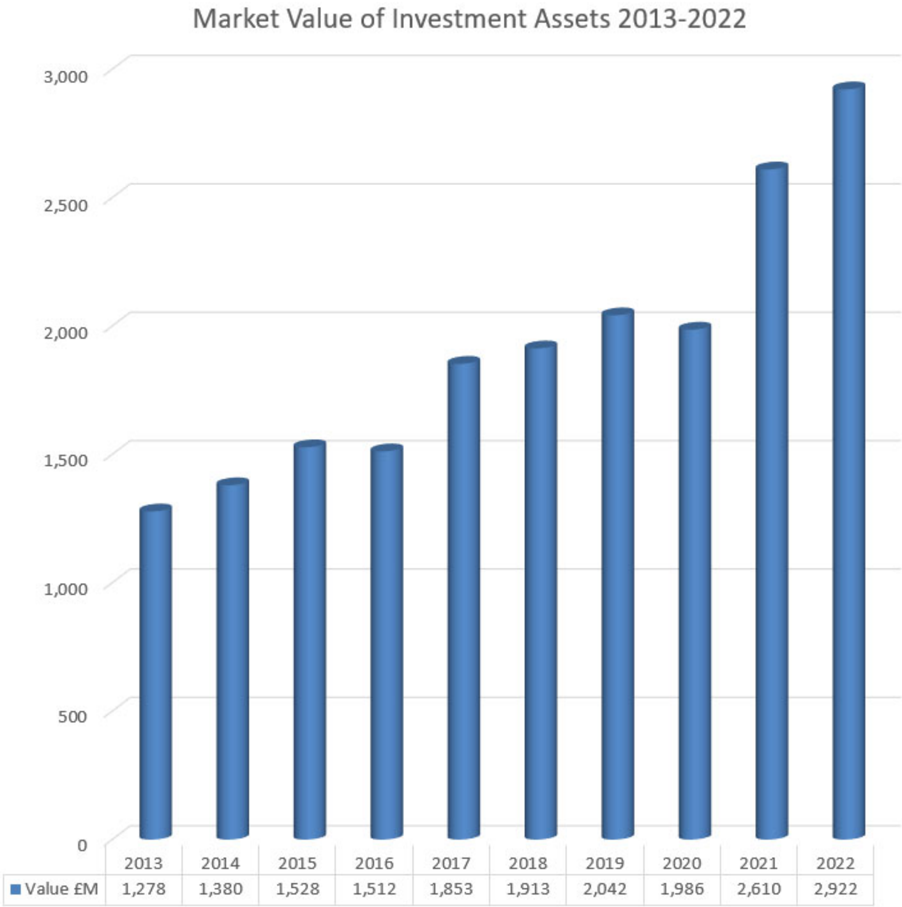
Investment Managers

- Global Equities and Fixed Income – Russell Investments on behalf of Wales Pension Partnership
- Global Balanced Index Tracking/ Low Carbon Fund - Blackrock
- Fund of Hedge Funds - Blackrock and EnTrustPermal
- Fund of Private Equity Funds – HarbourVest & Blackstone
- Fund of Property Funds - Partners Group, Schroders Investment Management
- European Property Fund- Invesco Real Estate Europe Fund
- Fund of Infrastructure Fund – First Sentier, Blackrock
- Fund of Private Debt – Alcentra, CVC Credit Partners, Goldman Sachs Asset Management
- Residential Housing – BMO, Man Group
- Timberland & Farmland Fund – Manulife
- Liquidity Management – Fidante, T Rowe Price

Pensions Administration	Claire Elliott, Pensions Manager, City & County of Swansea
Pensions Investments & Accounting	Karen Cobb, Pension Fund Accounting & Investment Manager
Appointed Actuary	Aon Plc
Performance Measurement	PIRC Ltd
Global Custodians	HSBC Security Services, Northern Trust
Bankers	Lloyds Bank Plc
Legal Advisors	City & County of Swansea Legal Department & Dolmans Solicitors
AVC Providers	Prudential, Aegon and Utmost
Auditors	Audit Wales

Appendix 3

£M


Market Value of Investment Assets 2013-2022
3,000
2,500
2,000
1,500
1,000
500
0
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022
Value £M 1,278 1,380 1,528 1,512 1,853 1,913 2,042 1,986 2,610 2,922

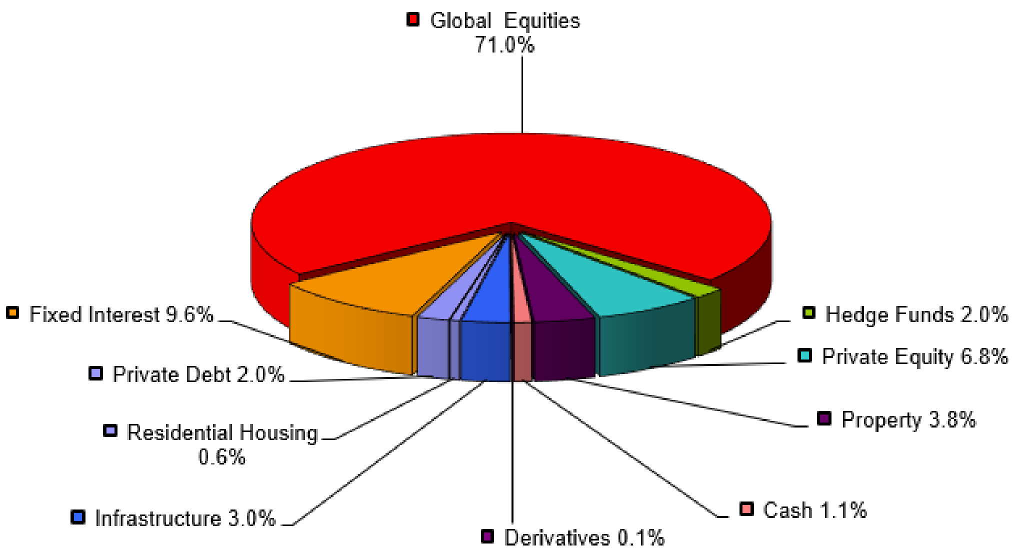
Appendix 4(i)

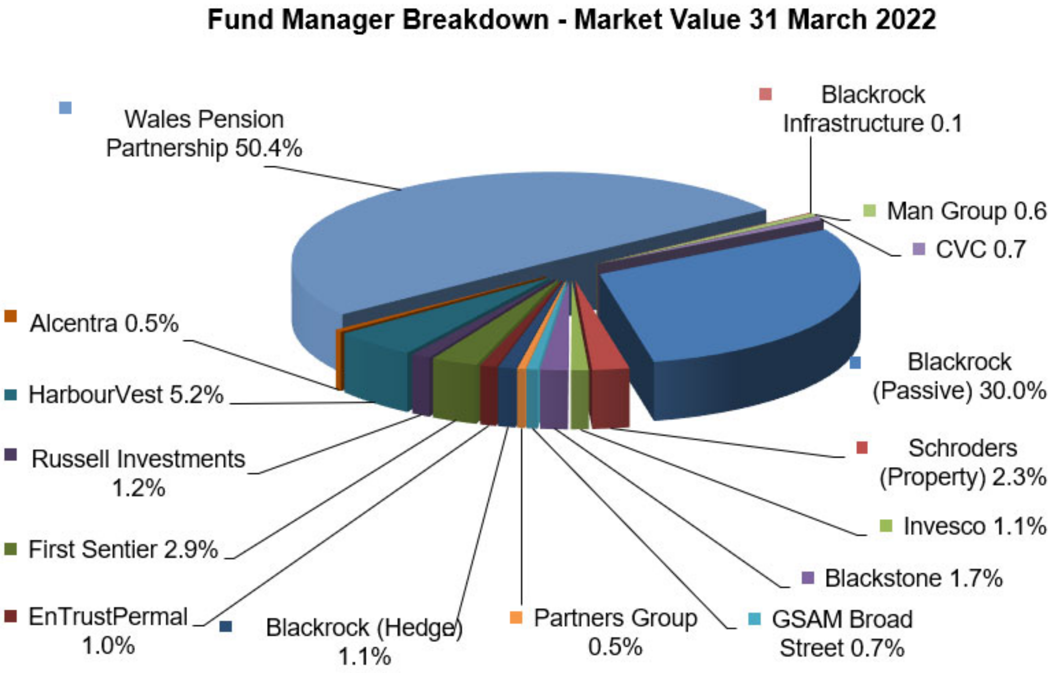
Portfolio Distribution Summary

31 March 2021 £			31 March 2022 £	
		Fixed Interest Stocks		
230,537	8.9%	Fixed Interest	241,705	8.3%
35,919	1.4%	Index-Linked	37,745	1.3%
266,456	10.3%		279,450	9.6%
		Overseas Securities		
1,879,292	72.0%	**Global Equities**	2,079,114	71.0%
60,062	2.3%	**Hedge Funds**	60,857	2.0%
146,891	5.6%	**Private Equity**	197,918	6.8%
96,274	3.7%	**Property**	109,377	3.8%
75,665	2.9%	**Infrastructure**	86,613	3.0%
37,980	1.4%	**Private Debt**	56,248	2.0%
0	0.0%	**Residential Housing**	18,192	0.6%
0	0.0%	**Timberland & Farmland**	133	0.0%
2,637	0.1%	**Derivaties**	1,632	0.1%
2,565,257	98.3%	**Sub Total**	2,889,534	98.9%
44,676	1.7%	**Cash held by Managers & Temporary Investments**	31,832	1.1%
40		**Other Investment Balances - Dividends Due**	301	
2,609,973	**100.0%**	**Total**	**2,921,667**	**100.0%**

Appendix 4 (ii)

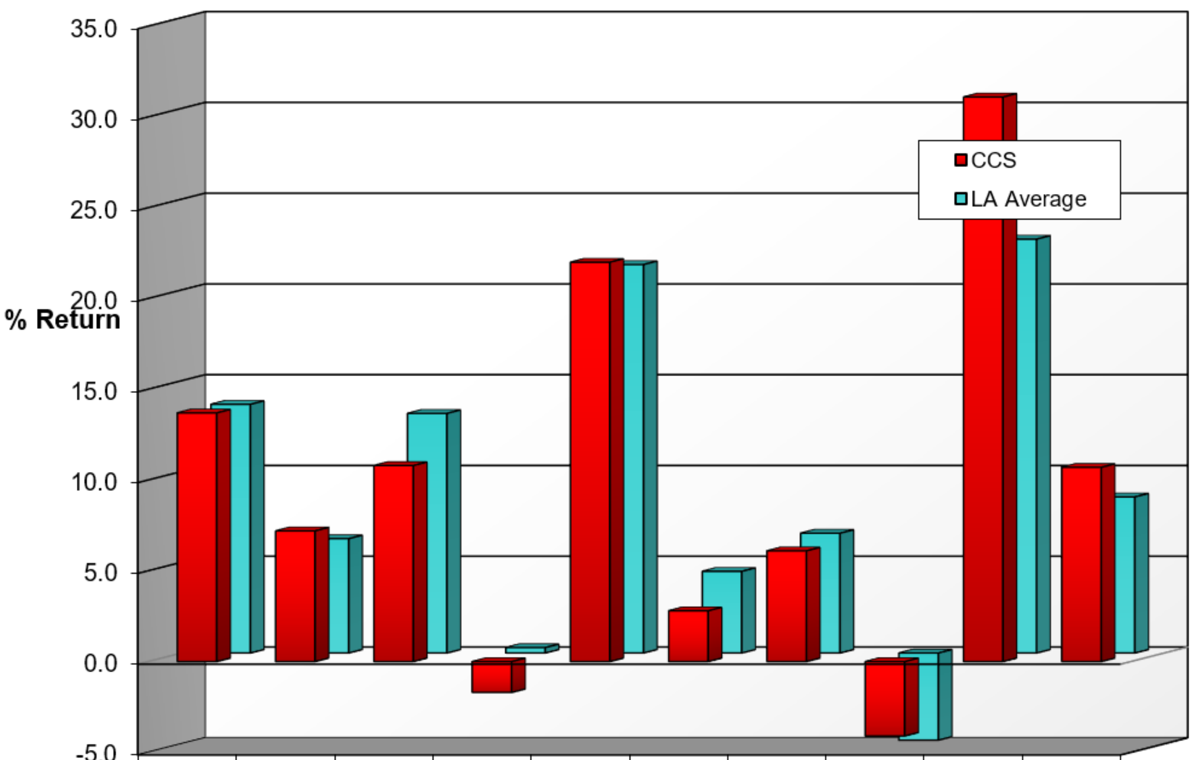
Analysis of Investments - Market Value 31 March 2022




Fund Manager Breakdown - Market Value 31 March 2022
Wales Pension Partnership 50.4%
Blackrock Infrastructure 0.1
Man Group 0.6
CVC 0.7
Alcentra 0.5%
Blackrock (Passive) 30.0%
HarbourVest 5.2%
Russell Investments 1.2%
Schroders (Property) 2.3%
Invesco 1.1%
First Sentier 2.9%
Blackstone 1.7%
EnTrustPermal 1.0%
Blackrock (Hedge) 1.1%
Partners Group 0.5%
GSAM Broad Street 0.7%

Appendix 5

Percentage Return on Fund Investments as compared with the Average Return on Local Authority Funds



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CCS	13.7	7.2	10.8	-1.7	22.0	2.8	6.1	-4.1	31.1	10.7
LA Average	13.7	6.3	13.2	0.3	21.4	4.5	6.6	-4.8	22.8	8.6

Year

Appendix 6

Pensions Section Performance Measures

Service Objective	Performance Indicator	Actual 2019/20	Actual 2020/21	Actual 2021/22
To calculate all types of pension benefits accurately	Payment of retirement benefits to members within 1 month after benefit becomes payable.	64.6%	45.71%	42.67%
	Payment of retirement benefits to members within 1 month of the date all information was received.	98.06%	98.57%	97.78%
To deal with transfers both into and out of the scheme	Quotation of transfer value to new pension provider for deferred members within 3 months of request	95.92%	100%	100%

Appendix 7

City & County of Swansea Pension Fund

Investment Strategy Statement

Investment Strategy Statement

Introduction and background

This is the Investment Strategy Statement ("ISS") of the City and County of Swansea Pension Fund ("the Fund"), which is administered by City and County Swansea Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee, which comprises of members of the Administering Authority and Neath Port Talbot Council, acts on the delegated authority of the Administering Authority.

The ISS, which was last approved by the Committee on in 2017, is subject to periodic review at least every three years and without delay after any significant change in investment policy. This March 2018 version reflects the strategic changes that were agreed over 2017 and the first quarter of 2018. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement ("FSS").

The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that the Fund's investment strategy will be reviewed at least every three years either alongside or following actuarial valuations of the Fund.

The Fund's investment strategy was last reviewed during 2017 and 2018. This analysis included both a quantitative (using asset liability modelling) and qualitative analysis. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferreds and active members), together with the level of surplus or deficit (relative to the funding basis used). Details of the assumptions used in the quantitative analysis was considered prior to the Committee agreeing any strategic changes.

The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation and is considering a formal rebalancing framework alongside potential changes to the Fund's longer term strategic asset allocation.

Investment Beliefs
The Committee has agreed a set of investment beliefs (shown in the appendix of this paper)). These beliefs aim to help articulate how the Committee's investment objectives are translated into their investment strategy.

Investment of money in a wide variety of investments Asset classes
The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest, index linked bonds, cash, property, infrastructure, hedge funds and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. It is anticipated that the maximum amount in each region will be the upper limit based on the ranges set out below. However, there may be times when these limits are breached e.g. at times of market stress, or if Fund is implementing strategic changes and it is deemed more efficient to delay any rebalancing for a period of time. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Current Fund Allocation

Asset class	Target allocation %
UK equities	34% +/- 5%
Overseas equities	34% +/- 5%
Private Equity	3% +/- 5%
Hedge Funds	5% +/- 5%
Property	5% +/- 5%
Infrastructure	2% +/- 5%
Global Fixed Interest	15% +/- 5%
Cash	2% +/- 5%
Total	100%

In 2017 the long term expected return of this portfolio was 4.7% p.a. with an expected 1-year volatility of 9.4% p.a. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each Manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Funds Investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks (details) of these benchmarks are provided in the Appendix of this paper). Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments with each pooled fund that reflects that of their respective benchmark indices.

The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate these risks. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks
Asset values may not increase at the same rate as liabilities with an adverse impact on the funding position. A FSS is prepared every three years as part of the triennial valuation. The Fund's investment strategy and performance relative to the growth in the liabilities is monitored on an ongoing basis.

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways:

1. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on the likelihood of achieving the Fund's longer term funding objectives and with regard to the level of downside risk. This analysis will be revisited as part of the 2019 valuation process.

2. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading. Changes in demographics are considered as part of the Fund's triennial Actuarial valuation.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).

- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund’s “actual allocation” does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk. By investing across a range of assets the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund’s currency risk during their risk analysis. Details of the Fund’s approach to managing ESG risks is set out later in this document.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a material proportion of the Fund’s assets managed on a passive basis. The Committee assess the Fund’s managers’ performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the All Wales Pool. The proposed structure and basis on which the All Wales Pool will operate was set out in the July 2016 submission to Government.

The Fund’s intention is to invest its assets through the All Wales Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. They key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.
2. That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has no assets via the Wales Pension Partnership Pool.

The Chairman (or his identified nominee) shall be the Fund's representative for the Wales Pool which has responsibility for holding the "Pool Operator" to account. The Committee retains responsibility for setting its own investment strategy, policy and allocation.

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

It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee takes ESG matters very seriously. The Fund has developed an environmental, social and governance policy which sets out the Fund's position in a number of areas. The Fund has also carried out ESG training, ESG beliefs (as part of the main belief statement) and carbon monitoring of its listed equity exposure.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Fund does not currently hold any assets which it deems to be social investments. To date, the Fund's approach to social investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties.

At the time of production of the ISS, the Fund has not issued a separate Statement of Compliance with the UK Stewardship Code, but fully endorses the principles embedded in the seven Principles of the Code. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly. The Fund also encourages its managers to sign up to the Principles of Responsible Investment "PRI".

The Fund, through its participation in the All Wales Pool, will work closely with other LGPS Funds to enhance the level of engagement both with external managers and the underlying companies in which invests. The Committee is also supportive of collaboration to achieve better engagement, as evidenced by the Fund's membership to LAPFF, a collective organisation of LGPS who engage fund managers and investee companies and promote responsible investor/ownership practices.

The exercise of rights (including voting rights) attaching to investments

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitors the voting decisions made by all its investment managers on a regular basis.

March 2018

Appendix 1: Statement of Investment Beliefs

To be completed post Committee discussion on Investment beliefs paper

Appendix 2 : Fund Benchmarks

Asset Class	Target Allocation %	Benchmarks
UK equities	34% +/- 5%	FTSE all share
Overseas equities	34% +/- 5%	MSCI World ex UK MSCI Frontier markets
Private Equity	3% +/- 5%	FTSE All Share
Hedge Funds	5% +/- 5%	LIBOR
Property	5% +/- 5%	IPD UK Pooled Property fund
Infrastructure	2% +/- 5%	*To be finalised*
Global Fixed Interest	15% +/- 5%	LIBOR
Cash	2% +/- 5%	7 day LIBID
Total	**100%**	

Appendix 8

City & County of Swansea Pension Fund
Funding Strategy Statement 2020

1. INTRODUCTION

Overview

1.1 This Statement, originally prepared in accordance with Regulation 76A of the Local Government Regulations 1997 has been reviewed in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the LGPS Regulations). The Statement describes City and County of Swansea's strategy, in its capacity as Administering Authority (the Administering Authority), for the funding of the City and County of Swansea Pension Fund (the Fund).

1.2 As required by Regulation 58(4)(a), the Statement has been prepared having regard to:

- the statutory guidance published by CIPFA for this purpose.

  This Statement has regard to the updated guidance published in September 2016 and not the original guidance issued in October 2012 as referred to in the LGPS Regulations at time of writing the Statement;

- the supplementary statutory guidance issued by MHCLG: Guidance on Preparing and Maintaining Policies on Review of Employer Contributions, Employer Exit Payments and Deferred Debt Agreements and

- the Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) ("The Investment Regulations").

The Administering Authority has also considered the Scheme Advisory Board's Guide to Employer Flexibilities in developing the FSS and associated policies at Appendix 1 and Appendix 2.

Consultation

1.3 In accordance with Regulation 58(3), the Administering Authority has consulted such persons as it considers appropriate on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.

1.4 The Fund Actuary, Aon Solutions UK Limited, has also been consulted on the contents of this Statement.

Purpose of this Statement

1.5 The main purpose of this Funding Strategy Statement is to set out the processes by which the Administering Authority:

- establishes a clear and transparent funding strategy, specific to the Fund, which will identify how employer's pension liabilities are best met going forward.
- supports the regulatory requirement in relation to the desirability of maintaining as nearly constant a primary rate of contributions as possible.
- ensures that the regulatory requirements to set contributions as to ensure the solvency and long-term cost efficiency of the Fund are met.
- takes a prudent longer-term view of funding the Fund's liabilities.
- makes use of the provisions of Regulation 64(7A), 64A and 64B.

Noting that, whilst the funding strategy applicable to individual employers must be reflected in the Funding Strategy Statement / Investment Strategy Statement, its focus should at all times be on those actions which are in the best long term interests of the Fund.

Links to investment policy set out in the Investment Strategy Statement

1.6 The Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Investment Strategy Statement and the funding strategy set out in this Statement.

1.7 The assets that most closely match the liabilities of the Fund are fixed interest and index-linked Government bonds of appropriate term relative to the liabilities. The Fund's asset allocation as set out in the Investment Strategy Statement invests a significant proportion of the Fund in assets such as equities which are expected but not guaranteed to produce higher returns than Government bonds in the long term. The Administering Authority has agreed with the Fund Actuary that the Funding Target on the ongoing basis will be set after making some allowance for this higher anticipated return. However, the Administering Authority recognises that outperformance is not guaranteed and that, in the absence of any other effects, if the higher expected returns are not achieved the solvency position of the Fund will deteriorate.

1.8 The funding strategy recognises the investment targets and the inherent volatility arising from the investment strategy, by being based on financial assumptions which are consistent with the expected return on the investments held by the Fund, and by including measures that can be used to smooth out the impact of such volatility.

1.9 The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate including, where appropriate, commissioning asset liability modelling or other analysis techniques.

Review of this Statement

1.10 The Administering Authority undertook its latest substantive review of this Statement in March 2021.

1.11 The Administering Authority will formally review this Statement as part of the next funding valuation following the 31 March 2019 valuation, currently expected to be as at 31 March 2022, unless circumstances arise which require earlier action.

1.12 The Administering Authority will monitor the funding position of the Fund on an approximate basis at regular intervals between valuations, and will discuss with the Fund Actuary whether any significant changes have arisen that require action.

2. THE AIMS AND PURPOSE OF THE FUND

Purpose of the Fund

2.1 The purpose of the Fund is to:

- invest monies in respect of contributions, transfer values and investment income to produce a Fund in order to:
- pay Scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment Regulations over the long term and in so doing:
- to smooth out the contributions required from employers over the long term.

Aims of the Fund

2.2 The main aims of the Fund are:

a) <u>To comply with regulation 62 of the LGPS Regulations 2013 and specifically to:</u>

- adequately fund benefits to secure the Fund's solvency and long term cost efficiency, which should be assessed in light of the risk profile of the Fund and Employers
- while taking account of the desirability of maintaining as nearly constant

primary employer contribution rates as possible (and subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled (as defined in Part 1 or deemed employers as per Part 4 of Schedule 2 of the LGPS Regulations), resolution (as defined in Part 2 of Schedule 2 of the LGPS Regulations), and admitted bodies

- enable overall employer contributions to be kept as constant as possible (and subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies

2.3 The Administering Authority recognises that the requirement to keep total employer contributions as nearly constant as possible can run counter to the following requirements:

- the regulatory requirement to secure solvency, which should be assessed in light of the risk profile of the Fund and risk appetite of the Administering Authority and employers
- the requirement that the costs should be reasonable to Scheduled Bodies, Admission Bodies, other bodies and to taxpayers (subject to not taking undue risks), and
- maximising income from investments within reasonable risk parameters (see later)

2.4 Producing low volatility in employer contribution rates requires material investment in assets which ‘match’ the employer’s liabilities. In this context, ‘match’ means assets which behave in a similar manner to the liabilities as economic conditions alter. For the liabilities represented by benefits payable by the Local Government Pension Scheme, such assets would tend to comprise gilt edged investments.

2.5 Other classes of assets, such as stocks, are perceived to offer higher long term rates of return, on average, and consistent with the requirement to maximise the returns from investments within reasonable risk parameters, the Administering Authority invests a substantial proportion of the Fund in such assets. However, these assets are more risky in nature, and that risk can manifest itself in volatile returns over short term periods, and a failure to deliver anticipated returns in the long term.

2.6 This short term volatility in investment returns can produce a consequent volatility in the measured funding position of the Fund at successive actuarial valuations, with knock on effects on employer contribution rates. The impact on employer rates can be mitigated by use of smoothing adjustments at each valuation.

2.7 The Administering Authority recognises that there is a balance to be struck between the investment policy adopted, the smoothing mechanisms used at valuations, and the resultant stability of employer contribution rates from one valuation period to the next.

2.8 The Administering Authority also recognises that the position is potentially more volatile for Admission Bodies with short term contracts where utilisation of smoothing mechanisms is less appropriate.

2.9 b) To ensure that sufficient resources are available to meet all liabilities as they fall due.

The Administering Authority recognises the need to ensure that the Fund has, at all times, sufficient liquid assets to be able to pay pensions, transfer values, costs, charges and other expenses. It is the Administering Authority's policy that such expenditure is met, in the first instance, from incoming employer and employee contributions to avoid the expense of disinvesting assets. The Administering Authority monitors the position on a monthly basis to ensure that all cash requirements can be met.

2.10 c) To manage employers' liabilities effectively.

The Administering Authority seeks to ensure that all employers' liabilities are managed effectively. In a funding context, this is achieved by seeking regular actuarial advice, ensuring that employers are properly informed and consulted, and through regular monitoring of the funding position and the outlook for employers' contributions.

2.11 d) To maximise the total investment return from investments within reasonable risk parameters.

The Administering Authority recognises the desirability of maximising total investment return within reasonable risk parameters. Investment returns higher than those available on Government stocks are sought through investment in other asset classes such as stocks and property. The Administering Authority ensures that risk parameters are reasonable by:

- complying with any restrictions set out in the Investment Regulations
- restricting investment to asset classes generally recognised as appropriate for UK pension funds
- analysing the potential volatility and absolute return risks, and funding risk represented by those asset classes in collaboration with Investment Advisors and Fund Managers, the Fund Actuary and the Wales Pension Partnership and ensuring that they remain consistent with the risk and return profiles anticipated in the funding strategy
- limiting concentration of risk by developing a diversified investment strategy
- monitoring the mis-matching risk that the investments do not move in line with the Fund's liabilities.

3. RESPONSIBILITIES OF THE KEY PARTIES

3.1 The three parties whose responsibilities to the Fund are of particular relevance are the Administering Authority, the individual employers and the Fund Actuary.

Their key responsibilities are as follows:

Administering Authority

3.2 The Administering Authority will:

- Administer the Fund
- Collect investment income and other amounts due to the Fund as set out in the Regulations including employer and employee contributions and, as far as the Administering Authority is able to, ensure these contributions are paid by the due date (with the due date as specified in the LGPS Regulations, Rates and Adjustments Certificate and any Administering Authority policies)
- Pay from the Fund the relevant entitlements as set out by the Local Government Pension Scheme Regulations 2013.
- Invest surplus monies in accordance with the Investment Regulations.
- Ensure that cash is available to meet liabilities as and when they fall due.
- Manage the valuation process in consultation with the Fund's Actuary
- Ensure it communicates effectively with the Fund Actuary to:
    - Agree timescales for the provision of information and provision of valuation results
    - Ensure provision of data of suitable accuracy
    - Ensure that the Fund Actuary is clear about the content of the Funding Strategy Statement
    - Ensure that participating employers receive appropriate communication throughout the process
    - Ensure that reports are made available as required by relevant guidance and Regulations
    - Provide information required by the Government Actuary's Department in relation to Section 13 of the public Service Pensions Act 2013
- Prepare and maintain an Investment Strategy Statement and a Funding Strategy Statement after due consultation with interested parties.
- Monitor all aspects of the Fund's performance and funding and amend these two documents if required.
- Effectively manage any potential conflicts of interest arising from its dual role both as Administering Authority and as Scheme Employer.

- Take measures, as set out in the Regulations, to safeguard the Fund against the consequences of employer default
- Enable the Local Pension Board to review the valuation process as set out in their terms of reference.
- Ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into Deferred Debt Agreements and spreading exit payments and ensure the process of applying those policies is clear and transparent to all Fund employers.

Individual Employers

3.3 Individual Employers will:

- Deduct contributions from employees’ pay.
- Pay all ongoing contributions, including their employer's contribution as determined by the Fund Actuary, and where relevant set out in the rates and adjustment certificate, promptly by the due date (including contributions due under a Deferred Debt Agreement).
- Develop a policy on certain discretions and exercise those discretions within the regulatory framework.
- Pay for additional membership or pension, augmentation, early release of benefits or other one off strain costs in accordance with agreed arrangements.
- Notify the Administering Authority promptly of all changes to membership, or other changes which affect future funding
- Note and if desired respond to any consultation regarding the Funding Strategy Statement, the Investment Strategy Statement or other policies.
- Pay any exit payments as required in the event of their ceasing participation in the Fund

Fund Actuary

3.4 The Fund Actuary will prepare advice and calculations and provide advice on:

- Funding strategy and the preparation of the Funding Strategy Statement
- Actuarial valuations including the setting of employers’ contribution rates and issue of a Rates and Adjustments Certificate, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement and the LGPS Regulations.
- Bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc.
- Valuations on the cessation of admission agreements or when an employer

ceases to employ active members i.e. the exiting of employers from the Fund.

- Bonds and other forms of security for the Administering Authority against the financial effect on the Fund and of the employer's default.
- Assisting the Administering Authority in assessing whether employer contributions need to be revised between actuarial valuations as permitted or required by the Regulations, in particular in relation to any review of contributions between triennial valuations under Regulations 64(4) and 64A.
- Provide views in relation to any decision by the Administering Authority to put in place a Deferred Debt Agreement under Regulation 64(7A) or spread an exit payment under Regulation 64B.
- Ensure that the Administering Authority is aware of any professional guidance requirements which may be of relevance to his or her role in advising the Administering Authority.

Such advice will take account of the funding position and Funding Strategy Statement of the Fund, along with other relevant matters.

4. FUNDING STRATEGY

Risk Based Approach

4.1 The Fund utilises a risk based approach to funding strategy.

A risk based approach entails carrying out the actuarial valuation on the basis of the assessed likelihood of meeting the funding objectives. In practice, three key decisions are required for the risk based approach:

- what the Solvency Target should be (the funding objective - where the Administering Authority wants the Fund to get to),
- the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by complex risk modelling carried out by the Fund Actuary, define the discount rate, and by extension, the appropriate levels of contribution payable. Together they measure the riskiness of the funding strategy.

These three terms are considered in more detail below.

Solvency Target and Funding Target

<u>Solvency and Funding Success</u>

4.2 The Administering Authority's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term using appropriate actuarial assumptions. The Solvency Target is the amount of assets which the Fund, having taken advice from the Fund Actuary, wishes to hold at the end of the Trajectory Period (see later) to meet this aim.

4.3 The Fund is deemed to be solvent when the assets held are equal to or greater than 100% of the Solvency Target, where the Solvency Target is the value of the Fund's liabilities evaluated using appropriate methods and assumptions. The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

4.4 For secure tax raising Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following exit, the Solvency Target will use appropriate actuarial methods and assumptions that are believed appropriate in the long term for those Bodies. For the 2019 valuation the Solvency Target will be set using an assumed rate of return of 2% in excess of the assumed long term annual increase in the Consumer Prices Index, which is intended to be a prudent outperformance assumption based on assumed future asset holdings.

4.5 For non tax raising Scheduled Bodies the Solvency Target may (dependent on circumstances) be set at a more prudent level than that used for Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following exit.

4.6 For Admission Bodies and other bodies whose liabilities are expected to be orphaned following exit, the required Solvency Target will be set at a more prudent level dependent on circumstances. For most such bodies, the chance of achieving solvency will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after exit.

4.7 For deferred employers it is expected that the Solvency Target will be set by considering the valuation basis which would be adopted once the Deferred Debt Agreement ends. For most such bodies, the Solvency Target will be set commensurate with assumed investment in Government bonds at the end of the period of the Deferred Debt Agreement.

Probability of Funding Success

4.8 The Administering Authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period (or the longest employer Recovery Period, if longer), has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the Fund Actuary.

4.9 Consistent with the Administering Authority's aim of enabling employers' total contributions to be kept as nearly constant as possible, the required chance of achieving the Solvency Target at the end of the relevant Trajectory Period for each employer or employer group can be altered at successive valuations within an overall envelope of acceptable risk.

4.10 The Administering Authority will not permit contributions to be set following a valuation that have an unacceptably low chance of achieving the Solvency Target at the end of the relevant Trajectory Period.

Trajectory Periods

4.11 The Trajectory Period in relation to an employer is the period between the valuation date and the date on which solvency is targeted to be achieved.

4.12 Maintaining a stable Trajectory Period avoids undue volatility when setting long term assumptions for the Fund, where the Administering Authority would in ideal circumstances look to reduce the Recovery Period over time in order to achieve Full Funding. A Trajectory Period of 25 years will be used for the valuation at 31 March 2019.

Funding Target

4.13 In order to satisfy the legislative requirement to secure long term cost efficiency the Administering Authority's aim is for employer contributions to be set so as to make provision for the cost of benefit accrual, with an appropriate adjustment for any surplus or deficiency. This is achieved through the setting of a Funding Target.

4.14 The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions. It is a product of the actuarial valuation exercise and is not the same as the Solvency Target. It is instead the product of the data, chosen assumptions, and valuation method. The valuation method including the components of Funding Target, future service costs and any adjustment for the surplus or deficiency simply serve to set the level of contributions payable, which in turn dictates the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below).

4.15 Consistent with the aim of enabling employers' primary contribution rates to be kept as nearly constant as possible:

- Contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the future service (primary) contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period.

- For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the future service (primary) contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.

4.16 The discount rate, and hence the overall required level of employer contributions, has been set for the 2019 valuation such that the Fund Actuary estimates that there is an 80% Probability of Funding Success – i.e. an 80% chance that the Fund would reach or exceed its Solvency Target after a Trajectory Period of 25 years (on the assumption that Recovery Periods were less than 25 years for all employers).

Application to different types of body

4.17 Some comments on the principles used to derive the Solvency and Funding Target for different bodies in the Fund are set out below.

<u>Scheduled Bodies and certain other bodies of sound covenant</u>

4.18 The Administering Authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than low risk assets for secure tax raising Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and certain other bodies which are long term in nature i.e. Admission bodies with a subsumption commitment from such Scheduled Bodies. This is known as the scheduled and subsumption body funding target.

4.19 For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer including its long

term commitment to participate in the Fund;

- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangement, charge over assets, etc.

4.20 Where, by virtue of having taken account of some or all of the above factors, the Administering Authority adopts a less risky (more prudent) funding target than the scheduled and subsumption body funding target for any scheduled bodies, this is known as the intermediate funding target.

Admission Bodies and certain other bodies whose participation is limited

4.21 For Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit (e.g. where no subsumption commitment is in place from a secure tax raising Scheduled Body) the Administering Authority will have specific regard to the potential for participation to cease (or to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit. This is known as the (ongoing) orphan admission bodies funding target. It is not the same as the exit basis.

Deferred employers where a Deferred Debt Agreement is in place

4.22 For deferred employers where a Deferred Debt Agreement is in place the funding target will take into account any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date the Deferred Debt Agreement is expected to end and any other factors considered to be relevant by the Administering Authority on the advice of the Actuary, which may include, without limitation:

- the agreed period of the Deferred Debt Agreement;
- the type/group of the employer;
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- any contingent security available to the Fund by the employer such as a guarantor or bond arrangements, charge over assets, etc

Further details of the Administering Authority's policy for Deferred Debt Agreements are set out in Appendix 1.

Full Funding

4.23 The Fund is deemed to be fully funded when the assets held are equal to 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers / groups of employers.

When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficiency.

Recovery Periods

4.24 Where a valuation reveals that the Fund is in surplus or deficiency against the Funding Target, employers' contribution rates will be adjusted to target restoration of fully funding the solvent position over a period of years (the Recovery Period). The Recovery Period to an employer or group of employers is therefore the period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target used in the valuation is payable.

4.25 The Recovery Period applicable for each participating employer is set by the Administering Authority in consultation with the Fund Actuary and the employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund, and whether the employer is in surplus or deficit on the appropriate Funding Target.

4.26 Where an employer is in surplus, and where an employer's expected exit date is unknown or expected to be later than the date the revised rates and adjustments certificate will come into force following the next valuation, this surplus will only lead to an adjustment in an employer's contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities valued relative to the appropriate Funding Target (i.e. to the extent that the employer's funding level is greater than 110%). Note that where an employer is subject to a temporary relaxation of the requirement for Full Funding, or subject to the subsumpion funding target by virtue of a temporary subsumption commitment from City and County of Swansea and/or Neath Port Talbot County Borough Council (see below), the Administering Authority will have regard to the contribution requirement that would have applied without this temporary commitment when determining the extent to which any surplus can lead to contribution reductions.

4.27 The Administering Authority recognises that a large proportion of the Fund’s liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, and where the employer is in deficit, the Administering Authority may be prepared to agree to Recovery Periods which are longer than the average future working lifetime of the membership of that employer. The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the Administering Authority also recognises the risk in relying on long Recovery Periods where employers are in deficit, and has agreed with the Fund Actuary a limit of 30 years for employers which are assessed by the Administering Authority as being a long term secure employer.

4.28 Where employers are in deficit, the Administering Authority's policy is to agree Recovery Periods with each employer which are as short as possible within the above framework. Recovery Periods for employers or employer groups may differ in order to suitably balance risk to the fund and cost to the employer. For employers whose participation in the fund is for a fixed period it is unlikely that the Administering Authority and Fund Actuary would agree to a Recovery Period longer than the remaining term of participation. For deferred employers the Recovery Period is limited to the period of the Deferred Debt Agreement.

4.29 Resulting from the 2019 valuation, a Recovery Period of up to 19 years was used, with an average Recovery Period of just under 19 years across all participating employers.

Grouping

4.30 In some circumstances it may be desirable to group employers within the Fund together for funding purposes (i.e. to calculate employer contributions). Reasons might include reduction of volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund.

4.31 The Administering Authority recognises that grouping can give rise to cross subsidies from one employer to another over time. Employers may be grouped entirely, such that all of the risks of participation are shared, or only partially grouped such that only specified risks are shared. The Administering Authority's policy is to consider the position carefully at the initial grouping and at each valuation and to notify each employer that is grouped that this is the case, which other employers it is grouped with and details of the grouping method used. If the employer objects to this grouping, it will be set its own contribution rate. For employers with more than 50 contributing members, the Administering Authority would typically look for evidence of homogeneity between employers before considering grouping.

Where employers are grouped together for funding purposes, this will only occur with the consent of the employers involved.

4.32 All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum benefits on death in service – in other words, the cost of such benefits is shared across the employers in the Fund. Such lump sum benefits can cause funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low cost approach to spreading the risk.

4.33 There is a group of employers in the Fund which will be pooled together for funding and contribution purposes at the 2019 valuation.

4.34 From 1 April 2019 it is expected that the Town and Community Councils Group will consist of the following employers - Briton Ferry Town Council, Cilybebyll Community Council, Clydach Community Council, Coedffranc Community Council, Margam Joint Crematorium Committee, Neath Town Council, Pelenna Community Council and Pontardawe Town Council, and any new small councils will join this group going forward.

4.35 Under the pooling approach these employers will pay a common percentage of pay as their primary contribution rate and will share experience (subject to each employer not taking action which adversely and materially, as determined by the Administering Authority, affects the group's liabilities in which case the Administering Authority may ensure that employer meets the additional liabilities it has created by such action). Each employer in the group will be responsible for meeting any deficit (or benefit from any surplus) allocated to the employer i.e. this will be outside the experience sharing mechanism. Any deficit recovery plan will be based on the specific employer's circumstances.

4.36 In the event that an employer in the group has no active members consideration will be given to first issuing a 'suspension notice' which under the regulations can defer the exit valuation for up to three years if in the reasonable opinion of the administering authority the employer is likely to have one or more active members contributing to the fund within the period specified in the suspension notice. In the event of an exit valuation, the assets and liabilities following exit will be subsumed by the group and the exited employer will not be required to pay any further contributions unless it admits an employee into the Fund, in which case it is expected that the employer will re-join the group as a participating employer. Further, no exit credit will be paid to the exiting scheme employer, unless the exiting scheme employer is in surplus when liabilities are calculated using a Funding Target that anticipates investment in low risk investments such as Government bonds.

However, if the exiting employer is likely to have a material impact on the contribution rate payable by the remaining employers then the Administering Authority may decide that the exiting employer should make additional payments to the Fund over a period of time to protect the remaining employers from such increases.

Stepping

4.37 Again, consistent with the requirement to keep primary employer contribution rates and overall employer contributions as nearly constant as possible, the Administering Authority will consider, at each valuation, whether new contribution rates should be payable immediately, or should be reached by a series of steps over future years. The Administering Authority will discuss with the Fund Actuary the risks inherent in such an approach and will examine the financial impact and risks associated with each employer. The Administering Authority's policy is that in the normal course of events no more than three equal annual steps will be permitted. Further steps may be permitted in extreme cases in consultation with the Fund Actuary, but the total is very unlikely to exceed six steps.

Inter-valuation funding calculations

4.38 In order to monitor developments for the Fund as a whole, the Administering Authority may from time to time request informal valuations or other calculations. Generally, in such cases the calculations will be based on an approximate roll forward of asset and liability values, and liabilities calculated by reference to assumptions consistent with the most recent preceding valuation. Specifically, it is unlikely that the liabilities would be calculated using individual membership data, and nor would the assumptions be subject to review as occurs at formal funding valuations.

Asset shares notionally allocated to individual employers

4.39 Notional asset shares

In order to establish contribution levels for individual employers or groups of employers it is convenient to notionally subdivide the Fund as a whole between the employers (or group of employers where grouping operates), as if each employer had its own notional asset share within the Fund.

4.40 This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

Roll-forward of notional asset shares

4.41 The notional asset share allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income allocated as set out below. In general, no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year.

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.
- Allowance for any known material internal transfers in the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the liabilities determined using a cash equivalent transfer value basis unless some other approach has been agreed between the two employers.

- Allowance for lump sum death in service and any other benefits shared across all employers (see earlier).
- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

4.42 In some cases information available will not allow for such cashflow calculations. In such a circumstance:

- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is of low materiality or where estimated cashflows can be produced with reasonable accuracy, estimated cashflows will be used.
- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material or difficult to estimate with necessary accuracy, the Fund Actuary may instead use an analysis of gains and losses to roll forward the notional asset share. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses relative to the surplus or deficiency exhibited at the previous valuation. Having established an expected surplus or deficiency at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset holding.

- Analysis of gains and losses methods will also be used where the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers.

Fund maturity

4.43 To protect the Fund, and individual employers, from the risk of increasing maturity producing unacceptably volatile contribution adjustments as a percentage of pay the Administering Authority will normally require defined capital streams from employers in respect of any disclosed funding deficiency.

4.44 In certain circumstances, for secure employers considered by the Administering Authority as being long term in nature, contribution adjustments to correct for any disclosed deficiency may be set as a percentage of payroll. Such an approach carries an implicit assumption that the employer's payroll will increase at an assumed rate. If payroll fails to grow at this rate, or declines, insufficient corrective action will have been taken. To protect the Fund against this risk, the Administering Authority will consider requiring top up payments where deficit contributions fall below a minimum level, or further alternative approaches as it deems appropriate.

5. SPECIAL CIRCUMSTANCES RELATED TO CERTAIN EMPLOYERS

Interim reviews

5.1 Regulation 64(4) of the Regulations provides the Administering Authority with a power to carry out valuations in respect of employers where there are circumstances which make it likely that an employer will become an exiting employer, and for the Fund Actuary to certify revised contribution rates, between funding valuation dates.

5.2 The Administering Authority's overriding objective at all times is that, where possible, there is clarity over the Funding Target for that body, and that contribution rates payable are appropriate for that Funding Target. However, this is not always possible as any date of exit may be unknown (for example, participation may be assumed at present to be indefinite), and also because market conditions change daily.

5.3 The Administering Authority's general approach in this area is as follows:

- Where the date of exit is known, and is more than three years hence, or is unknown and assumed to be indefinite, interim valuations will generally not be carried out at the behest of the Administering Authority.
- For Transferee Admission Bodies falling into the above category, the Administering Authority sees it as the responsibility of the relevant Scheme Employer to instruct it if an interim valuation is required. Such an exercise would be at the expense of the relevant Scheme Employer unless otherwise agreed.
- A material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light may cause the Administering Authority to informally review the situation and subsequently formally request an interim valuation.
- For an employer whose participation is due to exit within the next three years, the Administering Authority will keep an eye on developments and may see fit to request an interim valuation at any time.

5.4 Notwithstanding the above guidelines, the Administering Authority reserves the right to request an interim valuation of any employer at any time if Regulation 64(4) applies.

5.5 Regulation 64A of the Regulations provides the Administering Authority with a power to obtain a revision of the rates and adjustments certificate in certain other circumstances. Further details of the Administering Authority's policy in relation to Regulation 64A is set out in Appendix 2.

Guarantors

5.6 Some employers may participate in the Fund by virtue of the existence of a Guarantor. The Administering Authority maintains a list of employers and their associated Guarantors and monitors the exposure of the Guarantors. The Administering Authority, unless notified otherwise, sees the duty of a Guarantor to include the following:

- If an employer ceases and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund Actuary as due, including any interest payable thereon.
- If the Guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the Guarantor may defray some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities should future deficiencies emerge.
- During the period of participation of the employer a Guarantor can at any time agree to the future subsumption of any residual liabilities of an employer. The effect of that action would be to reduce the Funding and Solvency Targets for the employer, which would probably lead to reduced contribution requirements.

New employers

Initial Rate

5.7 When a new employer joins the Fund, the Fund's Actuary determines the initial employer contribution rate payable.

5.8 An interim contribution rate may be set pending a more accurate calculation by the Fund's Actuary of the employer contribution rate payable. The Administering Authority will determine these interim contribution rates following each Actuarial Valuation and at any other time at its discretion.

5.9 The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or transferred liabilities
- Whether the new employer is open or closed to new entrants
- The funding target that applies to the employer
- The funding level on commencement and, where there is a surplus or deficit, whether the admission agreement is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate)

- Other relevant circumstances as determined by the Administering Authority on the advice of the Fund Actuary

New Admission Bodies

5.10 Where the Administering Authority makes an admission agreement with a body (the New Body), the default stance of the Fund is that the relevant Scheme employer, as defined in Part 3 of Schedule 2 of the LGPS Regulation 2013, will be required to subsume the liabilities (see below) at the point that the New Body no longer has any contributing members. This will be set out within the Admission Agreement or side agreement, and apply to both the liabilities of the initial transferring membership and, in the case of an open admission agreement, any liabilities of the New Body relating to members that commence participation after the initial transfer under the terms of the Admission Agreement.

5.11 Unless agreed otherwise (between the relevant Scheme employer and the New Body) the New Body would be required to target sufficient assets to fully fund the liabilities subsumed by the relevant Scheme employer at exit on the assumptions applicable to the relevant Scheme employer.

Bonds and other securitization

5.12 Paragraph 6 of Part 3, Schedule 2 of the Regulations creates a requirement for a new Admission Body to carry out to the satisfaction of the Administering Authority (and the Scheme Employer in the case of a Transferee Admission Body admitted under paragraph 1(d)(i) of that Part) an assessment taking account of actuarial advice of the level of risk on premature termination by reason of insolvency, winding up or liquidation.

5.13 Where the level of risk identified by the assessment is such as to require it the Admission Body shall enter into an indemnity or bond with an appropriate party. Where it is not desirable for an Admission Body to enter into an indemnity or bond, the body is required to secure a guarantee in a form satisfactory to the Administering Authority from an organisation that either funds, owns or controls the functions of the admission body.

5.14 The Administering Authority's approach in this area is as follows:

- In the case of Transferee Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the Regulations and other Admission Bodies with a Guarantor, and so long as the Administering Authority judges the relevant Scheme Employer or Guarantor to be of sufficiently sound covenant, any bond exists purely to protect the relevant Scheme Employer or Guarantor on default of the Admission Body. As such, it is entirely the responsibility of the relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond. The Administering Authority will be pleased to supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer, but this should not be construed as advice to the relevant Scheme Employer on this matter.

- In the case of Transferee Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the Regulations, or under Paragraph 1(e) of Part 3, Schedule 2 of the Regulations, where the Administering Authority does not judge the relevant Scheme Employer to be of sufficiently strong covenant, and other Admission Bodies with no Guarantor or where the Administering Authority does not judge the Guarantor to be of sufficiently strong covenant, the Administering Authority must be involved in the assessment of the required level of bond to protect the Fund. The admission will only be able to proceed once the Administering Authority has agreed the level of bond cover. The Administering Authority will supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer form a view on what level of bond would be satisfactory. The Administering Authority will also on request supply this to the Admission Body or Guarantor. This should not be construed as advice to the Scheme Employer, Guarantor or Admission Body.
- The Administering Authority notes that levels of required bond cover can fluctuate and will review, or recommends that the Scheme Employer reviews, the required cover at least once a year.

Subsumed liabilities

5.15 Where an employer is exiting the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

5.16 In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally this will mean assuming continued investment in a mix of growth and matching assets.

Orphan liabilities

5.17 Where an employer is exiting the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

5.18 The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government bonds.

5.19 To the extent that the Administering Authority decides not to match these liabilities with Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the employer's notional assets between the exit date of the employer and each subsequent funding valuation of the Fund. Assets will then be reallocated within the Fund to ensure the orphan liabilities remain 100% funded on a low risk basis after taking account of any outstanding exit payments payable to, or due from the exiting employer, with any investment profit or loss allocated to the contributing employers in proportion to their notional asset share.

Smoothing of contribution rates for Admission Bodies

5.20 The Administering Authority recognises that a balance needs to be struck as regards the financial demands made of Admission Bodies. On the one hand, the Administering Authority requires all Admission Bodies to be fully self funding, such that other employers in the Fund are not subject to levels of expense as a consequence of the participation of those Admission Bodies. On the other hand, in extreme circumstances, requiring achievement of Full Funding over a short time horizon may precipitate failure of the body in question, leading to significant costs for other participating employers.

5.21 In circumstances which the Administering Authority judges to be extreme, the Administering Authority will engage with the City and County of Swansea and Neath Port Talbot County Borough Council, as the dominant employers in the Fund, with a view to seeking agreement that the requirement that contribution rates target Full Funding can be temporarily relaxed, or alternatively one or both employers agree to subsume the relevant Admission Bodies on exit.

5.22 Should an Admission Body leave the Fund during a period where the City and County of Swansea and/or Neath Port Talbot County Borough Council has agreed to subsumption of residual liabilities, the exit funding requirement will be reduced to reflect the Fund's continuing access to funding, should a deficiency emerge in the future in respect of those liabilities (see cessation of participation for subsumed liabilities below).

5.23 At subsequent valuations the position will be reassessed with a view to returning Admission Bodies to paying contributions which target Full Funding.

Cessation of participation i.e. Exiting the Fund

5.24 Where an employer becomes an exiting employer, an exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of exiting regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund. When employees do not transfer to another employer they will retain pension rights within the Fund, i.e. either as a deferred pensioner or immediately taking retirement benefits.

5.25 The assumptions adopted to value the departing employer’s liabilities for the exit valuation (including on termination of any Deferred Debt Agreement) will depend upon the circumstances. In particular, the exit valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by long-term other employers.

5.26 For orphan liabilities the Funding Target in the exit valuation will anticipate investment in low risk investments such as Government bonds. This is to protect the other employers in the Fund, as upon exit, the employer's liabilities will become "orphan" liabilities within the Fund, and there is no recourse to that (former) employer if a deficit emerges in relation to these liabilities after the exit date. Any deficit or surplus in the Fund in respect of the employer will generally be due to the Fund as a termination contribution (but see 5.29 below), or payable by the Fund to the employer as an exit credit respectively, where the exit date is on or after 14 May 2018.

5.27 For subsumed liabilities the exit valuation will be determined on the basis that the scheme employer, or in the case of grouped employers, the remaining contributing group employers, providing the subsumption commitment will subsume all assets and liabilities from the exiting scheme employer. No exit credit will be paid to, or any exit debt required from, the exiting scheme employer, unless the exiting scheme employer is in surplus when liabilities are calculated using a Funding Target that anticipates investment in low risk investments such as Government bonds. The assets and liabilities will be subsumed within those of the employer, or employers, providing the subsumption commitment, with future contribution requirements for this employer, or group of employers, being reassessed at each actuarial valuation.

5.28 In addition, the Administering Authority may, at its discretion, include additional margins for prudence compared to the approach used for determining ongoing contributions, for example in relation to regulatory uncertainty (which at the date of this Statement includes uncertainty associated with the McCloud case, the Goodwin case, cost management process and indexation and equalisation of GMP).

5.29 Following the above process, any deficit in the Fund in respect of the Employer will be due to the Fund as a termination contribution unless it is agreed by the Administering Authority and the other parties involved that:

- the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.
- the employer and Administering Authority will enter into a Deferred Debt Agreement;
- the exit payment can be spread over a reasonable period as permitted by regulation 64B

Details of the approach to be adopted for such an assessment on exit, including how any exit credit may be determined and the conditions in which the Administering Authority will consider agreeing to enter into a Deferred Debt Agreement or to permit spreading of any exit payments are set out in Appendix 1.

Exit payments and exit credits

5.30 Further information on the Administering Authority's policy on exit payments, and exit credits is set out in Appendix 1.

Deferred Debt Agreements

5.31 Regulation 64(7A) permits the Administering Authority to enter into a written agreement with an existing Scheme employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate ("a Deferred Debt Agreement").

The Administering Authority's policy in relation Deferred Debt Agreements is set out in Appendix 1.

6. IDENTIFICATION OF RISKS AND COUNTER MEASURES

Approach

6.1 The Administering Authority seeks to identify all risks to the Fund and to consider the position both in aggregate and at an individual risk level. The Administering Authority will monitor the risks to the Fund, and will take appropriate action to limit the impact of these both before, and after, they emerge wherever possible.

6.2 The Administering Authority will ensure that funding risks are included within their overarching risk management framework and strategy, linking to their risk register and risk management policy as appropriate and includes defining a role for the Local Pension Board within this framework.

6.3 The main risks to the Fund are considered below:

Choice of Solvency and Funding Targets

6.4 The Administering Authority recognises that future experience and investment income cannot be predicted with certainty. Instead, there is a range of possible outcomes, and different assumed outcomes will lie at different places within that range**.**

6.5 The more optimistic the assumptions made in determining the Solvency and Funding Targets, the more that outcome will sit towards the 'favourable' end of the range of possible outcomes, the lower will be the probability of experience actually matching or being more favourable than the assumed experience, and the lower will be the Solvency and Funding Targets calculated by reference to those assumptions.

6.6 The Administering Authority will not adopt assumptions for Scheduled Bodies and certain other bodies which, in its judgement, and on the basis of actuarial advice received, are such that it is less than 55% likely that the strategy will deliver funding success (as defined earlier in this document). Where the probability of funding success is less than 65% the Administering Authority will not adopt assumptions which lead to a reduction in the aggregate employer contribution rate to the Fund.

6.7 The Administering Authority's policy will be to monitor an underlying 'low risk' position (making no allowance for returns in excess of those available on Government stocks) to ensure that the Funding Target remains realistic.

Investment Risk

6.8 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

6.9 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
- environmental; social and corporate governance risks

6.10 The Administering Authority reviews each investment manager's performance quarterly and annually considers the asset allocation of the Fund by carrying out an annual review meeting with its Investment Advisors and Fund Managers. The Administering Authority also annually reviews the effect of market movements on the Fund's overall funding position.

Employer risk

6.11 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities where employers are unable to meet their obligations to the Scheme. The Administering Authority monitors employer payments and expects employers in financial difficulty to engage with the Fund, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy, as set out in Appendix 2, are met.

6.12 The Administering Authority will put in place a Funding Strategy Statement which contains sufficient detail on how funding risks are managed in respect of the main categories of employer (e.g. scheduled and admission bodies) and other pension fund stakeholders.

6.13 The Administering Authority will maintain a knowledge base on their employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and will use this information to inform the Funding Strategy Statement.

Climate change

6.14 The systemic risks posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities for investors. The Administering Authority and Investment Advisory Panel keeps the effect of climate change on future returns under review and will commission modelling or advice from the Fund Actuary on the potential effect on funding as required.

Liability Risk

6.15 The main risks include discount rates, pay and price inflation, changing retirement patterns, mortality and other demographic risks. Some of these risks will affect the amount of benefit payments; others will affect the value of benefit payments, i.e. level of assets deemed to be required to meet those benefit payments (the funding target).

6.16 The Administering Authority will ensure that the Fund Actuary investigates demographic, pay and pension increase experience at each valuation and reports on developments. The demographic assumptions are intended to be best estimate, informed by Fund experience and wider evidence where needed, e.g. the mortality assumptions are informed by a postcode analysis carried out by the Fund Actuary's specialist longevity team and the projections model released by the Continuous Mortality Investigation of the Institute and Faculty of Actuaries. If the Administering Authority becomes aware of any material changes in population mortality which may also be reflected in the Fund's experience it will ask the Fund Actuary to report on the effect on the funding position and employer contributions.

6.17 The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements in the Fund and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position and employer contributions.

6.18 If significant changes in the value of the liabilities become apparent between valuations, the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A and will notify the affected employers of the anticipated impact on costs that will emerge. In addition, the Administering Authority may consider whether to require a review of the bonds that are in place for Admission Bodies. It will also consider the extent to which such changes can or should be allowed for in exit valuations, taking advice from the Fund Actuary.

Regulatory and Compliance Risk

6.19 The risks relate to changes to general and LGPS specific regulations, national pension requirements or HM Revenue and Customs' rules. The Administering Authority will keep abreast of all proposed changes to Regulations and LGPS benefits. If any change potentially affects the costs of the Fund, the Administering Authority will ask the Fund Actuary to assess the possible impact on costs of the change. Where significant, the Administering Authority will notify employers of the possible impact and the timing of any change.

6.20 There are a number of consultations which have been issued in recent years, some of which represent proposed changes which were first raised a number of years ago, including a cap on exit payments by public sector employers, new Fair Deal arrangements and greater flexibility on employer exit from the LGPS. Some of these may affect funding and pose a risk to the Fund. The Government has also consulted on changes to the valuation cycle although the Administering Authority understands that the 2022 valuation is going ahead as previously planned.

6.21 There are a number of additional uncertainties associated with the benefit structure at the time of the latest formal review of this Statement, including:

6.22 How Government will address the issues of GMP indexation and equalisation beyond expiry of the current interim solution from 6 April 2021

6.23 The timing of any final regulations in relation to the McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal age discrimination.

6.24 The outcome of the cost management process as at 31 March 2016 and 31 March 2020, noting the agreement reached in relation to the 2016 Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% of pay, before the process was paused due to the McCloud judgement.

6.25 The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the Chief Secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

6.26 Details of the allowance made for these uncertainties in the 2019 valuation are as follows:

McCloud/Cost Cap

6.27 1.5% of pay has been added to employer contributions based on Fund-specific calculations carried out by the Fund Actuary. This figure has been calculated across the Fund as a whole on the scheduled and subsumption body funding target assuming the following remedy:

6.28 Compensation will apply to members who joined the LGPS before 1 April 2014 (see below).

6.29 Benefits will be the better of those accrued in the 2014 Scheme or those accrued in the 2008 Scheme, backdated to 1 April 2014 (i.e. an 'underpin' approach).

6.30 Compensation will apply to members who retire from active service with immediate pension benefits, through normal health or ill health retirement (this is because transitional protections only applied to members retiring from active service with immediate pension).

6.31 The remedy will not apply to spouses' or dependants' benefits. This is because transitional protections only applied to members' benefits

6.32 The cost is split 0.4% of pay in respect of past service and 1.1% of pay in respect of future service where the past service cost has been spread over a recovery period of 19 years.

GMP indexation/equalisation

6.33 There is no allowance for GMP equalisation beyond the extended 'interim' solution announced in January 2018, i.e. for full inflationary increases on GMP to be paid from the Fund for members reaching State Pension Age by 5 April 2021.

Liquidity and Maturity Risk

6.34 This is the risk of a reduction in cash flows into the Fund (including investment income – e.g. potentially resulting from changes in investment holdings), or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions. Changes in the funding position and hence (secondary) employer contributions can also affect the cashflow position since it is not always possible to deliver complete stability of contributions. Timing of contribution payments by employers can also impact on liquidity requirements were flexibility is granted by the Administering Authority. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,

- Budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;

- An increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed),
- Public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS),
- Scheme changes, for example, lower member contributions as provisionally agreed as part of the Scheme Advisory Board Cost Management Process will lead to lower member contributions which may not be immediately matched by higher employer contributions,
- An increase in the take-up of the 50/50 option (whether on affordability grounds or to avoid tax charges) will reduce member contributions to the Fund

6.35 The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity or other changes leading to cashflow or liquidity issues. The Administering Authority also commissions the Fund Actuary to provide projections of benefit payments and contributions based at each valuation and monitors the cashflow position on a regular basis.

Governance Risk

6.36 This covers the risk of unexpected structural changes in the Fund membership (for example the closure of an employer to new entrants or the large scale withdrawal or retirement of groups of staff), or establishment of a wholly owned company which does not participate in the Fund, or only partially participates, and the related risk of the Administering Authority not being made aware of such changes in a timely manner.

6.37 The Administering Authority's policy is to require regular communication between itself and employers, and to ensure regular reviews of such items as bond arrangements, financial standing of non-tax raising employers and funding levels. The Fund will consider commissioning triennial reviews of any bonds as part of its risk management.

Statistical/Financial Risk

6.38 This covers such items such as the performances of markets, Fund investment managers, asset reallocation in volatile markets, pay and /or price inflation varying from anticipated levels or the effect of possible increases in employer contribution rate on service delivery and on Fund employers. The Administering Authority policy will regularly assess such aspects to ensure that all assumptions used are still justified.

Smoothing Risk

6.39 The Administering Authority recognises that utilisation of a smoothing adjustment in the solvency measurement introduces an element of risk, in that the smoothing adjustment may not provide a true measure of the underlying position.

Where such an adjustment is used, the Administering Authority will review the impact of this adjustment at each valuation to ensure that it remains within acceptable limits.

Recovery Period Risk

6.40 The Administering Authority recognises that permitting surpluses or deficiencies to be eliminated over a recovery period rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements. The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and to limit the permitted length of recovery period where appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.

Stepping Risk

6.41 The Administering Authority recognises that permitting contribution rate changes to be introduced by annual steps rather than immediately introduces a risk that action to restore solvency is insufficient in the early years of the process. The Administering Authority will limit the number of permitted steps as appropriate. Details of the Administering Authority's policy are set out earlier in this statement.

APPENDIX 1: Policy on Exit payments, Exit credits and Deferred Debt Agreements

An employing authority can cease participation in the following circumstances:

- an active employer ceases to be a Scheme employer (including ceasing to be an admission body participating in the Fund), or has no active members contributing to the Fund and does not enter into a Deferred Debt Agreement,
- a deferred employer ceases to participate where the Deferred Debt Agreement ends.

Where participation ceases, an exit valuation will be carried out in accordance with Regulation 64. Further details on the approach and assumptions are set out in section 5 of the Funding Strategy Statement.

If there are liabilities which cannot be recovered from the exiting employer or any bond/indemnity these will fall to be met by the Fund as a whole (i.e. all other employers) unless there is a guarantor, successor body or subsumption commitment within the Fund.

Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to the exit of an employer from the Fund will be re-charged to the exiting employer.

Exit payments

Any deficit would normally be levied on the departing employer as a single capital payment although, the Administering Authority may allow phased payments as permitted under Regulation 64B. The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64B is set out below.

It is envisaged that spreading of exit payments will only be considered at the request of an employer. The Administering Authority will then engage/consult with the employer to consider its application and determine whether or not spreading the exit payment is appropriate and the terms which should apply.

In determining whether or not to permit an exit payment to be spread, the Administering Authority will consider factors including, but not limited to:

- the ability of the employer to make a single capital payment;
- whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the

Administering Authority considers that the employer is financially able to make a single capital payment it will not normally be appropriate for the exit payment to be spread.

The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the Administering Authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.

In determining the appropriate length of time for an exit payment to be spread, the Administering Authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be three years but longer periods of up to ten years will be considered where the Administering Authority is satisfied that this doesn't pose undue risk to the Fund in relation to the employer's ability to continue to make payments over the period.

Whilst the Administering Authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that a final decision by the employer (and the Administering Authority) on whether this will be financially beneficial/appropriate may not be possible until the employer has exited. Exiting employers will be advised of the exit deficit and the spreading of any payment will only be considered at the request of the employer. Where there is a guarantor, the guarantor will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee continuing in force during the spreading period.

The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as level annual amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Where the exit amount is significant, monthly payments may be required or the Administering Authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.

Where it has been agreed to spread an exit payment the Administering Authority will advise the employer in writing of the arrangement, including the spreading period; the annual payments due; interest rates applicable; other costs payable (Employers will be asked to pay all advisory costs associated with the spreading agreement as well as calculation of the exit deficit (these costs will not be spread)) and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the Administering Authority will advise the employer in writing and provide a brief explanation of the rationale for the decision. The Administering Authority will generally review spreading agreements as part of its preparation for each triennial valuation and will take actuarial, covenant, legal and other advice as considered necessary. In addition, employers will be expected to engage with the Administering Authority during the spreading period and adhere to the notifiable events framework as set out in the Pensions Administration Strategy. If the Administering Authority has reason to believe the employer's circumstances have changed such that a review of the spreading period (and hence the payment amounts) is appropriate, it will consult with the employer and a revised payment schedule may be implemented. Whilst this review may also consider the frequency of payments, it should be noted that it is not envisaged that any review will consider changes to the original exit amount nor interest rate applicable. An employer will be able to discharge its obligations under the spreading arrangement by paying off all future instalments at its discretion. The Administering Authority will seek actuarial advice in relation to whether or not there should be a discount for early payment given interest will have been added in line with the discount rate used for the exit valuation.

Exit credits

Where an exit valuation discloses that there is a surplus in the Fund in respect of the exiting employer, and an exit credit is due to be paid to the exiting employer, the Administering Authority will, unless otherwise agreed with the employer, pay the exit credit to the employer within 6 months of the exit date. Where the employer has not provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final liabilities on exit within 2 months of the exit date, the employer will be deemed to have agreed that the 6 month period should run from the date all the necessary data has been provided. In determining the amount of any exit credit payable the Administering Authority will take the following factors into consideration:

(a) the extent to which there is an excess of assets in the Fund relating to that employer over the liabilities (i.e. a surplus)

(b) the proportion of the surplus which has arisen because of the value of the employer's contributions

(c) any representations made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the 2013 Regulations, and

(d) any other relevant factors, which include any legal, actuarial or other costs incurred by the Administering Authority in relation to the exit, the circumstances in which any subsumption commitment was granted, and any risk sharing arrangements in place.

Suspension notices

Regulation 64(2A) permits the suspension of an employer's liability to make an exit payment for up to 3 years where the Administering Authority believes that the employer is likely to have one or more active members contributing to the Fund within the period specified in the suspension notice. In that case, the Fund will advise the employer of the exit amount calculated by the Actuary and serve a written suspension notice on the employer. Whilst under such a suspension notice, the employer must continue to pay any deficit payments certified to the Fund as if it were an ongoing employer and the actuary will recalculate any deficit and contributions due at the next

Actuarial Valuation. If there are no new members by the time the suspension notice expires the Fund Actuary will carry out an exit valuation as at the date the suspension notice expires.

Deferred Debt Agreements (DDAs)

Regulation 64(7A) permits the Administering Authority to enter into a written agreement with an exiting Scheme employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate ("a deferred debt agreement").

The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64(7A) is set out below.

In determining whether or not to enter into a DDA with an employer the Administering Authority will take into account the following factors, including but not limited to:

- The materiality of the employer and any exit deficit in terms of the Fund as a whole;
- The risk to the Fund of entering into a DDA, in terms of the likelihood of the employer failing before the DDA has ended, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser;
- The rationale for the employer requesting a DDA, particularly if the Administering Authority believes it would be able to make an immediate payment to cover the exit deficit; and
- Whether an up front payment will be made towards the deficit, and/or any security is, or can be put, in place, including a charge over assets, bond, guarantee or other indemnity, to reduce the risk to other employers.

Where it is expected that the employer's covenant may materially weaken over time the Administering Authority is very unlikely to consider entering into a DDA with that employer. Further, where an employer can demonstrably meet the exit payment in a single instalment, the Administering Authority would be unlikely to enter into a DDA unless it was clear that this wouldn't increase risk to the Fund, e.g. if the employer was fully taxpayer-backed and sufficient assurance was in place that all contributions due, including any residual deficit at the end of the DDA, would be met in full.

It is envisaged that DDAs will only be entered into at the request of an employer. In any case, the Administering Authority will engage/consult with the employer to consider whether or not a DDA is appropriate and the terms which should apply. As part of its application for a DDA, the Administering Authority will require information from the employer to enable the Administering Authority to take a view on the employer's strength of covenant. Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored. It is expected that DDAs will be monitored on an annual basis unless circumstances dictate otherwise. Monitoring may be more frequent as the end of the period of the DDA approaches.

Employers should be aware that all advisory fees incurred by the Fund associated with a request for a DDA, whether or not this results in an agreement being entered into, and its ongoing monitoring, will be recharged to the employer.

The Administering Authority will provide a standard form of agreement for DDAs, which it will require employers (and any guarantors) to sign up to. The matters which the Administering Authority will reflect in the DDA, include:

- An undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- A provision for the DDA to remain in force for a specified period, which may be varied by agreement of the Administering Authority and the deferred employer;
- A provision that the DDA will terminate on the first date on which one of the following events occurs-
  a. The deferred employer enrols new active members;
  b. The period specified, or as varied, elapses;
  c. The take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
  d. The Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or
  e. The Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation date.
- The responsibilities of the deferred employer
- The circumstances triggering a cessation of the arrangement leading to an exit payment (or credit) becoming payable, in addition to those set out in Regulation 64 (7E) and above

It is expected that the consultation process with the employer will include discussions on the precise details of the DDA, although the purpose of providing a standard form of agreement is to make the process easier, and quicker and therefore it is not envisaged that there will be material changes to this standard.

The Administering Authority will monitor the funding position and risk/covenant associated with deferred employers on a regular basis. This will be at least triennially and most likely annually, but the frequency will depend on factors such as the size of the employer and any deficit and the materiality of movements in market conditions or the employer's membership.

The circumstances in which the Administering Authority may consider seeking to agree a variation to the length of the agreement under regulation 64(7D) include:

- Where the exit deficit has reduced (increased) such that it is reasonable to reduce (extend) the length of the recovery period and associated period of the DDA assuming that, in the case of the latter, this does not materially increase the risk to the other employers/Fund
- Where the deferred employer's business plans, staffing levels, finances or projected finances have changed significantly, but, in the case of a deterioration, the Administering Authority, having taken legal, actuarial, covenant or other advice as appropriate, does not consider that there is sufficient evidence that deferred employer’s ability to meet the contributions payable under the DDA has weakened materially, or is likely to weaken materially in the next 12 months
- Where the level of security available to the Fund has changed in relation to the DDA, as determined by the Administering Authority, taking legal, actuarial or other advice as appropriate

At each triennial valuation, or more frequently as required, the Administering Authority will carry out an analysis of the financial risk or covenant of the deferred employer, considering actuarial, covenant, legal and other advice as necessary. Where supported by the analysis and considered necessary to protect the interests of all employers, the Administering Authority will serve notice on the deferred employer that the DDA will terminate on the grounds that it is reasonably satisfied that the deferred employer’s ability to meet the contributions payable under the deferred debt arrangement has weakened materially, or is likely to weaken materially in the next 12 months, as set out under regulation 64(7E)(d).

Employers should be aware that all advisory fees incurred by the Fund associated with consideration of a DDA for an exiting employer, whether or not this results in a DDA being entered into, will be recharged to the employer. This will include actuarial, legal, covenant and other advice and the costs of monitoring the arrangement as well as the initial set up. Estimated costs can be provided on request. All fees must be paid up front and cannot be added to any secondary contributions payable under the DDA.

It is expected that employers will make a request to consider a DDA before they would otherwise have exited the Fund under Regulation 64(1) and that a DDA should be entered into within 3 months of that date. The employer should continue to make secondary contributions at the prevailing rate whilst the DDA is being considered unless the Administering Authority, having taken actuarial and other advice as appropriate, determines that increased contributions should be payable. In exceptional circumstances, e.g. where there has been a justifiable delay due to circumstances outside of the employer's control, and at the sole discretion of the Administering Authority, a DDA may be entered into more than 3 months after the exit date.

Deferred employers will be expected to engage with the Administering Authority during the period of the DDA and adhere to the notifiable events framework as set out in the Pensions Administration Strategy as well as providing financial and other information on a regular basis. This will be necessary to support the effective monitoring of the arrangement and will be a requirement of the DDA.

APPENDIX 2: Policy on reviewing employer contributions between formal valuations under Regulation 64A

1. Background

This Document explains the policies and procedures of the City and County of Swansea Pension Fund ("the Fund"), administered by City and County of Swansea ("the Administering Authority"), in relation to any amendment of employer contributions between formal valuations as permitted by Regulation 64A.

This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement. It is intended to provide transparency and consistency for employers in use of the flexibilities within the Regulations.

The Administering Authority will consider reviewing employer contributions between formal valuations in the following circumstances:

- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

For the avoidance of doubt, the Administering Authority will not consider a review of contributions purely on the grounds of a change in market conditions or demographic assumptions affecting the value of assets and/or liabilities.

2. Factors used to determine when a review is appropriate

In determining whether or not a review should take place, the Administering Authority will consider the following factors (noting that this is not an exhaustive list):

- the circumstances leading to the change in liabilities arising or likely to arise, for example whether this is the result of a decision by the employer, such as a significant outsourcing or transfer of staff, closure to new entrants, material redundancies or significant pay awards, or other factors such as ill-health retirements, voluntary withdrawals or the loss of a significant contract
- the materiality of any change in the employer's membership or liabilities, taking account of the Actuary's view of how this might affect its funding position, primary or secondary contribution rate
- whether, having taken advice from the Actuary, the Administering Authority believes a change in ongoing funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, or other form of indemnity in relation to the employer's liabilities in the Fund

- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser to the Fund
- the general level of engagement from the employer and its adherence to its legal obligations as set out in the Pensions Administration Strategy Statement and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time and data quality issues due to failure to provide new starter or leaver forms

3. Assessment of the risk/impact on other employers

In determining whether or not a review should take place, the Administering Authority will generally focus on the materiality of any potential changes in the context of the employer concerned; its financial position and current contribution levels. As a matter of principle, the Administering Authority does not consider that a review is not justified just because an employer is small in the context of the Fund as a whole, noting that failure to act could make discussions at the next formal valuation more difficult and compound the risk to the Fund. However, in determining the extent and speed of any changes to the employer's contributions the Administering Authority will consider the effect on the overall funding position of the Fund, i.e. other Fund employers.

Where contributions are being reviewed for an employer with links to another Fund employer, particularly where this is a formal organisational or contractual link, e.g. there is a tripartite admission agreement, an ownership relationship or a formal guarantee or subsumption commitment is in place, the Administering Authority will consider the potential risk/impact of the contribution review on those other employer(s), taking advice from the Fund Actuary as required.

4. Employer involvement and consultation

It is expected that in most cases the employer will be aware of the proposed review of their contributions since this will be triggered by an employer's action and employers should be aware of the need to engage with the Fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities.

In other cases information will be required from the employer, e.g. in relation to its financial position and business plans which could be the catalyst for informing the employer that a review is being proposed. In all cases the Administering Authority will advise the employer that a review is being carried out and share the results of the review and any risk or covenant assessment as appropriate. It should be noted that the fact of a review being carried out does not automatically mean that contributions will be amended (up or down) since that will depend upon the materiality of the changes and other factors such as the outcome of discussions with the employer and any related/linked employer in the Fund and the proximity to the next formal valuation.

Where, following representations from the employer, the Administering Authority is considering not increasing the employer's contributions following a review, despite there being good reason to do so from a funding and actuarial perspective, e.g. if it would precipitate the failure of the employer or otherwise seriously impair the employer's ability to deliver its organisational objectives or it is expected that the employer's financial position will improve significantly in the near-term, the Administering Authority will consult with any related/linked employers (including any guarantor or employer providing a subsumption commitment) and, where appropriate, the largest employers in the Fund with a view to seeking their agreement to this approach.

5. Process for requesting a review

Before requesting a review, employers should consider the regulatory requirements and the Fund's policy as set out above and satisfy themselves that there has been a relevant change in the expected amount of liabilities or their ability to meet those liabilities. The employer should contact Mr Jeffrey Dong, Jeffrey.dong@swansea.gov.uk and complete the necessary information requirements for submission to the Administering Authority in support of their application. The Administering Authority will consider the employer's request and may ask for further information or supporting documentation/evidence as required. If the Administering Authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. Employers should be aware that all advisory fees incurred by the Fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.

6. Other considerations

The Administering Authority may carry out a review at any time during the valuation cycle where it becomes aware that a review is required. In such cases the employer will be expected to provide the requested information within one month of request and the review will be completed within 6 weeks of the provision of all requested information, or completion of the risk/covenant assessment if later.

The Administering Authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes are to take effect the Administering Authority will also take into account the timing of contribution changes flowing from the next formal valuation. As a result, contribution reviews are unlikely to be carried out during the 12 month period from the valuation date although if there were any material changes to the expected amount of liabilities arising or the ability of the employer to meet those liabilities during that period, this should be taken into account when finalising the Rates and Adjustments Certificate flowing from the valuation.

Appeals Process

Any appeal against the Administering Authority's decision must be made in writing to Mr Jeffrey Dong, Deputy Chief Finance Officer within 6 months of being notified of the decision.

An appeal will require the employer to evidence one of the following:

- deviation from the published policy or process by the Administering Authority, or
- any further information (or interpretation of information provided) which could influence the outcome, noting new evidence will be considered at the discretion of the Administering Authority.

Appendix 9

Local Government Pension Scheme (LGPS) - Governance Arrangements

Introduction
The City & County of Swansea Pension Fund formally adopted its governance policy at the Pension Fund Panel (subsequently Pension Fund Committee) meeting of the 8th March 2006, attached at Appendix A for information.

Administering Authorities are required by the Department of Communities and Local Government to review the same, with a view to finalising revised arrangements by 1st March 2008.

Following the receipt of the responses to the above exercise, the department for Communities and Local Government have issued governance compliance statutory guidance attached at Appendix B against which Administering Authorities are asked to benchmark local arrangements and produce revised policy statements.

The City & County of Swansea Pension Fund Governance Arrangements
In accordance with the guidance issued, an evaluation of current local governance arrangements has been undertaken (Appendix C) which measures compliance against the nine main principles identified:

A. Structure
B. Representation
C. Selection and role of lay members
D. Voting
E. Training/Facility time/Expenses
F. Meetings (frequency/quorum)
G. Access
H. Scope
I. Publicity

As can be seen in Appendix C, local arrangements would largely seem to be compliant save for the area of representation where arrangements could be perceived as non compliant.

The above position was discussed at length (subsequent to the publication of the guidance) with the DCLG and the context of the City & County of Swansea Pension Fund's classification of 'no forms of representation'. It was subsequently recognised by the DCLG that the collaborative work undertaken by the CCSPF in undertaking roadshows, AGMs and having an observer member of another scheme employer should subsequently be recognised in the assessment of representation.

This Administering Authority has always contended that representation correlated with the risk undertaken and as scheme member contribution rates are guaranteed by statute, the only investment risk lies with the employers who are represented in the CCSPF by the members from the City & County of Swansea and Neath Port Talbot CBC.

There is also a comprehensive programme of consultative/informative meetings and roadshows with both employers and employees primarily:

- The Annual Consultative meeting
- The Actuarial valuation consultative programme
- Employers roadshows
- Employees roadshows.

Therefore in light of the above, it is the recommendation to retain current corporate governance structures, noting updates for new personnel, with an intention to review the structure when proposed risk sharing mechanisms are introduced which are timetabled for consideration in 2009/10.

Appendix A

City & County of Swansea Pension Fund

Governance Policy Statement

Background
In November 2005, the Government published the Local Government Pension Scheme (Amendment) (No.2) Regulations 2005.

The regulations require administering authorities to prepare and publish a governance policy statement. This statement must indicate its delegated functions of the pension fund and its operational policies.

Constitutional Framework

Under the Council's scheme of Council delegated functions, the functions relating to local government pensions etc. under the regulations section 7, 12, or 24 of the Superannuation Act 1972 have been delegated to the Pension Fund Pension Panel as a full executive function.

Introduction to Pension Fund Governance
Pension Fund management is often seen as secondary to the Administering Authority's main agenda. Yet the financial health of the Pension Fund can exercise an important influence over the health of the entirety of the Authority's finances as well as that of the significant number of other scheduled bodies and admitted bodies within the Fund. Also, a successful pension fund may have some influence in attracting and retaining staff.

In 2000, the Government commissioned a *Review of Institutional investment in the UK* from Paul Myners, Chairman of the Gartmore Fund Management Group. The resultant report (known as the Myners Report) sets out a number of principles codifying best practice in Pension Fund management.

Local Authority pension schemes are usually administered by so-called 'upper tier' authorities, i.e. counties, mets, unitaries and London boroughs. The top level of control is exercised by a Pensions Panel or Pension Fund Panel (the precise nomenclature may vary from authority to authority) comprising host authority members and representation of scheduled and admitted bodies where appropriate. In effect, members of the panel fulfil a quasi trustee function, equivalent to the trustees of a private sector Pension Fund.

Like many local government services, considerable elements of Pension Fund management are outsourced in order to harness the necessary expertise for what is a complex arena. The role of the Pensions Panel, and of officers, as agents of the Council is to determine a strategy, and to ensure that the strategy is properly and fully implemented. In effect, this is a procurement exercise, and as such requires skills that are needed in any procurement situation, for example:

- A clear understanding of what the Fund is aiming to achieve and a strategy for achieving it.
- Understanding the market and choices that can be made.
- Deciding what needs to be provided in-house and what should be outsourced.
- Defining and developing strong specifications for the services to be provided.
- Ensuring clear and open competition.
- Managing relationships, both with in-house providers and contractors.
- Setting rigorous performance measures, and implementing a feedback loop for reporting, evaluating and monitoring contractor performance (whether for services provided in-house or outsourced).

Pension Fund Management can be divided into two main areas:

1. Investment Management

As noted above, many aspects of investment management are carried out by a range of external specialist services, including:

- **Investment managers** who are responsible for managing the performance of the investment fund on a day-to-day basis. This will include making decisions on what to buy and sell and buying and selling itself, within the context of a broad investment policy laid down by the Administering Authority.
- **Investment advisers** who may assist in setting the broader policy, evaluating fund manager performance and so on.
- **Custodians** whose role is to safeguard the existence of assets and to ensure the Fund has proper title to them.
- **Actuaries** who evaluate overall fund management strategy, including the extent to which the Fund is fully funded, fund performance, assess the likely impact of future trends (e.g. Investment outlook, death rates etc) and advise on appropriate rates of employers contributions to ensure continued financial health for the scheme. They may also be asked for advice on overall fund management strategy. The Myners review suggested that this should be viewed as separate service from the actuarial contract (in much the same way that auditors shouldn't give advice that they may later be required to audit).
- **Performance measurers** who analyse fund performance, provide detailed statistical analysis of overall pension fund performance and its components, and report the results to officers and the pensions Panel.

Proper control needs to be exercised over the providers of these specialist services. The Panel should set a comprehensive policy for the Fund which should include asset allocation management, for example the Fund gearing, (proportion of higher risk investments, equities, property etc) to fixed interest stock (bonds) and broad sector divisions within the major asset classes, (in the case of equities for example, pharmaceuticals, construction, manufacturing, and geographical diversity, for example UK equities, Far East, United States). Any policy on asset allocation must be in accordance with the Local Government Pension Scheme Investment Regulations, which prescribe maximum limits for investments in any one vehicle. It should also put in place proper arrangements for setting targets for fund performance, monitoring compliance with policy and taking action when necessary if performance is not in line with the targets set. The strategy for managing the fund should also take into account the maturity of the fund; that is the proportion of pensioners to active contributors to the scheme.

2. Fund Administration

Administering the Fund includes putting in place sound financial systems to ensure contributions are collected and credited to the Fund; correct levels of pensions are paid out, transfer values are correctly calculated and received/paid, queries/complaints dealt with, continued eligibility criteria are complied with etc. Considerable reliance can be put on core financial controls operated by the Authority through its main financial systems. The payroll system is closely tied in with Pension Fund administration and reliance should be placed on internal audit cover (if their cover is deemed to be adequate). (Note that this may not be applicable in respect of admitted bodies. The administering authority is likely to be heavily dependent on the quality of information submitted by them).

Monitoring by the Pensions Fund Pension panel (The Panel) is key, and appropriate performance indicators should be in place and reported to The Panel on a regular basis (for example administration costs, compliance with statutory time targets for queries and complaints). In line with any local government activity, pension funds should be exposed to rigorous review.

Pension Fund Governance: Structure Overview

Council

Delegated function

Decision Making by panel with advice from Section 151 Officer and external financial advisors → Pension Fund Panel

Delegated function

Recommendations by Sub Group approved by Section 151 Officer and Chairman or full panel → Pension Fund Investment Sub Group

Membership of the Pension Fund Committee

Full voting membership of the Pension Fund Pension Fund Panel is drawn from :

- Council Members of the Administering Authority and Representative Employers within the scheme.
- Council Officers of the Administering Authority.
- Appointed Independent Advisers to the Pension Fund Pension panel.

Position	*Nominated by/ filled by*	*Currently in post*
Chairman	***Lead Political Group***	***Cllr C Lloyd***
Vice Chairman	***Lead Political Group***	***Cllr P Downing***
Committee Member	***Lead Political Group***	***Cllr M Lewis***
Committee Member	***Lead Political Group***	***Cllr J Curtice***
Committee Member	***Opposition Political Group***	***Cllr W Thomas***
Committee Member	***Opposition Political Group***	***Cllr G Sullivan***
Committee Member	***Neath Port Talbot CBC***	***Cllr Peter Rees***
Lead Officer Member	***Deputy Section 151 Officer***	***J Dong***
Independent Adviser(s)/ Investment Consultants	***Suitably qualified professionals***	***Noel Mills*** ***Hymans Robertson***

The Pension Fund Committee has responsibility for:

- approving the Investment Strategy Statement,
- monitoring compliance with the Statement and reviewing its contents from time to time,
- approving the funding strategy statement,
- approve the ESG Policy
- approving the corporate governance arrangements of the Fund,

- to establish and keep under review policies to be applied by the Council in exercising its discretion as an administering Authority under the Local Government Pension Scheme (LGPS) Regulations 1997,
- to make recommendations to the Council from time to time on the financial implications for the Pension Fund of discretion's available to the Council as an employing authority under the LGPS Regulations 1997,
- to monitor factors likely to affect the solvency of the Pension Fund between the triennial valuations of the Fund by its independent actuary including specifically, the impact of early retirements approved by all employing bodies within the Fund,
- to determine the strategic aims for investment of the Fund and the benchmarks by which performance will be measured,
- to arrange for independent investment advice to be available to the Panel at any time,
- to determine, keep under review and, where appropriate, secure changes in the management arrangements for investment of the Pension Fund,
- to monitor on a regular basis against its objectives and benchmarks the Fund's investment performance,
- to approve attendance of the Panel or any of its Members or Officers at Regional or National meetings arranged to assist Members of Pension panels to fulfil their trustee responsibilities,
- to ensure effective communication and liaison with other employing bodies within the City & County of Swansea Pension Fund,
- to respond to consultative documents affecting the Local Government Pension Scheme.
- to consider and approve all policy in relation to Administering Authority Discretions.

Frequency of Pension panel Meetings

The Pension Fund Pension Fund Panel shall meet quarterly throughout the year. In addition to the above the Pension Fund hosts:

- An Annual General Meeting
- Actuarial valuation consultative meetings
- Member Roadshows
- Employer Roadshows.

Operational Procedure of Meetings

The agenda for the quarterly meetings is determined by the Lead Officer Member of the Pension panel to incorporate timely, relevant issues/matters in relation to the Investments and Administration of the Fund.

Meeting papers for each panel meeting shall be circulated in a timely manner for consideration prior to each meeting.

Agenda items are to include:

- Regulations/Admin Update
- investment performance review
  - fund manager review
  - fund manager face to face
- report of the independent advisors to the Fund.

Pension Fund Investment Sub Group
It is proposed that a Pension Fund Investment Sub Group be convened consisting of :

- The two independent advisors
- One or other of the Chairman of Vice Chairman of the Pension Fund Panel
- Chief Treasury & Technical Officer

to undertake :

Investment Management Selection/Monitoring
To undertake investment manager selection and recommendation and to identify investment opportunities where appropriate and to undertake monitoring of the Fund Managers periodically who are not seen by the full Pension Panel and to make and submit an investment report of the same for full consideration by the Pension Fund Panel at the quarterly meetings.

Asset Allocation
To determine at quarterly intervals the asset allocation of cashflow surpluses and in consultation and with the approval of the Section 151 Officer and the Chairman of the Pension panel implement the same (either through physical investment of the cash or by overlay see item 7.3 and report the allocations to full Pension panel at the next quarterly meeting).

Membership
The membership of the Pension Fund Investment Sub Group shall comprise :

- Two independent advisors
- One Finance Officer (Chief Treasury & Technical Officer)
- One or other of the Chairman or Vice Chairman of the Pension Fund Panel

Responsibility
The Pension Fund Investment Sub Group is a sub group of the Pension panel and shall report to them on a quarterly basis with responsibility for :

Investment manager selection and performance monitoring :
- To select and engage with fund managers and make formal recommendations to the panel and monitor performance of the fund managers.
- To identify suitable investment opportunities for the Pension Fund and make formal recommendations to the panel.

Cashflow Allocation
- To determine and implement the allocation of the cashflow generated by the Pension Fund with approval from the Section 151 Officer and Chairman of the Panel.

Tactical Asset Allocation
- To determine and implement when appropriate the tactical asset allocation of the Fund (within the overall strategy approved by the Pension panel) using the asset allocation overlay with approval from the Section 151 Officer and Chairman of the Panel.

Appendix B

GOVERNANCE COMPLIANCE STATUTORY GUIDANCE

PART I

INTRODUCTION

1. This guidance is issued to all administering authorities in England and Wales with statutory responsibilities under the Local Government Pension Scheme Regulations 1997 (as amended) and other interested parties listed at Annex B and deals with the compliance standards against which Local Government Pension Scheme ("LGPS") panels are to measure themselves.

2. The guidance includes a combination of descriptive text explaining the rationale of each compliance principle and a description of the relevant statutory provision of the 1997 Regulations (Regulation 73A(1)(c) refers) that requires LGPS administering authorities to measure their governance arrangements against the standards set out in this statutory guidance. Where compliance does not meet the published standard, there is a requirement under Regulation 73A(1)(c) to give, in their governance compliance statement, the reasons for not complying.

3. The Secretary of State will keep the content of the guidance under review in the light of administering authorities and other interested parties' experience of applying the best practice standards. The guidance will be updated as necessary to reflect this and subsequent legislative changes.

BACKGROUND

4. The LGPS is a common scheme throughout England and Wales, administered by 89 individual pension funds, which includes the Environment Agency. In the context of the UK public pensions sector, it is atypical in being funded with assets in excess of £100bn. Viewed in aggregate, the LGPS is the largest funded occupational pension scheme in the UK.

5. As a statutory public service scheme, the LGPS has a different legal status compared with trust based schemes in the private sector. Matters of governance in the LGPS therefore need to be considered on their own merits and with a proper regard to the legal status of the scheme. This includes how and where it fits in with the local democratic process through local government law and locally elected councillors who have the final responsibility for its stewardship and management. The LGPS is also different in the respect that unlike most private sector schemes where scheme members bear some, if not all, of the investment risk, the accrued benefits paid by local authorities are guaranteed by statute and, perhaps more importantly, are ultimately to be paid by the local authority revenue and not from the pension funds themselves. The pension funds exist to defray the costs. On this basis, it is the local authority itself, and local council tax payers, who are the final guarantors of the scheme.

6. The word "trustee" is often used in a very general sense to mean somebody who acts on behalf of other people but in pensions law it has a more specific meaning. Certain occupational pension schemes, primarily in the private sector, are established under trust law. Under a trust, named people ("trustees") hold property on behalf of other people (called beneficiaries). Trustees owe a duty of care to their beneficiaries and are required to act in their best interests, particularly in terms of their investment decisions. Although those entrusted to make statutory

decisions under the LGPS are, in many ways, required to act in the same way as trustees in terms of their duty of care, they are subject to a different legal framework and to all the normal duties and responsibilities of local authority councillors. But they are not trustees in the strict legal sense of that word.

7. Trustees are needed in the private sector to ensure better scheme security, prevent employer-led actions which could undermine a scheme's solvency and to ensure that investment decisions are not in any way imprudent. But in a statutory scheme like the LGPS, benefits are guaranteed by statute, independent of investment performance. As such, scheme members in the LGPS bear none of the investment risk. The entitlements and benefits payable to scheme members in trust based schemes are, potentially at least, more volatile and dependent ultimately on the effectiveness and stewardship of their trustees. It is because of this greater risk to security that the Pensions Act 1995 first introduced the concept of member nominated trustees to ensure that scheme beneficiaries are part of the decision making process. But even member nominated trustees must act in the interest of the fund/scheme and must not take decisions out of self-interest. The Pensions Act 2004 simply extends that status.

8. Elected councillors have legal responsibilities for the prudent and effective stewardship of LGPS funds and in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 LGPS fund authorities in England and Wales, most funds are managed by a formal committee representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their pension investment functions to the Council, committees, sub-committees or officers, but there are a small number of LGPS fund authorities which are not local authorities and therefore have their own, distinct arrangements.

9. It is also relevant to note that under The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (SI 2000 No 2853) and The Local Authorities Executive Arrangements (Functions and Responsibilities) (Wales) Regulations 2001 (Welsh SI 2001 No 2291), statutory decisions taken under schemes made under sections 7, 12 or 24 of the Superannuation Act 1972, are not the responsibility of the Executive arrangements introduced by the Local Government Act 2000. This means, for example, that the executive cannot make decisions in relation to discretions to be exercised under the LGPS, or make decisions relating to the investment of the Pension Fund and related matters. These functions have continued to be subject to the same legislative framework as they were before the passing of the Local Government Act 2000, including delegations under section 101 of the Local Government Act 1972. Such delegations vary from local authority to local authority depending on local circumstances. However, the Secretary of State has advised that where such decisions were delegated to committees or to officers, then those delegations should continue. (see paragraphs 5.10 and 5.11 of the Statutory Guidance to English Local Authorities – New Council Consitutions : Guidance Pack Volume 1).

10. Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights by virtue of section 13 of the Local Government and Housing Act 1989. On this basis, it is open to pension committees to include representatives from district councils, scheme members and other lay member representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989).

STATUTORY BACKGROUND

11. In response to proposals issued by the former Office of the Deputy Prime Minister, the Local Government Pension Scheme Regulations 1997 were amended to require LGPS administering authorities to publish details of their governance and stewardship arrangements by 1 April 2006. The purpose of this first step was to gauge progress made in the democratisation of LGPS committees and governance arrangements in general and to assess what action, if any, should be taken to ensure that all committees operate consistently at best practice standards. On 30 June 2007, the 1997 regulations were further amended to require administering authorities to report the extent of compliance against a set of best practice principles to be published by CLG, and where an authority has chosen not to comply, to state the reasons why. The first such statement must be published by 1st March 2008.

12. The relevant provision, shown below, is regulation 73A of the Local Government Pension Scheme Regulations 1997 :

"Governance compliance statement

73A.—(1) An administering authority must prepare a written statement setting out—

(a) whether they delegate their function, or part of their function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;

(b) if they do so—

(i) the terms, structure and operational procedures of the delegation;

(ii) the frequency of any committee or sub-committee meetings;

(iii) whether such a panel or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

(2) An administering authority must publish the first such statement on or before 1st March 2008.

(3) An administering authority must—

(a) revise their statement following a material change in respect of any of the matters mentioned in paragraph (1); and

(b) publish the statement as revised.

(4) In preparing or revising their statement an administering authority must consult such persons as they consider appropriate.

(5) When they publish their statement, or the statement as revised, an administering authority must send a copy of it to the Secretary of State.".

This regulation will cease to have effect from 1 April 2008 when the 1997 regulations are revoked. After that date, the relevant provision will be under the regulations of the Local Government Pension Scheme (Administration) Regulations 2007.

PURPOSE
13. The purpose of this guidance is two fold. Firstly, Part II of the guidance provides a detailed description of each of the best practice principles against which compliance is to be measured (with each of the principles being set out in bold type) and secondly, it includes guidance on how the compliance statement in Part II should be completed.

TERMINOLOGY
14. Throughout this paper, the distinction is made between those committees or sub-committees that have been formally constituted under 101 of the Local Government Act 1972 ("main committees") and other committees or panels that have been established outside of that provision ("secondary committees"). Unless reference is made to "elected members", the word "member" where it appears in the text is used to denote any member of a main or secondary committee, whether elected or not.

POSITION OF NON-LOCAL AUTHORITY ADMINISTERING AUTHORITIES

15. Regulation 73A of the Local Government Pension Scheme Regulations 1997 and this guidance made under powers granted by Regulation 73A(1)(c) of those regulations apply equally to all LGPS administering authorities in England and Wales. It is recognised, however, that a small number of administering authorities are not constituted as local authorities and are not therefore subject to the legal framework imposed on local authorities and their committees by local government legislation. In these cases, the authorities concerned are still required to measure the extent to which they comply with the principles set out in Part II of this guidance and where they are unable to comply, for example, because of their special position, to explain this when giving reasons for being unable to comply.

SUGGESTED READING
16. Although not a formal part of this guidance, it is recommended that administering authorities and other stakeholders should be aware of the contents of the following documents:

a) Good Governance Standards for Public Services (Office for Public Management, Alan Langlands – January 2005)

b) Code of Corporate Governance in Local Government (CIPFA/SOLACE – 2007)

c) Institutional Investment in the UK – A Review (HM Treasury – March 2001)

d) Local Government Pension Scheme : Pension Fund Decision Making – Guidance Note (CIPFA Pensions Panel – 2006)

e) Guidance for Chief Finance Officers : Principles for Investment Decision Making in the Local Government Pension Scheme in the UK (CIPFA Pensions Panel – 2001)

PART II - THE PRINCIPLES
Part II/A - Structure

17. Elected members have legal responsibilities for the prudent and effective stewardship of LGPS pension funds and, in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 fund authorities in England and Wales, most funds are managed by a formal panel representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their statutory functions to the Council, panels, sub-panels or officers, but there are a small number of fund authorities which are not local authorities and therefore have their own, distinct arrangements.

18. The formal panel structures operated by individual pension fund authorities reflect local circumstances and priorities and it is not the remit of this guidance to prescribe a "one size fits all" approach. The evidence collected by Communities and Local Government in 2006 indicated that the overwhelming majority of these panels operate efficiently and effectively despite the variations in their constitution, composition and working practices. The intention is not therefore to level out these differences but instead to ensure that these different structures reflect the best practice principles described below :

a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main panel established by the appointing council.

b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary panel established to underpin the work of the main panel.

c) That where a secondary panel or panel has been established, the structure ensures effective communication across both levels.

d) That where a secondary panel or panel has been established, at least one seat on the main panel is allocated for a member from the secondary panel or panel.

Part II/B - Representation

19. Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a panel and their terms of office. They may include panel members who are not members of the appointing council and such members may be given voting rights (see Part II/C) by virtue of section 13 of the Local Government and Housing Act 1989. On this basis, it is open to pension panels to include representatives from district councils, scheme member and other lay member representatives, with or without voting rights, provided that they are eligible to be panel members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989).

20. The number of stakeholders affected by the local management of the pension scheme and governance of pension funds is vast and it is accepted that it would be impractical to expect individual panel structures to encompass every group or sector that has an interest in the decisions that fall to be made under the scheme's regulations. The following principles are therefore intended to ensure that the composition of panels, both formal and secondary, offers all key stakeholders the opportunity to be represented. For example, deferred and pensioner scheme members clearly have an interest in the performance of pension panels but it would be impractical in many cases to expect them to have direct representation on a panel. Instead, there is no reason why a representative of active scheme members couldn't also act on behalf of deferred and pensioner scheme members. Similarly, a single seat in the panel structure

could be offered to somebody to represent the education sector as a whole, rather than having individual representatives for FE Colleges, Universities, academies, etc.

21. An independent professional observer could also be invited to participate in the governance arrangement to enhance the experience, continuity, knowledge, impartiality and performance of panels or panels. Such an appointment could improve the public perception that high standards of governance are a reality and not just an aspiration. Moreover, the independent observer would be ideally placed to carry out independent assessments of compliance against the Myners' principles, both in terms of the 2004 follow up report and the latest NAPF consultation on next steps, together with other benchmarks that the Fund authority's performance is measured against. The management of risk is a cornerstone of good governance and a further role for the independent observer would be to offer a practical approach to address and control risk, their potential effects and what should be done to mitigate them and whether the costs of doing so are proportionate.

a) That all key stakeholders are afforded the opportunity to be represented. within the main or secondary panel structure. These include :

- i) employing authorities (including non-scheme employers, eg, admitted bodies)
- ii) scheme members (including deferred and pensioner scheme members),
- iii) independent professional observers, and
- iv) expert advisors (on an ad-hoc basis).

b) That where lay members sit on a main or secondary panel, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

Part II/C - Selection and role of lay members

22. It is important to emphasise that it is no part of the Fund authority's remit to administer the selection process for lay members sitting on main or secondary panels or to ensure their attendance at meetings, unless they wish to do so. Their role is to determine what sectors or groups are to be invited to sit on LGPS panels or panels and to make places available. Effective representation is a two way process involving the Fund authorities providing the opportunity and the representative bodies initiating and taking forward the selection process under the general oversight of the Fund authority.

23. Members of a main decision-making LGPS panel are in the same position as trustees in the private sector. Trustees owe a duty of care to their beneficiaries and are required to act in their best interests at all times, particularly in terms of their investment decisions. They are not there to represent their own local, political or private interest. On a main panel, the interests of the scheme and its beneficiaries must always be put before the interests of individual groups or sectors represented on the panel whereas on secondary panels or panels that are not subject to the requirements of the Local Government Act 1972, private interests can be reflected in proceedings.

a) That panel or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary panel.

Part II/D – Voting

24. Although the 2006 survey conducted by Communities and Local Government revealed that formal votes taken by LGPS panels were rare, it is important to set out the legal basis on which voting rights are, or may be prescribed to elected and lay members.

Elected members of the administering authority

a) All elected members sitting on LGPS panels have voting rights as a matter of course. Regulation 5(1)(d) of the Local Government (Panel and Political Groups) Regulations 1990 (SI No 1553/1990) provides that voting rights will be given to a person appointed to a sub panel of a panel established under the Superannuation Act 1972 who is a member of the authority which appointed the panel.

Elected members of authorities other than the administering authority and lay members.

b) Under sections (13)(1)(a) and (2)(a) of the Local Government and Housing Act 1989, a person who is a member of a panel appointed by an authority under the Superannuation Act 1972 but who is not a member of that authority, shall be treated as a non-voting member of that panel. However, the provisions of section 13(3) and (4) of the 1989 Act allow an administering authority discretion as to whether or not a member of a panel is treated as a voting or non-voting member.

Lay members of advisory panels, etc

c) Because they are not formally constituted panels, secondary panels or panels on which lay members sit are not subject to the restrictions imposed by the Local Government Act 1972 on voting rights. In these circumstances, there is nothing to prevent voting rights being conferred by the administering authority on all lay members sitting on panels or informal panels outside the main decision making panel.

25. The way in which an administering authority decides to exercise its discretion and confer voting rights on lay members is not a matter for which the Secretary of State, under his regulations making powers under the Superannuation Act 1972, has any remit. The issue of whether voting rights should be conferred on district council or scheme member representatives, for example, is a matter for individual administering authorities to consider and determine in the light of the appointing council's constitution. Regulation 73A(1)(b)(iii) of the 1997 Regulations already requires an administering authority to include in their statement details of the extent to which voting rights have been conferred on certain representatives, but does not extend to the need to give reasons where this is not the case.

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS panels.

Part II/E – Training/Facility time/Expenses

26. In 2001, the Government accepted the ten investment principles recommended by Paul Myners in his report, "Institutional Investment in the UK". The first of those principles," Effective Decision Making", called for decisions to be made only by persons or organisations with the skills, information and resources necessary to take them effectively. Furthermore, where

trustees - or in the case of the LGPS, members of formal panels - take investment decisions, that they have sufficient expertise to be able to evaluate critically any advice they take.

27. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) already requires administering authorities to report the extent of compliance with this principle. But on the wider issue of governance, it is equally important that they report on the extent to which training facilities, etc, are extended to lay members sitting on either main or secondary LGPS panels.

28. If all stakeholders represented on LGPS panels or panels are to satisfy the high standards set out in the Myners' set of investment principles, it follows that equal opportunity for training, and hence facility time, should be afforded to all lay members. They too should have access to the resources that would enable them to evaluate the expert advice commissioned by the main investment panel and to comment accordingly. But the way that is achieved at local level is not a matter for national prescription, in particular, the policy adopted by individual administering authority or local authority on the reimbursement of expenses incurred by panel or panel members. On this basis, the best practice standard which administering authorities are required to measure themselves focuses on the extent to which they have a clear and transparent policy on training, facility time and reimbursement of expenses and whether this policy differs according to the type of member, for example, elected member or scheme member representative.

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

b) That where such a policy exists, it applies equally to all members of panels, sub-panels, advisory panels or any other form of secondary forum.

Part II/F – Meetings (frequency/quorum)

29. From the evidence collected in 2006 by Communities and Local Government, it is clear that the majority of administering authorities who have introduced a multi-level panel structure operate different reporting/meeting cycles for each panel or panel. In the case of main, formal panels, these tend to meet, on average, at least quarterly, though there are a few examples where meetings are held less often. As a general rule, it is expected that main panels should meet no less than quarterly. Although it is important that any secondary panels or panels should also meet on a regular and consistent basis, it is accepted that there should be no compulsion or expectation that there should be an equal number of main and secondary panel meetings. But as a matter of best practice, it is expected that secondary meetings should be held at least bi-annually.

30. Although the overwhelming majority of administering authorities operate effective representation policies, the evidence collected in 2006 by Communities and Local Government revealed a small handful of authorities who restrict membership of their panel's to elected members only. In legal terms, this is permissible, but in terms of best practice, it falls well short of the Government's aims of improving the democratisation of LGPS panels. In those cases where stakeholders, in particular, scheme members, are not represented, it is expected that administering authorities will provide alternative means for scheme employers, scheme members, pensioner members, for example, to be involved in the decision-making process. This may take for the form of employer road-shows or AGMs where access is open to all and where questions can be addressed to members of the main panel.

a) That an administering authority's main panel or panels meet at least quarterly.

b) That an administering authority's secondary panel or panel meet at least twice a year and is synchronised with the dates when the main panel sits.

c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

Part II/G - Access

31. The people to whom the appointing council entrust with taking investment, and other statutory decisions, is a matter for that council to consider and determine. However, it is important that others, outside that formal decision-making process but involved in some capacity in the general governance arrangement, have equal access to panel papers and other documents relied on by the main panel in taking its decisions.

32. The fact that voting rights are not conferred on individual lay members should not put them on any less footing than those members who serve on the main panel with full voting rights. Secondary panels or panels have a clear role to underpin and influence the work of the main panel and can only do so where there is equal access.

a) That subject to any rules in the councils constitution, all members of main and secondary panels or panels have equal access to panel papers, documents and advice that falls to be considered at meetings of the main panel.

Part II/H – Scope

33. Traditionally, LGPS panels have focussed on the management and investment of the funds under their supervision, with questions arising from the main scheme dealt with by officers with delegated authority under the council's constitution. In recent times, however, and reflecting the trend towards de-centralisation, administering authorities have become responsible for formulating a significant number of policy decisions on issues like abatement, compensation and the exercise of discretions under the scheme's regulations. These are key decisions which should be subject to the rigorous supervision and oversight of the main panel. And with the prospect of some form of cost sharing arrangement to be in place by March 2009, it is clear that there are other key scheme issues, outside the investment field, that main panels may need to address in the future. Given the not insignificant costs involved in running funds, LGPS panels and panels need to receive regular reports on their scheme administration to ensure that best practice standards are targeted and met and furthermore, to satisfy themselves and to justify to their stakeholders that the Fund is being run on an effective basis. This would involve reviewing the panel's governance arrangements and the effective use of its advisers to ensure sound decision making. Here, the use of an independent professional observer, free of conflicts of interest, would enable a wholly objective approach to be taken to the stewardship of the Fund.

34. All this points to LGPS panels perhaps becoming more multi-disciplined than they have been in the past, with a consequential impact on, for example, membership and training. For example, if decisions are to be taken by LGPS panels that could impact on the cost-sharing mechanism, it is reasonable to expect scheme member representatives to be present on those decision making panels, given that those decisions could have a direct impact on the position of scheme members under the scheme.

35. Although the future may see LGPS panels having a broader role than at present, individual administering authorities may adopt different strategies to meet these new demands. The more traditional approach might be to extend the scope of existing investment panels to include general scheme and other administrative issues. But already, there is evidence to suggest that some administering authorities have opted instead to establish new sub panels to deal solely with non-investment, scheme issues. The purpose of this guidance is not to prescribe the way in which administering authorities develop and adapt to scheme developments. Instead, the intention is to increase the awareness that administering authorities and their panels must be flexible and willing to change to reflect scheme changes and wider pensions issues.

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

Part II/I – Publicity

36. A key component in improving the democratisation of LGPS governance arrangements is to increase the awareness that opportunities exist for scheme member representatives and LGPS employers, for example, to become part of these arrangements. But the onus for increasing awareness should not rest entirely with the administering authority. It is just as much the role of scheme member representatives and scheme employers to keep abreast of developments in this field and to play an active part in the selection and appointment of panel or panel members. This is best left to local choice and discretion. However, administering authorities are reminded that under Regulation 76B(1)(e) of the 1997 Regulations, the latest version of their Governance Compliance Statement must be included in their Pension Fund Annual Report.

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Appendix C

Compliance Statement of the City & County of Swansea Pension Fund

Principle A – Structure

	Not Compliant*				Fully Compliant
a)					✓
b)				✓	
c)					N/A
d)					N/A

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

b) A representative from a non admin authority employer has full-voting representation on the main panel

Principle B – Representation

	Not Compliant*				Fully Compliant
a i)					✓
a ii)	✓				
a iii)					✓
a iv)					✓
b)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) **a ii)** It has been the held opinion that employers within the scheme bear the investment/contribution risk, with scheme members' contributions being guaranteed and quantified by statute therefore negating the necessity of any member representation on a panel which primarily dealt with investment issues. This approach shall be reviewed in light of proposals re. scheme members sharing the risk in proposals due in 2013.

Please use this space if you wish to add anything to explain or expand on the ratings given above :- **a i)** A representative from a non admin authority employer has full-voting representation on the main panel.

Principle C – Selection And Role of Lay Members

	Not Compliant*				**Fully Compliant**
a)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle D – Voting

	Not Compliant*				**Fully Compliant**
a)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle E – Training/Facility Time/Expenses

	Not Compliant*				**Fully Compliant**
a)					✓
b)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings

given above :-

a) b) Identifying and providing trustee training is a collaborative process between members of the panel and scheme officers to determine the appropriateness of the same. All appropriate costs/ expenses are approved by the Chief Treasury & Technical Officer and/or the Head of Financial Services within the identified Investment/Admin expenses budget.

Principle F – Meetings (frequency/quorum)

	Not Compliant*				**Fully Compliant**
a)					✓
b)					**NA**
c)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

c) These include an Annual General Meeting and scheme member /scheme employer roadshows.

Principle G – Access

	Not Compliant*				**Fully Compliant**
a)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle H – Scope

	Not Compliant*				**Fully Compliant**
a)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

a) The main panel has always considered within its remit all associated Pension Fund matters.

Principle I – Publicity

	Not Compliant*				**Fully Compliant**
a)					✓

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Appendix 10

Communications Policy Statement

The City and County of Swansea Pension Fund endeavours to provide a high quality and consistent service to our customers in the most efficient and effective manner possible, particularly in an ever changing pensions environment.

There are 5 distinct groups with whom the fund needs to communicate.

1. Scheme Members
2. Prospective Scheme Members
3. Scheme Employers
4. Other Bodies
5. Fund Staff

The City and County of Swansea Pension Fund aims to use the most appropriate communication method for the audiences receiving the information. This may involve using more than one method of communication as considered appropriate. All print and electronic communications are designed with consideration for those with additional needs. A phone contact number (01792 636655) is available for anyone experiencing difficulty in understanding any of the Fund’s documents.

The Policy document has been prepared, as required, by Regulation 106B of the Local Government Pension Scheme Regulations 1997 and sets out the mechanisms, which are used to meet those communication needs and is subject to periodic review.

SCHEME MEMBERS

Scheme members include current contributors, those with a deferred benefit and those receiving a pension.

The Fund aims to communicate with members electronically where an email address has been provided or through the My Pension Online portal. Members who wish to opt out of electronic communication can do so in writing at any time and will receive hardcopy correspondence by post.

Annual Report and Accounts

A copy of the Fund's Annual Report and Accounts is available to all scheme members on request and can be accessed on our website.

Newsletter

To satisfy disclosure requirements the Fund will issue a newsletter to active and deferred Scheme members of the fund on an ad hoc basis, which will cover current pension topics within the LGPS and pensions industry in general.

An annual newsletter is sent to all pensioners, which includes information on the annual pensions increase, the payment dates of the monthly pension for the forthcoming year and other matters of interest.

Annual Benefit Statements

An Annual Benefit Statement, showing the current and prospective value of members' final salary and Career Average Re-valued Earnings (CARE) benefits will be available online via the Member self-service facility. If a member has elected to 'opt out' from receiving e-coms notifications a hardcopy of the Annual Benefit Statement will be sent directly (this will be to the address held for the member as at time of print) to all members who are contributing to the Fund at the previous financial year end.

For members who have a deferred benefit with the Fund, the annual benefit statements providing the up rated value of benefits, will be available to view online via the member self-service facility. If the member has elected to 'opt out' from receiving e-coms notifications a hardcopy annual benefit statement will be sent directly to the home address where a current address is known.

Pension Savings Statements

Provides members with a summary of their pension savings and must be provided by 6 October each year to those members who have breached the annual allowance limit or are close to breaching.

Scheme Literature

An extensive range of Scheme literature is produced by the Fund including an employee's guide to the LGPS, which is signposted to all active members upon commencement and to other active members upon request. The guide(s) are updated annually to reflect any changes to the Scheme Regulations and is available on our website.

Further literature concerning specific provisions within the LGPS and is available online at www.swanseapensionfund.org.uk, upon request or as appropriate when communicating with members. A list of current communication material is listed in Appendix 1.

Correspondence

The Fund utilises surface mail, e-mail and our member self-service portal to receive and send communications. Correspondence is available in an individuals preferred language.

Payment Advice/P60

Pensioners will only be issued with a payment advice slip from the Pension Payroll Section if there is a £10.00 net pay variance from the previous month. P60 notifications, which provide a breakdown of the annual amounts paid, are available annually in May.

Employee Surgeries/Presentations

Upon request, surgeries are available for individual Scheme members or groups along with standard or tailored presentations to be held at employer venues. Member roadshows confirming regulatory changes will be arranged by the Fund in association with the member's employer.

Pre-Retirement Courses

Pre-retirement courses are scheduled by the member's employer however upon request the Pension Fund Communication Officer is available to attend to address any questions that a member(s) who is nearing retirement might have regarding the procedures and entitlements.

Existence Validation – Life Certificate Exercise

In conjunction with the DWP the Fund engages in an on-going National Fraud Initiative exercise based on risk assessment in order to establish the continued existence of pensioners in receipt of monthly pension payments.

Upon return of a BACS pension payment or notification of a death of a pensioner member by a third party, a life certificate will be issued to the members last known address.

Overseas Pensioners

The Fund engages with a third party who specialises in oversees money transfers to undertake an annual continued eligibility exercise to ensure the qualification of continued pension payments to pensioners living overseas.

Website

Extensive information about the LGPS along with Scheme literature, policies and forms are available to download from the City and County of Swansea Pension Fund website (www.swansea.pensionfund.org.uk) for all stakeholders. The website is a prime source of information on the pension scheme, including electronic copies of Scheme literature and policies to ensure timely, up-to-date, and easy to access information.

The Member Self Service link is available on the website and members are encouraged to sign-up. Benefit Statements and other correspondence are available through this secure online portal.

General Communications

A published telephone number along with general email addresses and full postal address is listed on all correspondence issued.

A national member website, offering additional information is available at https://lgpsmember.org/

PROSPECTIVE SCHEME MEMBERS

Scheme Leaflet

In accordance with the Disclosure Regulations, prospective Scheme members are signposted to a Short Scheme Guide. The information contained provides an overview of LGPS benefits from day one of membership.

Promotional Leaflet

The Fund has a promotional leaflet 'The Local Government Pension Scheme – Saving for Retirement'. The leaflet is included with joiner packs issued by the employer when the employee commences employment. The leaflet provides information to non-members of the benefits of being a member of the scheme.

Corporate Induction Courses

Corporate Induction Courses are available to employees on-line; any LGPS queries that a member might have can be presented either by emailing pensions@swansea.gov.uk or phoning 01792 636655. A response will follow in due course.

Trade Unions

The Fund will work with the relevant Trade Unions to ensure all interested parties understand the Scheme. Training days for branch officers will be provided upon request, and efforts will be made to ensure that all pension related issues are communicated effectively with the Trade Unions.

Website

The Fund's website will contain a specific section for prospective joiners or optants out, highlighting the benefits of planning for retirement and what the Scheme provides to allow the member to make an informed choice.

SCHEME EMPLOYERS

The Fund communicates with its participating employers in several ways to help them meet their responsibilities as Scheme employers.

Annual Report and Accounts

The audited accounts of the City and County of Swansea Pension Fund are prepared as at 31 March each year and a copy is distributed to each participating employer.

Employer Meetings

The Fund will hold an annual consultative meeting to discuss the Funds' Annual Report and Accounts. The meeting will also be used to communicate major strategic issues and significant legislation changes as well as triennial valuation matters.

Actuarial Valuation meetings follow the undertaking of the triennial valuation and issue of the report to understand their individual funding position.

Periodic meetings will be held to discuss specific issues as they arise.

Pension Administration Strategy

A Pension Administration Strategy has been published, in accordance with the Scheme Regulations, to define the responsibilities of both the Fund and all Scheme employers in the administration of the Scheme.

The Strategy sets out the level of performance expected from the City and County of Swansea Pension Fund and all employers, as well as the consequence of not meeting statutory deadlines.

Employer's guide

An Employer's Guide has been issued to assist the employers in discharging their pension administration responsibilities. This is supported by the dedicated Communication Officer, who will provide assistance in administrative matters whenever necessary.

Updates

Regulatory and administrative updates are frequently issued to all employers via email.

Training

Bespoke sessions can be delivered, on request, by the dedicated Communication Officer to resolve any administrative issues identified by the employer. The fund will provide refresher training on topics as required.

Website

The Fund Website has a dedicated employer area to provide employers with the guidance needed to effectively discharge their administrative responsibilities and includes updates as well as forms and notes of guidance, which can be downloaded.

OTHER BODIES

All Wales Pensions Officer's Group

Pensions Officers from all the Welsh administering authorities meet regularly in order to share information and ensure uniform interpretation of the LGPS and other prevailing regulations.

Wales Pension Partnership Group

The Fund works continuously to collaborate with other Welsh Pension Funds to evaluate specific partnership arrangements, particularly within the All Wales Pension Funds Communication Working Group.

Trade Unions

Trade Unions in South West Wales are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiation under TUPE transfers in order to ensure, whenever possible, continued access to the Local Government Pension Scheme.

Seminars/Webinars

Fund Officers regularly participate at seminars and conferences held by LGPS related bodies.

National Information Forum

These meetings, which are attended by representatives from the Ministry for Housing, Communities & Local Government (MHCLG) and the Local Government Pensions

Committee (LGPC), provide an opportunity to discuss issues of common interest and share best practice.

Pension Fund Committee

The Pension Fund Committee is notified of any changes in legislation, practices within the Section and investment issues as and when these occur. Meetings take place on a quarterly basis.

FUND STAFF

There is a responsibility on all staff to ensure effective communication at all levels across the service.

Induction

All new members of staff undergo an induction programme. A periodic appraisal programme is also exercised to review and monitor employee performance and development.

Training and Support

The Fund seeks to continually improve the capacity of staff to communicate effectively and to understand the importance of high-quality communication.

Both general and pension specific training is provided in-house, by the dedicated Training and Communications Officer and by specialists, where applicable, as part of the Fund’s commitment to continual improvement as well as encouraged to obtain the professional qualification of pension administration and management.

Fund Meetings

Section and Team meetings are held on a regular basis. Items arising from such meetings are escalated through to Senior Managers and Chief Officers. Due to the change to home working staff meetings will be held via Microsoft Teams.

Internet

The Staff are enabled to use the corporate network in order to access the internet and e-mail facility and communicate with each other and other departments through Microsoft Teams.

E-mails

Staff can be contacted via their personal Swansea Council email address or via the Fund’s central mailbox.

The Local Government Pension Committee

National Website: www.lgps.org.uk

Whilst the website is intended primarily as a means of external communication, access is helpful to staff.

Seminars/Webinars

Fund Officers regularly attend seminars and conferences held by associated bodies to obtain regulatory information and to further their knowledge and understanding.

This information is later cascaded to all staff so that service delivery is improved.

Data Protection

To protect any personal information held on computer, the City and County of Swansea Pension Fund, as administered by Swansea Council (the Administering Authority), has adhered to the data protection principles in accord with the Data Protection Act 1998

The General Data Protection Regulation (GDPR) is a new set of European Union (EU) Regulations, which came into force on 25 May 2018. The Regulation changed how organisations process and handle data, with the key aim of giving greater protection and rights to individuals. Please refer to the City and County of Swansea Pension Fund website www.swanseapensionfund.org.uk to view the Funds Privacy Notice. The notice is designed to give you information about the data we hold about you, how we use it, your rights in relation to it and the safeguards that are in place to protect it.

Staff members receive online training in Data Protection every two years.

Freedom of Information Act 2000

The City and County of Swansea Pension Fund complies with the above Act and subsequent policy adopted by Swansea Council.

National Fraud Initiative (NFI)

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

General

While this Policy Statement outlines the communication approaches adopted by the City and County of Swansea Pension Fund, there are roles and responsibilities, which fall on Scheme members and participating Scheme Employers in ensuring that information necessary to maintain an accurate membership base is provided in a timely manner.

Policy Review

This statement will be revised if there is any material change in the City and County of Swansea Pension Fund's Communication Policy but will be reviewed no less frequently than an annual basis.

LGPS National Insurance Database

The City and County of Swansea Pension Fund participates in the LGPS National Insurance (NI) Database ('the database'). The database has been developed in order that LGPS Administering Authorities can share data to prevent the duplicate payment of death grants. This follows changes to Scheme Regulations by virtue of which a deceased member with multiple periods of LGPS membership will in most cases only have one death grant payable.

Fund Publications - publication frequency & review periods

Communication Material	When Published	When Reviewed
Scheme Booklet	Constantly Available	annually
New Starter Pack	Constantly Available	As Required
Factsheets (various)	Constantly Available	As Required
Retirement Guide	Constantly Available	As Required
Newsletter	As required	As Required
Pension Newsletter	Annually	Annually
Annual Benefit Statement	Annually	Annually
Employer's Guide	Constantly Available	Annually
Pension Administration Strategy	Constantly Available	Annually
Customer Charter	Constantly Available	Annually
Annual Report & Accounts	Annually	Annually
Valuation Report	Tri-Annually	Tri-Annually
Funding Strategy Statement	Tri-Annually	As Required

Key Risks

The key risks to the delivery of this Strategy are outlined below. Fund officers will work with the Pensions Committee and Pension Board in monitoring these and other key risks and consider how to respond to them.

- Significant external factors, such as national change, impacting on workload
- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members
- Inadequate performance of software against service standards

- Increase in the number of employing bodies causes strain on day to day delivery
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment
- Issues in production of annual benefits statements, e.g. wrong address and printing errors due to external supplier
- Failure to administer the scheme in line with regulations. This may relate to delays in enhancement to software or regulation guidance
- Failure to maintain records adequately resulting in inaccurate data
- Unable to deliver an efficient service to pension members due to system unavailability or failure.

Feedback

The fund welcomes comments and feedback form scheme members, scheme employers, prospective members and other interested parties.

The fund surveys members and employers annually and publishes results of the survey in the Annual Report. Comments provided are considered and changes are made where feasible.

Consultation

The fund consults with stakeholders where new policies or changes to policies are required.

Appendix 11

Economic and Social Governance Policy - City and Council of Swansea Pension Fund

Introduction

The Committee recognise that environmental, social and corporate governance ('ESG') issues can influence the Fund's long-term returns and reputation. Given this, the Committee aims to be aware of, and monitor, financially material ESG factors.

The day to day management of the Fund is delegated to professional investment managers. Regular meetings are held with the Fund's managers where they are expected to provide a summary of actions that they have taken, or are taking, to consider ESG factors on a day to day basis.

In line with investment regulations, and to guide them in the strategic management of the Fund's assets, the Committee has adopted an Investment Strategy Statement ('ISS').

The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations. The Committee together with their investment consultant will review the ESG policy annually at the same time as reviewing their ISS.

The Committee has agreed a series of beliefs which have been incorporated into their ISS. These beliefs strengthen their position in regard to considering ESG factors and provide a framework for their engagement through their Fund managers.

In the appendix of this document we discuss the results of the Fund's 2017 "carbon foot-printing" exercise, which informed some of the considerations included within this policy.

Statement of Responsible Investment

The Committee considers the Fund's approach to responsible investment in two key areas:

1 **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance ("ESG") factors on its investments.

2 **Effective Stewardship** – acting as responsible and active investors, through considered voting of shares, and engaging with investee company management as part of the investment process.

The following principles set out the Fund's approach:

- The Committee recognises that their duty is to act in the best financial interests of the Fund's beneficiaries. The Committee believes that ESG issues can have a material financial impact on the long term performance of its investments and consideration of such factors is a part of their fiduciary duty.
- The Committee has a number of ESG related beliefs which are integrated into the Fund's overall belief statement. The Committee recognises that successful engagement can protect and enhance the long-term value of the Fund's investments. This engagement can apply across a range of assets.
- The Committee endorses the principles embedded in the UK Stewardship Code.
- The Committee encourages engagement by their investment managers with investee companies on ESG factors to positively influence company behaviour and enhance the value of the holdings. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- Investment managers are expected to take account of ESG factors as part of their investment analysis and decision-making process. Further, ESG issues will be an explicit factor in considering the appointment of any new investment manager, mandate and benchmark.
- Investment managers are expected to incorporate reporting on ESG factors into their regular reporting. This includes information on voting and engagement, in addition to details on how the investment managers assess and manage ESG factors in relation to their respective mandates. The Committee encourages their investment managers to develop their reporting and monitoring of ESG factors over time.
- The Committee believes that they will have greater influence on the future direction of companies if they remain invested. Overall engagement activities are viewed by the Committee as a key element of the broader approach to responsible investing. Remaining invested provides the Fund with a voice on how

companies are generating their revenues and how they will change in the future. The Committee view divestment as being the ultimate sanction.

- The Committee intends to make use of collaboration with other funds to pursue their engagement policy. To help with this, the Fund is a member of the Local Authority Pension Fund Forum ("LAPFF"), one of the UK's leading collaborative shareholder engagement group.
- The Committee seeks greater transparency of the ESG relative aspects associated with their underlying investments. This includes the extent of the Fund's equity investments' carbon exposure and the Fund's exposure to stocks that may gain from a change in industry carbon policy.
- The Committee has made a commitment to reduce the Fund's listed equity portfolio's carbon exposure, as part of this, it has set a target of the Fund's equities being 50% lower when compared to the global stockmarket by 2022 (MSCI AC World index, measured in terms of carbon emissions per $m invested).
- The Committee may consider portfolio 'tilts' in line with ESG or responsible investment objectives.
- Training and education is likely to form a key element in developing the Fund and its Committee position on ESG related matters.

Voting policy

The Committee and the Officers work closely with the Fund's investment managers to support good corporate behaviour.

The managers are required to exercise their voting rights on behalf of the Fund when it is in the best interests of the Fund. Voting will be in accordance with the managers' corporate governance policies. The Committee also retains the right to instruct managers at any time to vote according to the Committee's wishes on a particular resolution (acknowledging that there may be limitations as to how this would work for pooled investments).

The Committee review their managers' voting guidelines on a regular basis (at least biannual) to determine their appropriateness for the Fund.

All managers are expected to report their voting records on a quarterly basis. The Committee is committed to disclose voting records to the Fund's membership on an annual basis through the Fund's website.

In making any future manager appointments, the Committee will assess the managers' voting policy as part of the due diligence process and will instruct the appointed manager accordingly. The Committee will also liaise closely with the Wales Pool Operator to ensure that they also adopt this approach.

Engagement policy

The Committee believe that engagement is a positive activity and encourage the Fund's investment managers to engage where they believe that value can be added or risk can be reduced.

The Committee believes that all engagements should have well-defined objectives. The Fund's investment managers are to report on the objectives of any engagement activity, along with the consequent success or failure of any actions taken on, at least, an annual basis. The Committee will publish a summary of engagement activity undertaken by their managers on an annual basis. The Committee will also publish other collaborative activity carried out over the year e.g. as part of the membership with LAPFF.

The Committee supports engagement activity that seeks to achieve:

- Greater disclosure of information on the ESG related risks that could affect the value of an investment;
- Transparency of an investments' carbon exposure and how such companies are preparing for the transition to a low carbon economy.[1]

The Committee encourage their investment managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund. Managers are to report on their collaborations on an annual basis.

The Committees' investment consultant is required to provide input and analysis to assist the Committee in assessing the Fund's investment managers' performance from an ESG engagement perspective. This includes working closely with the Officers to develop the appropriate training arrangements.

The Committee liaise closely with the Wales Pool Operator to ensure that they also adopt the approaches set in this policy. The Fund's investment managers are encouraged to sign up to the appropriate industry initiatives, including the UK Stewardship Code, LGPS Cost Transparency and the Principles of Responsible Investment. The Fund is not currently signed up to the UK Stewardship Code or the PRI but is investigating the possibility.

Appendix 1: Carbon exposure – 2017 review
Paper issued by Hymans Robertson in March 2018

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[1] As stated, the Committee has a desire to reduce the Fund's listed equity portfolio's carbon exposure and, as part of this, it has set a target of the Fund's equities being 50% lower when compared to the global stockmarket by 2022 (MSCI AC World index, measured in terms of carbon emissions per $m invested). The Committee will aim to carry out a carbon foot-printing exercise of their equities at least on a triennial basis. The first of these reviews took place in 2017 (the results are discussed in the appendix to this paper).

Background

Environmental Social and Governance ("ESG")

The Committee has taken a number of steps to understand the impact of ESG issues on the Fund. In November 2017, Hymans Robertson delivered a detailed training session covering responsible investing, ESG and climate change. Hermes Equity Ownership Service also delivered a presentation highlighting examples of the positive change they had delivered through engaging with companies' management and placing shareholder votes on their clients' behalf. The Committee and Board considered their "investment beliefs" in the context of ESG matters and the results have recently been used to develop the ESG policy outlined in this paper

Carbon

As part of the Fund's ESG focus, the Committee commissioned MSCI to undertake an analysis of the portfolio's carbon exposure. MSCI has information on each global stocks' carbon related exposure (or is in a position to make an assumption[2]). Using this information, MSCI is able to compare the carbon exposure of the Fund's holdings with a range of reference benchmarks.

MSCI was provided with the individual holdings data from each of the Fund's equity managers (ex-Aberdeen's' frontier markets mandate due to lack of comparable industry benchmark data) and with specific details on each of the mandates in terms of their benchmarks and allocations[3]. MSCI then compared the portfolio versus the broad global market capitalisation index (e.g. the MSCI ACWI as a proxy for the global stockmarket) and versus a low carbon version of the global index (this index has the same performance objective of the broad market capitalisation index, but has a general aim of being overweight to companies with low emissions relative to sales and low potential emissions).

In the remainder of this paper, we consider the results from this analysis and set out potential next steps for the Fund.

Output of the analysis

Overview

The analysis focuses on the Fund's equity exposure at 31 March 2017. This date was shown as it ties in with Fund's year end.

The main objective was to get an understanding of the Fund's carbon exposure. However, it also created an opportunity to consider the positions being taken by the Fund's active managers, relative to their benchmark. The Fund's passive manager's exposure will be broadly in line with the underlying benchmark. However, the analysis

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[2] Further details on the assumptions made are included in MSCI's reports.

[3] To tie in with MSCI's benchmark range a number of pragmatic compromises were made, including comparing the Aberdeen and JP Morgan portfolios versus the global index, rather than a global ex UK index and Schroders' UK mandate versus a European benchmark. These compromises will impact the relative position of the results, but they should have no impact on the absolute results, not the key themes coming out the analysis. The date was based on the Fund's holdings at 31 March 2017.

gives the opportunity to compare the carbon exposure of the standard global benchmark versus its low carbon equivalent.

The analysis also includes some information regarding the Fund's exposure to clean technology, which are expected to benefit from any move towards a more low carbon economy.

Key carbon metrics

The key metrics can be defined as:

- **Carbon emissions** - the carbon emission (tonnes of CO2) per $million invested. *Sum of (($investment in issuer/issuers' market cap) * issuer's emissions) –* results shown as per $m invested
- **Carbon intensity** – a measure of a portfolio's carbon efficiency and is defined as the total carbon emissions of the portfolio as a proportion of portfolio sales. This is a useful metric in allowing the comparison of emissions across companies of different sizes and industries. *Sum of issuers' carbon emissions/ Sum of issuers'* $m sales
- **Weighted average carbon intensity** – the sum product of the constituent weights and carbon intensity. *Sum of portfolio weights*carbon intensity*

Each of these metrics have merit. For the purpose of this paper, we define carbon emissions as the "carbon footprint", but the other metrics could also have been defined in this way.

Results

Carbon focused
Overall, the results are encouraging. As shown in chart 1, the Fund's total equity holdings had a carbon footprint 9% lower than the MSCI ACWI and the weighted average carbon intensity is 16% lower. However, Chart 1, also highlights that the MSCI Low Carbon benchmark has an 80% smaller carbon footprint than the MSCI ACWI index highlighting that the choice of the underlying benchmark can have a significant impact on investors' carbon emissions.

Chart 1: Carbon emission metrics

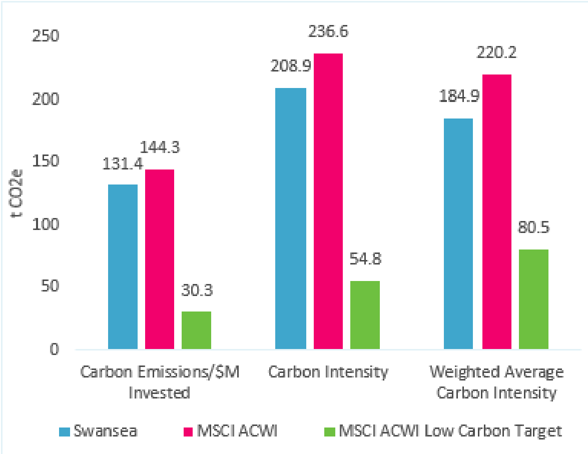


Chart 2: Weighted average intensity at manager level [4]

Details of each of the Fund's active managers' weighted average are shown in Chart 2. Each manager has delivered a portfolio with a lower position than their respective market capitalisation benchmark. Interestingly, although the Fund's two global managers (Aberdeen and JP Morgan) have similar weighted average exposure, there were notable differences in the carbon emissions (with JP Morgan notable higher due (c80% higher) to a number of their underlying Materials holdings, including Posco and Alco Corporation). Aberdeen's weighted average results were negatively impacted by the manager's Real Estate exposure (most notably Swire Pacific) and Materials exposure, including Praxair and Potash Corp.

Schroder's carbon footprint is lower than the benchmark index, albeit the holdings in Royal Dutch Shell and Carnival were notable contributors to the mandate's carbon intensity.

Considering the analysis at a sector level, the Fund's exposure to the materials, energy and utilities sectors contribute to the majority of the Fund's carbon footprint. Together, these sectors contribute to 75% of the Fund's carbon emissions despite only comprising 16% of the Fund's equity portfolio. This is illustrated in Charts 3 and 4 below.

Chart 3: Market value by sector

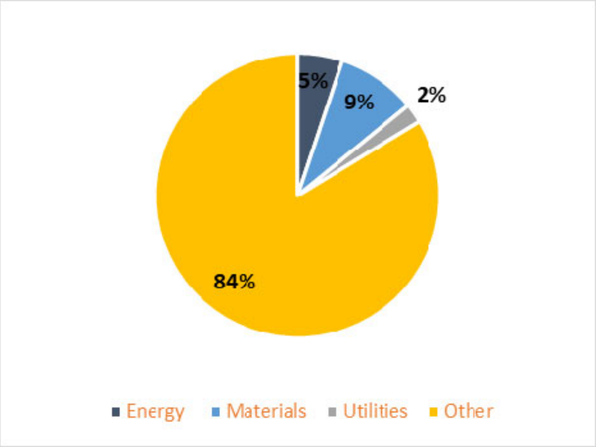
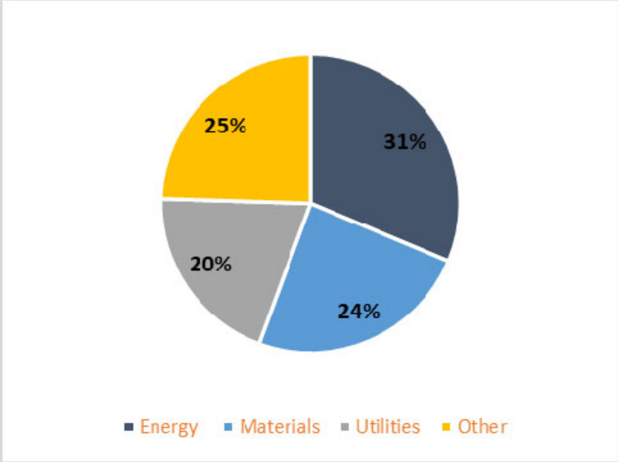


Chart 4: Contribution to carbon emissions



In such exercises, the energy, materials and utilities sectors are typically those with the highest carbon intensity although a company is not "bad" simply because it happens to operate within a carbon intensive sector. It is important to recognise that some sub-sectors will have very low carbon intensity. For example the utilities sector includes both water companies (low carbon intensity) and electricity companies (high carbon intensity).

Scope 1 and Scope 2

Carbon emissions are typically shown in three main "scopes"

- Scope 1: Direct "emissions from sources owned or controlled by the organisation"
- Scope 2: Indirect "emissions from the consumption of purchased electricity, steam or other energy generated upstream"
- Scope 3: Other indirect e.g. employee commuting.

To date, the majority of the industry focus is on Scopes 1 and 2 (as was the results of MSCI's analysis). The Fund's exposure is c 80% from Scope 1, which is slightly less than the MSCI ACWI, which is 84%. Only 58% of the MSCI ACWI Low carbon index comes from Scope 1. This notable change in the benchmark splits between scopes 1 and 2 reflects some of the main sector differences between the two benchmarks.

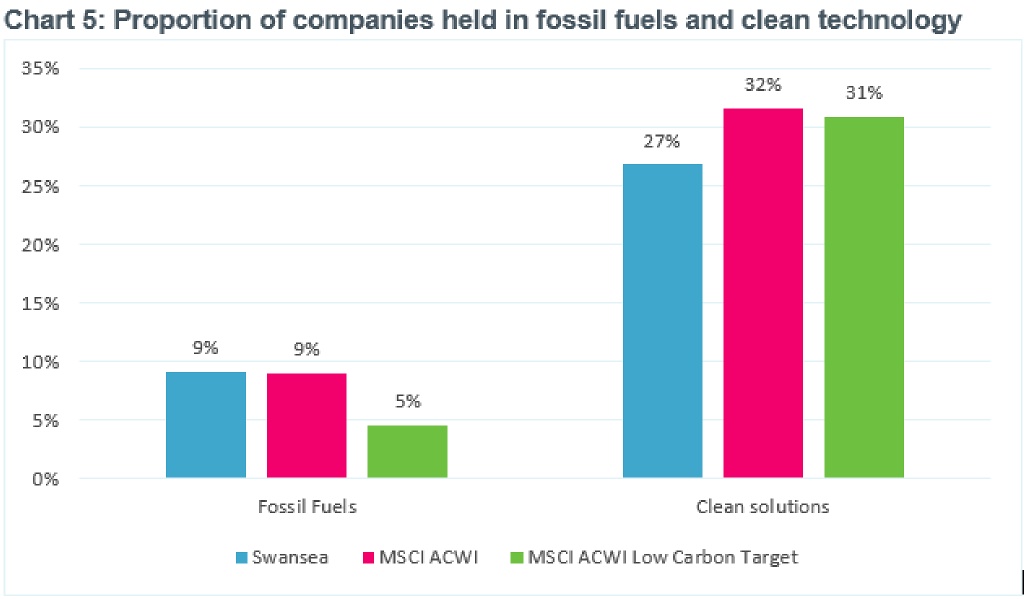
Carbon risk management relative to industry

MSCI also included their views on companies' position relative to their industry in dealing with managing carbon risk (MSCI rates companies as Leaders, Average or Laggards). In terms of the top ten contributors to each active managers' weighted carbon intensity:

- Two of Aberdeen's Materials holdings (Maple Leaf and Tenaris) are viewed as being a laggards. We recommend that you follow up on these holdings with the manager.
- None of JP Morgan's or Schroders were viewed as laggards.

Thermal coal, oil and gas reserves
MSCI also considered the proportion of the portfolio which is made up by companies that own thermal coal, oil and gas reserves, three areas that are thought to be most at risk of being "stranded" assets. Chart 5 (left hand side) below shows that the Fund's portfolio is 0.2% overweight, relative to the MSCI ACWI, in companies that own Fossil Fuel Reserves. The key contributors to this are the Fund's holdings in Shell, BP, Lukoil and Rosneft (JP Morgan are notable investors in the latter two stocks).

Chart 5: Proportion of companies held in fossil fuels and clean technology



Clean technology
In terms of focusing on stocks that may benefit from a change in industry carbon policy, chart 5 (right hand side) also analyses companies involved in "clean technology" solutions based on their sales in the following categories: Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, and Sustainable Water. Relative to the global index, the Fund has less exposure to stocks that generate revenue from these categories (of the Fund's 27% exposure, the majority is in stocks with 0-20% of their revenue is from these categories).

Summary and next steps

The information from MSCI acts as a useful guide to the Fund's carbon exposure. There are a number of potential next steps for the Committee to consider, which should be considered alongside the Fund's engagement policy and investment beliefs, in particular:

Agree objectives

By carrying out this process, the Committee has achieve one of its objectives of understanding the Fund's carbon exposure (this puts the Fund ahead of any many other funds in doing such an exercise, a recent Greenwich Associates survey suggested that just 5% of UK pension funds had considered such an exercise).

Based on previous discussions, we understand that there is a desire to reduce the Fund's carbon exposure, albeit no specific targets have been discussed, or specifics e.g. emissions, carbon intensity or fossil fuel exposure.

Details of the specific measures can be considered in more detail over the course of 2018, what is key is that if a target is introduced a consistent method is adopted to allow the Fund's progress to be considered over time.

Reference index

We propose that the MSCI AC World index is used as the reference index. This is a commonly used index to represent "global stockmarkets" and is commonly used as a benchmark for global equity portfolios.

Target levels

If we focus on carbon emissions, the analysis discussed in this paper indicates that Fund already has c9% less carbon intensity than the index. The extent of your desire to put a target in place (exposure relative to the reference index), and if so, the size of this target should be subject to further discussion with you. However, we anticipate it being in the region of 20%-50% (amount to be defined following discussions with you) of the reference index achieved over an appropriate timescale (e.g. 5 years).

Review Fund benchmarks

The impact of benchmark choice is most notable for the Fund's passive mandates, where the manager's objective is to replicate the underlying index. MSCI's analysis shows the significant difference in the MSCI ACWI and the MSCI Low Carbon benchmarks. There are now a range of low carbon/ESG benchmarks that the Fund could consider. We recommend further training takes place on these during 2018, with the potential that a proportion (potentially all) of the Fund's passive assets are benchmarked against such a benchmark.

Challenge active managers

The results have flagged the Fund's exposure to specific higher carbon stocks. The Fund's managers should be asked to explain their rationale for holding such stocks, most notably

- Aberdeen: Challenge on engagement with Maple Leaf and Tenaris and understand how firm takes carbon risks into account for Swire Pacific.
- JP Morgan: Challenge on stock selection in energy and materials. How are carbon risks being priced into stock selection decisions.

Feed into pooling

Post pooling the Pool's operator will be responsible for appointing the underlying active managers. The Committee should seek details as to their process for assessing manager's ESG capabilities and willingness to provide carbon reporting.

Repeat exercise

It is important that you assess what progress is made relative to any objectives. However, there needs to be a balance between frequency of analysis, and cost of doing the analysis. We believe every two years should be broadly sufficient, albeit you may wish to receive more frequent updates from your active managers.

Consider broader assessment

Carbon is just one ESG element. There is scope to consider broadening this review to include other ESG related aspects e.g. human rights, labour rights, governance. This would work in a similar way to the process for carbon monitoring i.e. the Fund's underlying holdings compared to a broader universe using a providers underlying scoring.

Where possible this assessment should also be broadened out to the Fund's other asset classes i.e. not just equities.

Prepared by:-

Jordan Irvine, Associate Investment Consultant

William Marshall, Partner

For and on behalf of Hymans Robertson LLP

General Risk Warning
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

Glossary

Active Management - A mark through either Asset Allocation, Market Timing or Stock Selection (or a combination of these). Directly contrasted with Passive Management.

Actuary - An independent consultant who advises on the viability of the Fund. every three years the actuary reviews the assets and liabilities of the Fund and reports to the County Council as administering authority on the financial position and the recommended employers contribution rates. This is known as the actuarial valuation.

Asset Class - A specific area/type of Investment e.g. uK equities, overseas equities, Fixed Income, Cash.

Benchmark Return - The benchmark return is the return that would be achieved if the Fund Manager had not deviated from the weightings of each asset class given to them by the Investment Panel, and had achieved returns in each of these asset classes consistent with the average return of all local Authority Funds for that class. The Benchmark weightings of asset classes is outlined within the Investment Strategy Statement.

Corporate Governance - Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management.

Equities - ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

Fixed Interest Securities - Investments in mainly government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on the Stock exchange in the meantime.

Fund Manager - A person or company to whom the Investment of the whole or part of the assets of a fund is delegated by the Trustees.

Investment - An asset acquired for the purpose of producing income and Capital Gain for its owner.

Independent Investment Adviser - A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial Investment advice to companies, pension funds or individuals, for a stated fee.

Market Indicators –
(i) The movement in Stock market are monitored continuously by means of an Index made up of the current prices of a representative sample of stock.
(ii) Change in the rates at which currencies can be exchanged.

Market Value -The price at which an investment can be sold at a given date.

Out performance/Under performance - The difference in returns gained by a particular fund against an 'Average' Fund or an Index over a specified time period ie a Target for a fund may be out performance of a Benchmark over a 3-year period.

Passive Management - (also called Indexation/Index Tracking) A style of Investment Management which aims to construct a Portfolio in such a way as to provide the same Return as that of a chosen Index i.e. Stocks are purchased to be as representative as possible of the make-up of the Index. Contrasts with Active Management.

Performance - A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the 'Average' Fund or a particular Benchmark.

Performance Measurement - A service designed to help investors evaluate the performance of their investments. This usually involves the comparison of a fund's performance with a selected Benchmark and/or with a universe of similar funds. The main Performance Measurement Companies are The WM Company, which the Dyfed Pension Fund uses, and CAPS.

Portfolio - A collective term for all the investments held in a fund, market or sector.

Preserved Benefits - The pension benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the Pension scheme before normal retirement age.

Return - The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Risk - Generally taken to mean the Variability of Returns. Investments with greater risk must usually promise higher returns than more 'stable' investments before investors will buy them.

Transfer Value - Payments made between funds when contributors leave service with one employer and decide to take the value of their contributions to their new fund.

Unrealised Increase/Decrease In Market Value – The increase/(decrease) in market value, since the purchase date, of those investments held at the year end.

Agenda Item 6b

Cyngor **Abertawe**
Swansea Council

Report of the Section 151 Officer

Local Pension Board – 25 November 2022

Breaches Report

Purpose:	The report presents any breaches which have occurred in the period in accordance with the Reporting Breaches Policy.
Report Author:	Claire Elliott
Finance Officer:	Jeff Dong
Legal Officer:	Stephanie Williams
Access to Services Officer:	N/A
For Information	

1. Introduction

1.1 The Reporting Breaches policy was adopted with effect from 9 March 2017.

1.2 The policy requires a report to be presented to the Pension Board and Pension Fund Committee on a quarterly basis, highlighting any new breaches which have arisen since the previous meeting and setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated

1.3 Following the introduction of GDPR requirements and the requirements to report any breaches to the Information Officer and ICO, if required, it has been determined good practice and transparent to also include GDPR breaches also within this report

2. Breaches

2.1 Under the policy, breaches of the law are required to be reported to the Pensions Regulator where there is reasonable cause to believe that:

- A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with

- The failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions

2.2 The Breaches Report is attached at Appendix A and the following further information is provided.

2.3 Under the LGPS regulations, interest is paid on retirement lump sum payments if the payment is made more than one month after retirement and calculated at one per cent above the base rate on a day to day basis from the due date of payment and compounded with three-monthly rests.

2.4 Since the last report in September 2022, 14.9% of retirement lumps sums have not been paid within the benchmark (it should be noted that 100% of payments were made within 1 month when all documentation was received). The % of non-payment of retirement lump sums within the specified benchmark was due to the members not returning completed pension election forms within a timely manner. Communication sent to members at time of retirement has been reviewed to ensure that the importance of timely return of required documents is highlighted and reminder triggers put in place.

2.5 The basic objective of the General Data Protection Regulation (GDPR) is to enforce stronger data security and privacy rules among organisations when it comes to protecting an individual's personal data. The UK legislation is the Data Protection Act 2018 and mirrors many key principles of the Data Protection Act 1998. Where a breach of a member's personal data happens (a breach of personal data means that a security breach has taken place leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to personal data, transmitted, stored or otherwise processed. [GDPR Article 4(12)]), the Pension Fund (who complies with Swansea Council GDPR Principles) has an obligation to undertake a full investigation within the initial 72-hours of acknowledging a data breach. When the Fund becomes aware of a breach, the appropriate investigation takes place within the stipulated timeframe and the findings presented to the Data Breach Panel for review. The requirements presented for improved working practices by the Data Breach Panel the Fund has incorporated within the day-to-day working practices. There has been no GDPR breach since last reporting date

2.6 The Fund requires that employers pay employee and employer contributions to the Fund on a monthly basis and no later than the 19th of the month after which the contributions have been deducted. There have been a single instance during the reporting period where breaches have occurred. In this case, Treasury Management staff have written to the employers to request payment and provide a reminder of the responsibilities to submit on time.

2.7 With regards to performance data in respect of processing refunds, in most cases, the sums are quite small and the problem is locating the member/former member to process the refund, quite often they may have moved address or even passed away.

3. Equality and Engagement Implications

N/A

4 Legal Implications

4.1 Where breaches have occurred, the legal implications are outlined in Code of Practice no.14 and GDPR legislation

5. Financial Implications

5.1 Minimal loss of investment income and a possible penalty charge from TPR.

Background papers: None

Appendices:
Appendix A: Breaches Register

Appendix A - City and County of Swansea Breaches Register

Date	Category (e.g. administration, contributions, funding)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	New Breach (since last report)
Nov 20 – Feb 2021	Administration	19.23% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 96.84% of member option forms returned were paid within 1 month of date of return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations .	% due to members retiring from age 55 but before normal pension age and late return of options confirming early access of retirement benefits. % due to a delay in the return of member pension options/completed in full for the month of December.		Communication to members regarding retirement options are constantly reviewed to ensure the importance of returning completed documents in a timely manner is highlighted.	
Nov 20 – Feb 21	Administration	Frozen refunds unclaimed for this period equates to 86% …. This equates to a monetary value of £7,488.70.	Regulations, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of the 5-year anniversary of date of leaving	

			be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed**				
Nov 20 – Feb 21	GDPR Breaches	No breaches to report during this quarter					

Nov 20 – Feb 21	Contributions	1 Employer has not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Mar 2021	Administration	30.55% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 91.89% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	A % of late payments was in main due to the Pru failing to disinvest AVC monies and forward payments in a timely manner. The Pru have migrated to a new system and are experiencing ongoing problems. Members failed to return pension election forms in a timely manner/completed in full and late issue of pensionable pay information from the member's employers payroll section, which has led to the late provision of pension options to		The Fund has maintained regular contact with the Pru chasing payments of monies / requesting updates to communicate to members. Communication to members regarding retirement options are subject to review on a regular basis. Members are made aware of the importance of returning completed documents in a timely manner. The Pension Section provide member	

				the member.		employer payroll sections with a listing of outstanding termination forms and are reminded of the importance of providing accurate information on a timely basis.	
Mar 2021	Administration	Frozen refunds unclaimed for this period equates to 94.3% …. This equates to a monetary value of £3,189	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	

			we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.**				
Mar 2021	GDPR Breaches	No breaches to report					
Apr - Jun 2021	Administration	15.91% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 97.78% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	A % of late payments was in main due to the Pru failing to disinvest AVC monies and forward payments in a timely manner. The Pru have migrated to a new system and are experiencing ongoing problems.		The Fund has maintained regular contact with the Pru chasing payments of monies / requesting updates to communicate to members. Communication to members	

				Members failed to return pension election forms in a timely manner/completed in full and late issue of pensionable pay information from the member's employers payroll section, which has led to the late provision of pension options to the member		regarding retirement options are subject to review on a regular basis. Members are made aware of the importance of returning completed documents in a timely manner. The Pension Section provide member employer payroll sections with a listing of outstanding termination forms and are reminded of the importance of providing accurate information on a timely basis.	
Apr - Jun 2021	Administration	Frozen refunds unclaimed for this period equates to 84.6% …. This equates to a monetary value of £4,770.17	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	

			aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.**				

Apr - Jun 2021	GDPR Breaches	No breaches to report					
Apr 21 – May 21	Contributions	2 Employers have not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
July – August 2021	Administration	7% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	A % of late payments was in main due to the Pru failing to disinvest AVC monies and forward payments in a timely manner. The Pru have continued to experience problems with the new system however going forward it is anticipated that these issues should now be resolved. Members failed to return pension election forms in a timely manner		The Fund has maintained regular contact with the Pru chasing payments of monies / requesting updates to communicate to members. Communication to members regarding retirement options are subject to review on a regular basis. Members are made aware of the importance of returning completed documents in a timely manner. The Pension	

						Section provide member employer payroll sections with a listing of outstanding termination forms and are reminded of the importance of providing accurate information on a timely basis.	
July – August 2021	Administration	Frozen refunds unclaimed for this period equates to 94% …. This equates to a monetary value of £16,808.32	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	

			above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.**				
July – August 2021	GDPR Breaches	No breaches to report					
June – July 21	Contributions	1 Employer has not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Sept – Oct	Administration	14% of	The	% (3 in total) due		Member coms	

2021		retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	to late receipt of confirmation of retirement from the members employer / members failing to return pension options in a timely manner		highlight the importance of returning the completed forms / certificates in a timely manner. Payroll sections are issued with a monthly spreadsheet listing all outstanding termination forms and are reminded of the importance of providing accurate information on a timely basis.	
Sept – Oct 2021	Administration	Frozen refunds unclaimed for this period is 80% …. This equates to a monetary value of £4,826.52	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is	% due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	

			claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.**				
Sept – Oct 2021	GDPR breaches	No breaches to report					
August – Sept 21	Contributions	3 Employer have not paid contributions within required	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for	

		timescale				submission of contributions has passed	
Nov 21 – Feb 2022	Administration	20.6% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 97.06% of member option forms returned were paid within 1 month of date of return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% due to the late provision of final pensionable pay figures from members employer payroll section / late return of completed option forms by member.		Communications to employers HR / Payroll Section and members regarding the provision of termination forms, final pensionable pay figures is subject to ongoing review and the importance of returning completed forms in a timely manner and the consequences of failure to comply is highlighted	
Nov 21 – Feb 2022	Administration	Frozen refunds unclaimed for this period equates to 75% …. This equates to a monetary value of £7,579.74	Regulations, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not	High % due to member not making a positive election to claim refund or transfer a cash transfer sum (CTS) to an alternative pension arrangement	Information has been recorded within the breach register	Members are written to 3 months prior to the date of the 5-year anniversary of date of leaving	

			be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed**				
Nov 21 – Feb 2022	GDPR Breaches	No breaches to report during					

		this quarter					
Nov 21 – Feb 2022	Contributions	5 Employer have not paid contributions within required timescale – see below for detail	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Mar 2022	Administration	12.50% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	Members failed to return pension election forms in a timely manner/completed in full and late issue of pensionable pay information from the member's employers payroll section, which has led to the late provision of pension options to the member.		The Fund continues to remind its members of the importance of returning pension option forms in a timely manner. The Pension Section provide member employer payroll sections with a listing of outstanding termination forms on a monthly basis. All communications are subject to review.	
Mar 2022	Administration	Frozen refunds unclaimed for this period equates to 82.36% …. This	Regulations state, no further interest will accrue on or after 5-year	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year	

		equates to a monetary value of £1,862.60	anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of**			anniversary from date of leaving	

			refunds as the 5 year anniversary ruling will be removed.				
Mar 2022	GDPR Breaches	No breaches to report					
Apr – Jun 2022	Administration	16.28% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% due to a delay with the return of the completed pension options		The Fund continues to remind its members of the importance of returning pension option forms in a timely manner	
Apr – Jun 2022	Administration	Frozen refunds unclaimed for this period equates to 94.12% …. This equates to a monetary value of £2581.94	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	

			a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed**				
Apr – Jun 2022	GDPR Breaches	No breaches to report					
March – May 22	Contributions	3 Employer have not paid contributions within required	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for	

		timescale – see below for detail				submission of contributions has passed	
July – August 2022	Administration	5% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% due to a delay with the return of the completed pension options		The Fund continues to remind its members of the importance of returning pension option forms in a timely manner	
July – August 2022	Administration	Frozen refunds unclaimed for this period equates to 84.37% …. This equates to a monetary value of £12,043.54	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	

			to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5-year anniversary ruling will be removed**				
July – August 2022	GDPR	No breaches to report					
July – August 2022	Contributions		Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	

September – October 2022	Administration	14.29% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% due to a delay with the return of the completed pension options (total number 3)		The Fund continues to remind its members of the importance of returning pension option forms in a timely manner	✓
September – October 2022	Administration	Frozen refunds unclaimed for this period is 89.19% …. This equates to a monetary value of £14,786.48	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	✓

			above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5-year anniversary ruling will be removed**				
September – October 2022	GDPR	No breaches to report					✓
September – October 2022	Contributions	2 Employers have not paid contributions within required timescale – see below for detail	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	✓

✓ New breaches since the previous meeting

The details of the two late Contributors :

No. of Contributors	Due Date	Date Paid	No of Months	Amount £	Organisation Type	Reason
2	19/08/22 19/09/22 19/10/22	12/09/22 29/09/22 NYP	3	372.89 372.89	Small Town Council	Persistently late in paying
11	19/08/22 19/10/22	09/09/22 24/10/22	2	4,657.85 4,657.85	Small Town council	New Staff Member

NYP – Not yet paid

WPP Annual Update – 2021/2022

Welcome to the Wales Pension Partnership (‘WPP’) annual update which provides you with a snapshot of the work that the WPP has undertaken over the past twelve months. The year necessitated remote working once again with everyone pulling together to ensure we continued to deliver. The pandemic has left a lasting legacy to which we are all adapting. Hybrid working is now our new normal and teamwork is even more important at every level.

Training sessions have continued to be held virtually throughout 2021/22 and all training sessions have been well attended with good engagement. Six training sessions have been held during the year which have all been extended to individual Pension Committee and Pension Board members. The training sessions are varied, and presenters have ranged from external service providers, the Local Government Association, and officers from another pool. We have received positive feedback and we would like to thank all those that continue to make these training sessions a success.

Details of our 2022/23 training plan as well as our 2022/23 workplan are included in our business plan, which can be found on the WPP website: Wales Pension Fund | Home (walespensionpartnership.org). The workplan is broken down into several key sections which are all vital to the continued success of the WPP, including Governance, Investments and Reporting, and Communication and Training. We continue to develop new and regularly review WPP policies to ensure they remain suitable and effective.

This year the WPP has extended its range of sub-funds further with the launch of the Emerging Markets sub fund, bringing the proportion of pooled assets to over 70% (which includes our passive Investments). The range of sub funds offered by the WPP provides the Constituent Authorities with the opportunities to meet their individual investment requirements. Each fund invests in at least two active sub funds, with one fund investing in as many as seven. Ongoing sub-fund development is another key activity outlined in WPP’s workplan and it is crucial that ongoing discussions take place with the Constituent Authorities to ensure that their investment needs are met. We are very lucky as a pool for the level of collaboration that exists and would like to thank the Constituent Authorities for their continued contributions.

In July 2021, the Joint Governance Committee appointed bfinance as WPP’s Allocator Advisor and they will assist the WPP with the identification of Allocators for the Private Market Asset Classes. In March 2022, the Private Debt and Infrastructure Allocators were appointed (details on website) and the procurement exercise for the Private Equity Allocator is underway, with the appointment due to be made in Autumn 2022. The Private Debt and Infrastructure sub funds will be launched later this financial year with the Private Equity sub fund in 2023/24. Discussions have also started in relation to the Property asset class.

2021/22 has been a mixed year, the period started off well providing a supportive environment for the Equity sub funds, where they delivered positive absolute returns. This momentum reversed into the back end of Q4 2021 and especially in Q1 2022 which presented one of the worst starts to a year for financial markets in over 50 years. Russia’s invasion of Ukraine combined with the inflation uncertainty drove market volatility, with both equity and fixed income markets seeing significant drawdowns, resulting in all equity sub-funds recording negative returns during the last quarter of 2021/22. In fixed income, the situation has been similar, with credit markets offering little protection. An exception to this is the Absolute Return Bond Fund, which has been able to generate positive absolute returns in the challenging market environment, serving its purpose as an effective diversifying vehicle. The table below shows the performance of the sub funds over the last 12 months.

	WPP 12-month performance to 31 March 2022 (Net of Fees)				
	Inception Date	**AUM (£'000)**	**Fund %**	**Benchmark %**	**Relative %**
Equity sub-funds					
Global Growth	6 February 2019	3,303,494	2.61	12.42	(9.81)
Global Opportunities	14 February 2019	3,387,941	10.84	12.42	(1.58)
UK Opportunities	11 October 2019	730,278	1.10	13.03	(11.93)
Emerging Markets*	29 October 2021	464,615	(5.94)	(5.36)	(0.58)
Fixed Income sub-funds					
UK Credit	19 August 2020	574.224	(3.42)	(4.45)	1.03
Global Government Bond	19 August 2020	507,273	(3.70)	(4.17)	0.47
Global Credit	20 August 2020	757,659	(4.29)	(5.10)	0.81
Multi-Asset Credit Fund	11 August 2020	723,184	(2.28)	4.14^	
Absolute Return Bond	30 September 2020	509,602	0.42	2.14^	

* Please note that the performance is since inception.

^ These represent the performance targets of the Multi-Asset Credit and Absolute Return Bond Funds

We were delighted to announce that, during 2021/22, the WPP published its first annual Stewardship Report and has been accepted as a signatory to the 2020 UK Stewardship Code. Responsible Investment ('RI'), including climate risk, continues to be a key priority for the Constituent Authorities. Quarterly climate risk monitoring reports continue to be produced for both the Equity and Fixed Income sub-funds, and the WPP has been working with Link Fund Solutions, Russell Investments and the Constituent Authorities to develop a Sustainable Equity sub fund, which is due to launch in Autumn 2022. An annual progress update has been published providing an assessment of the progress the WPP has made towards delivering on the commitments in its RI Policy and Climate Risk Policy and provides a snapshot of the excellent work carried out by the WPP and, in particular, the RI sub-group throughout the year.

As part of its commitment to stewardship, WPP continues to engage with Robeco as its voting & engagement provider. WPP sets its own voting priorities, for 2021/22, the WPP focused on issues including climate change, board diversity, working practices and executive pay. The tables below summarise the stewardship activity carried out by Robeco on WPP's behalf over the last 12 months:

Votes Cast	10,904	Number of meetings	788
For	9,850	With management	9,643
Withhold	46	Against management	1,261
Abstain	69		
Against	921		
Other	18		
Total	10,904	Total	10,904

Number of engagement cases by topic					
	Q2 21	Q3 21	Q4 21	Q1 22	Total
Environment	45	28	50	47	170
Social	50	31	54	20	155
Corporate Governance	31	18	37	19	105
SDGs	-	16	29	15	60
Global Controversy	10	8	20	25	63
Total	136	101	190	126	553

Good progress is being made on making a success of pooling. There remains work to do to achieve our full potential and a few more years should bring us close to the point where all suitable assets have been pooled. Our Constituent Authorities' requirements will continue to evolve, whether because of changing economic conditions, new Government legislation or implementation of sustainability goals, and WPP will continue to be at their side on the journey.

Cyngor Abertawe
Swansea Council

Report of the S.151 Officer

Local Pension Board – 25 November 2022

Pension Administration Resources

Purpose:	For the Local Pension Board to be informed of the changes required to the current staffing levels to recognise the scheme administration and investment monitoring challenges and Regulatory changes to ensure that the structure is fit for purpose to meet the objectives of the fund
Policy framework	To comply with Regulatory requirements
Consultation:	Legal, Finance and Pension Section.
Report Authors:	Claire Elliott / Jeff Dong
Finance Officer:	Ben Smith
Legal Officer:	Stephanie Williams
Access to Services Officer:	Rhian Millar
For Information	

1. Introduction

1.1 Pension administration is a complex subject matter with constant changes to both public and private pension legislation. The pension administration function of a local government pension scheme (LGPS) has been and is currently facing an unprecedented volume of scheme administration challenges and changes, some of which had been planned and regulatory (GMP reconciliation) and others have come arisen as a result of legal challenge and High Court decision making (McCloud, Sargeant and on the horizon Goodwin.). The impact of these changes/challenges are pervasive in all areas of pension administration as this impact's historical calculations and member records. This is proving to be resource intensive during the implementation of the remedies.

1.2 Likewise, governance requirements have also changed creating more stringent reporting and higher levels of accountability with an increase in the presentation of statistical reporting on a national basis on matters such as Key

Performance Indicators (KPI) and data quality reporting covering common and scheme specific data results.

1.3 There has been an increase in pressures from various departments such as the Department for Levelling Up, Housing & Communities (DLHC), Local Government Association (LGA) and Government Actuaries etc. to maintain/receive accurate member data in a timely manner with penalties issued for non-compliance.

1.4 The level of scrutiny on the LGPS has never been greater both from internal and external sources such as the Audit Wales, The Scheme Advisory Board (SAB) The Local Pension Board, The Pensions Regulator (TPR), Ombudsman and moreover, the national press.

1.5 The competence and skills requirements of the Pension Section Staff has become enshrined in a code of practice which has led to job roles within the Section having to evolve to cater for the additional complexities of the Scheme and the real need for specialist knowledge. There has been a significant shift in stakeholder expectation as the LGPS has evolved with the added scrutiny from TPR following the implementation of the Code of Practice.

1.6 The pension fund investment management arrangements of the fund have changed enormously over the course of the last 15 years, not least because of the growth in assets under management from under a £bn to nearly £3bn in that time.

1.7 As the scheme has matured so the investment management strategy has developed, with an increasing allocation to real yielding assets such as private equity, property, infrastructure and private debt, with the additional investment monitoring, governance and management responsibilities which accompany those investments. The formation of the WPP has created efficiencies in economies of scale and collective bargaining and implementing common interests but does not devolve responsibility for investment accounting and management and monitoring which still remains an Administering Authority responsibility.

1.8 In 2007, the fund had 3 investment manage relationships in 3 funds, and assets under management (aum) of £840m. In 2022, the fund now has 57 funds invested through 38 investment management relationships with aum of £2.9bn. The increase of private market allocations has led to the increase of active cashflow management to meet capital call demands which requires more finesse as the fund matures.

1.9 Reporting and disclosure requirements have increased with the additional asset classes invested in with pending additional burden of Taskforce for Climate Related Financial Disclosures (TCFD) requirements due in 2022/23 for LGPS funds.

2. Scheme Complexity, Current and Past Challenges

2.1 The LGPS is in actuality 3 distinct schemes :

- Pre’97 -2008 scheme
- 2008 scheme

- 2014 CARE scheme

2.2 The CARE Scheme was launched on 01/04/2014 and during this time there has been a noticeable increase in the number of caseloads and complex queries this has resulted in several caseloads not being processed in accordance with the Fund's documented KPI's published within the Pension Administration Strategy. Member queries are now proving to be far more complex, time consuming to investigate and address than previously; there is also the added burden of member expectations of an immediate query response.

2.3 Tasks are monitored by senior staff members on a regular basis via the task management user listings. Due to an increase of backlog caseloads tasks are being reassigned to the McCloud Team and Senior Staff to action. This is mainly due to the high volume of aggregation cases as regulations require automatic aggregation of all records in the CARE scheme, (the 2013 Regulations restricted aggregation of benefits to receipt of a written positive election from the member), transfers in and termination caseloads. It has been very much the case of 'taking from Peter to give to Paul' hoping to alleviate workload pressures. Evaluation of the situation is constant and various methods have been implemented to remedy the problem; job descriptions have been reviewed/updated across all tiers and processes have been reassigned based on the skills set and knowledge of each tier. However, a backlog of caseloads is still very much prevalent, and we can no longer afford to provide a service to our stakeholders that is no longer fit for purpose. Caseloads being addressed are what is current and not historical it is a case of the here and now and things are getting missed.

2.4 On the 06 April 2015, the Government introduced greater flexibility (Freedom and Choice) in the way individuals aged 55 and over can access any defined benefit pension savings arrangement. Pension Funds did not envisage the impact this would have on the day-to-day processes; the Fund has seen an increase in the number of members/Independent Financial Advisors requesting cash equivalent transfer values (CETV) which has impacted the service delivery of the Section. The responsibility on the Fund to ensure that any transfer out of accrued benefits that is in the offering does not expose the member to a potential scam / fraudulent activity has increased extensively. With a significant increase in the number of pension scams during the Covid-19 pandemic, TPR have issued updated guidance / added a further layer of legislation to enable pension funds to apply a traffic light review process during the transfer out procedure. There is an expectation that Funds undertake lengthy due diligence checks whilst processing a transfer out of a members accrued pension benefits and these checks must be completed again as at the date of transfer. This includes recording evidence sourced during the full process; the Fund has in place a checklist which is in accordance with TPR direction. The checklist includes confirmation of the type of pension scheme / arrangement that the CETV is to be paid too i.e., Club / non-club and checking the TPR published Master Trust List / Clean List as drafted by the Section. In the event of the CETV being paid to an occupational pension arrangement evidence of the individual being an earner and actively paying contributions into the new pension arrangement, appropriate checks concerning the validity of the Independent Financial Advisor, registration with Companies House, HMRC & FCA. If it is considered that the transfer might lend to a possible scam/red flag warning and concerns are raised over the legality of the receiving pension scheme the Fund can refuse to proceed with a transfer.

2.5 The means of calculating a cash transfer sum (CTS) (applicable when payment is in respect of accrued benefits where the vesting period is less than 2-years and the member has opted to transfer the benefits to an alternative pension plan/arrangement) as opposed to a cash equivalent transfer value whereby the vesting period is two years or more and the member has not reached their normal pension age differs and this can be confusing and time consuming if the data input to calculate a CTS is incorrect and warrants a recalculation. Of late, there has been several claims received from the Financial Conduct Authority / Pension Ombudsman and other claims organisations acting on behalf of exited members. The catalyst behind these requests is believed to stem from press releases / cold callers pointing out possible misappropriation of pension funds at date of transfer.

2.6 With the aim of avoiding / reducing a potential pension scam occurring the Fund has introduced a Transfer Out Panel. The responsibility of the panel is to review any transfer that takes place under the umbrella of F & C to a SIPPS pension arrangement / occupation pension arrangement whereby the member is deemed to be an earner in the new pension (this process does not apply to any transfer to a club / public sector pension scheme). The practice taken to undertake such a review/investigation at the start of the transfer and actual date of transfer is time consuming but important

2.7 Further to the introduction of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 which impacted those members who left prior to 01/04/2014 and whose earliest retirement age to access their deferred benefits without their employer's consent was historically age 60; was aligned with LGPS Regulations 2013. From 14th May 2018, members have been given the opportunity of accessing their reduced deferred benefits from age 55. This has led to an increase in the number of members with retained deferred benefits with the Fund being presented with their pension options calculated on their 55th birthday; due to a significant reduction to their benefits due to early access most members opt not to access this at that time. For information purpose only we have identified that within the next 2-years approximately 4,000 deferred members who meet the above criteria will be presented with the option of early access to pension benefits; that is a smidgin short of nearly half of the Funds deferred benefit membership.

2.8 The General Data Protection Regulation (GDPR) came into effect from 25th May 2018 to ensure greater protection and rights to individuals and was accompanied by a set of main principals. To ensure compliance the Fund has published a Privacy Policy on the website and drafted a Memorandum of Understanding highlighting the key principles of GDPR. This has been issued to all employers and if in agreement returned signed. Both policies are subject to review. Staff are subject to regular training and are reminded of the possible consequence of a data breach which could lead to the Fund being reported to the ICO with a potential fine being issued

2.9 Member Self-service (MSS): the Fund has worked tirelessly with the members to promote MSS and does so at every opportunity. The main objective is to reduce the number of membership queries, pension estimates, and changes to basic details such as address updates, death grant nomination etc. Automation continues to move forward with technical development and further upgrades. However, with more personal information available to members and the availability of pension forecasts being calculated by the member this has led to increased queries due to the complexity of the Scheme and the lack of knowledge/understanding of the Regulations.

2.10 The Fund continues to work alongside the employer authorities and currently has 3 of the largest employers using i-Connect with the remaining employers opting for the completion of monthly on-line scheme returns or provision of data annually via spreadsheet, requiring manual intervention at year-end. The Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 which came into effect from 23 September 2020; stipulates that a public sector body must publish an accessibility statement. The Fund has engaged with Swansea Council Web Development Team to ensure compliance and a statement has been published on the website which will be subject to regular review

3. Current and Ongoing Challenges

3.1 With the introduction of the career average scheme and application of the LGPS Regulations 2013, which was originally considered a far easier scheme to administer, the LGPS has been met with several challenges.

3.2 Member Aggregation :

Caseloads are proving to be far more technical than first anticipated as the process involves: Identification of any other LGPS pension rights: Identification of periods of membership i.e., any pre 01/04/2014 memberships the member must elect to combine both periods of memberships and if there is more than a 5-year break between public sector memberships the transferring benefit buys an additional care credit. Where a member has pre and post 01/04/2014 memberships a member must elect to keep the benefits separate; if no election has been received within the 12-month period from date of re-entry the memberships will be automatically combined. Point of note is if the members final salary pay is less in the active post to that of the revalued pensionable pay figure used in the calculation of the deferred benefit this will impact the value of the transferring final salary membership insomuch as this element of membership will be devalued. Where a member has a deferred CARE benefit upon re-entry into the scheme the benefits are automatically combined however when presented with multiple members records the process is complex and time consuming as CARE pensionable pays, service history records, contribution bands differ as indeed so does membership dates. Formerly, aggregation only took place with a member's election. When reviewing a member's service history consideration must be given to the differing contractual hours worked for example full-time, part-time, variable time and casual employments. Several employers still have not signed up to i-Connect therefore some member records must be set-up manually. Varying employer auto-enrolment dates has seen a marked increase in the number of new scheme members which in turn leads to higher number of individuals querying membership, transfer quotes and requesting opt out forms. Automatic aggregation takes place internally as well as externally with other LGPS funds known as an Inter Fund Adjustment (IFA).

3.3 McCloud/Sargeant :

Final salary pay protections already in place i.e. best of the last 3 years and three-year average within the last 13-years continue as long as the final salary link was not broken, now included member protections for older members i.e. the underpin protection. (Members who were aged 55 or over as at 31/03/2012 who automatically moved into the CARE scheme upon retirement would have their benefits calculated on both final salary and CARE methodology with the better outcome presented). Other public sector schemes offer a similar protection. Members of the Fire Service (McCloud) and Judges (Sargent) applied to The Court of Appeal stating that the newly introduced protection was discriminatory towards younger members. The Court ruled in favour of the claimants and the Government stated that Regulatory changes to remove age discrimination would be made to all main public sector schemes including the LGPS. The case is often referenced as the 'McCloud Judgement'. What this means in terms of administrative impact is revisiting all casework whereby a member who was in the final salary scheme as at 31/03/2012 and whose status was active as at 01/04/2014 and has since left for reasons such as:

- Retirement
- Transfer of benefits out
- Transfer of benefits in (inclusive of IFA)
- Club transfers
- Deferred member status
- Death in service – survivor benefits
- Aggregation cases
- Final Salary concurrent membership

Members whose status is currently active, and their membership falls within the above dates; 80% of additional member data has been received from employers and 70% of memberships held have already been investigated i.e., contractual hours and service breaks and amended forthwith. All final salary aggregation cases whereby the member has failed to respond / opt not to aggregate will need to be revisited and the member provided with a further 12-month election period to allow for an informed decision to be made based on the change. For members it is considered that the McCloud remedy is neutral, and it is not expected to be financially significant however for the Fund this will affect the administration processes and systems greatly, not forgetting the additional requirement to undertake a robust employer/member communication exercise.

The Fund aims to undertake as much of the modifications/recalculations in-house. Support/advice/guidance has already been sought and will continue going forward from the Funds Actuary Aon. Aon has already undertaken an impact assessment of all data held regardless of membership status and findings are listed below based on the following qualifying criteria:

- Active membership in the LGPS on 31 March 2012
- Active membership in the 2014 Scheme
- No disqualifying break in service after 31 March 2012

68,700 member records were investigated and there are approximately 12,500 member records that meet the above qualification criteria.

Current membership status	Number of McCloud cases
Active	7,400
Undecided leavers	100
Exit – no liability	600
Deferred	1,700
Pensioner	2,500
Death	200
Tier 3 ill-health	0
Total	12,500

The data does not include the following case numbers:

Aggregation	590
Final Salary concurrent	361

The fund is still awaiting an update from the software provider Heywood concerning a possible McCloud remedy. Concerning the total number of aggregation cases that will need to be revisited and this is likely to be significant

3.4 GMP Reconciliation

The Fund is awaiting the results of the GMP Reconciliation exercise, which has been undertaken by JLT/Mercer. Depending on the findings of the reconciliation exercise, it is our understanding that affected pensioner/deferred and active member GMP records will be subject to redress in accordance with the data obtained from HMRC. This will add an additional burden to our day-to-day working practices in so much as records will need to be updated, and where a member has received an underpayment of pension benefits arrears inclusive of adjustments for payments already made/pension increase will require calculating. Again, a robust member communication exercise will be required

3.5 Membership Numbers

As of 31/03/2014 the last day before the CARE scheme was introduced total membership for the fund stood at 36,072. The following years have seen the membership of the fund increase year on year and the most recent membership statistic recorded for the annual report had total membership 47,981. This represents a total membership increase of 11,909 which has had a dramatic effect on the workload of the section. It is deemed that the substantial increase in membership is due to auto enrolment and the requirement to maintain multiple records for members with more than one job role.

3.6 Member Communication and Engagement

There is little doubt that that the attitude and culture towards their pension from members has changed dramatically in recent years with “don’t worry about it till you’re a year out from retirement” being very much a thing of the past. Increased media coverage of the importance of a workplace pension along with the ease of access to the member self-service site has led to far greater engagement with the fund's membership. While this should in no way be seen as a negative it is undeniable that this has again increased the workload of the section. More time is being spent on a greater number of complex enquiries and member instruction about the key benefits of the pension scheme that they are contributing to and the contrast between a public sector pension and a defined contribution pension

4. On The Horizon

4.1 The introduction of the National Pensions Dashboard, which is likely to have a considerable impact on day-to-day administration and result in a significant work development plan over the next few years. In readiness the Fund has appointed Target Professional Services to undertake a mortality check of pensioner and deferred pensioner memberships along with a member trace of those members who we do not hold accurate address details on our database

4.2 It is envisaged that the Fund will undertake a sweep of the database to identify those members who have not completed a death grant expression of wish nomination form; the aim is to undertake a member engagement exercise highlighted the importance of the completion of the said form.

4.3 The question of the current benefits structure of the scheme has been presented and the matter of age discrimination and Regulations 40(1) & 46(1) which imposes an upper age limit of age 75. It determined to be age discriminatory this would involve the redress of all death grant payments made where the member has retired late, and their death grant beneficiaries have not had 10-year pension guarantee applied to the death grant calculation. Cllr Roger Phillips – SAB chair wrote to Paul Scully (Minister of State for DLH&C)

4.4 In addition to this a request concerning an update on the Government's commitment to consult on proposed amendments to the Regulations considering the Goodwin V Secretary of State for Education discrimination case which could lead to possible amendments to the award of survivor benefits. (An employment tribunal ruled in favour of the claimant insomuch as it was deemed that direct discrimination had taken place where male survivors of a female scheme member are entitled to a lower survivor benefit than a comparable same-sex survivor. If it is determined that the LGPS Regulations need to be amended and all widower pensions in payment recalculated from 2005, based on the current membership this would mean 536 pensions in payment subject to redress. (The figure quoted does not include mortality numbers))

4.5 There are the pending TCFD reporting requirements in addition to supporting the reporting for engagement and stewardship requirements of the fund. As the levelling up agenda for local infrastructure assets has been deployed there shall be the accompanying additional reporting requirements. In addition on the agenda of this meeting is the Audit Wales Report recommending additional governance and oversight responsibilities.

5. Resourcing Proposal

5.1 Traditionally the Section has been blessed with a wealth of pension knowledge and job satisfaction. This has led to a very low turnover of staff. Recent years have witnessed the implementation of new work processes, technological improvements supported by improved training tools which has in turn improved processes. However, with the ever-changing complexities of the Scheme, additional pressures have manifested themselves which has seen staff members struggle to accommodate the developments; evidence suggests that case numbers and case complexity is impacting on performance.

5.2 Based on the evidence sourced, with an aim of ensuring the administration team can meet the immediate challenges it faces, then the additional resource identified is required. If the work is to be completed in a satisfactory period, the likelihood of incorporating project-based work into the current day-to-day working practices of the benefit teams is not feasible given the additional burden it will place and the impact on business-as-usual caseloads. The consequence of non-compliance is considerable for the Fund.

5.3 Current Structure:

Job Title	Permanent Staffing numbers (FTE posts)	Temporary staffing numbers (FTE posts)	Cost
Assistant Pension Officers	3 (1 post job-share)	2	
Pension Officers	6 (1 post job-share)	2.5	
Senior Pension Officers	3 (1 post job-share)	0	
Technical Officer	1		
Communication/Training Officer	1		
Deputy Pension Manager	1		
Pension Manager	1		
Pension Administration totals	***16***	***4.5***	***£408,780.50***

5.4 Proposed additional resource:

Job Title	New Posts	Cost
Assistant Pension Officer (APO) grade 4	1	£30,096
Pension Officer (PO) grade 6	2	£73,555
Senior Pension Officer (SPO) grade 7	1	£42,605
Total	*4*	*£146,256*

5.5 The above outlines that the 4.5 temporary staff identified above in 5.4 are made permanent and shall be deployed in the newly formed Benefits Team outlined below.

5.6 The Net new additions to the current structure and budget are the creation of:

1. 1 senior pension officer grade7
2. 2 pension officers grade 6
3. 1 assistant pension officer grade 4

At 22/23 payscales (before pay award) and assuming top of scale and oncosts gives a budget requirement of £146k. The resulting new Pension Administration Section shall be 24.5 FTE which is comparable with peers in the rest of the WPP.

5.7 A newly formed Benefits Team will comprise of those staff members who have been employed on a temporary basis within the McCloud / Benefits Team. With the introduction of the new Team this will alleviate the pressures / demands that the Section is under and allow for a Stakeholder service delivery that is fit for purpose. The McCloud Team will continue with data cleansing in readiness of the implementation of the Pension Dashboard, McCloud remedy, GMP Reconciliation, and any other projects to be undertaken on a nationwide basis as instructed. The proposals above are subject to review as the workload progresses, develops, and as technological remedies become available and helpful to the process or not as the case may be.

5.8 The recruitment and selection of the above proposals shall be co-ordinated and timed in line with the pending resource review by Swansea Council, and shall consider redeployees in the first instance as a priority.

6. Comparable Resourcing in Partner WPP LGPS Funds

6.1 The following are comparable Administration team resource in the 8 WPP LGPS funds:

Fund	Membership numbers	Staffing numbers
City & County of Swansea Pension Fund	47,981	20.5 (inclusive of 4.5 temp staff)
Cardiff & Vale Pension Fund	46,821	24 (plus7 vacancies)
Clwyd Pension Fund	50,000	35.5
Dyfed Pension Fund	52,735	22.2 (looking to recruit x no. of FTE additional resourcing)
Gwynedd Pension Fund	42,726	19.16
Powys Pension Fund	19,200	13
RCT Pension fund	75,288	31 (plus 5 vacancies)
Greater Gwent Pension Fund	64,008	26

Anecdotally it has been reported that across all LGPS Funds, recruitment and retention is proving to be a problem; the attraction of private industry being hard to resist with LGPS experience / knowledge being lost.

6.2 The current investment management and accounting is wholly undertaken by the current 1 FTE Investment and Accounting Manager (who currently has 139 hrs of unused accrued flexi time) with supervisory oversight by the Deputy S151 Officer

6.3 In recognition of the additional pressures identified in 1.6-1.9 and the current resource in 6.2, it is recommended to appoint 1 FTE Accountancy Assistant (grade 7) to support the Investment and Accounting Manager in delivering business as usual and the additional pressures identified in the report. At 22/23 pay scales (before pay award) and assuming top of scale and oncosts gives a budget requirement of £42,605.

7. Risks to Not Implementing the Resources

7.1
- Normal day-to-day work set as a lower priority; delay in payment of benefits which will cause a direct impact;
- Incorrect record keeping;
- Increased errors due to high volumes of work; rush of process (resulting in duplication of work);
- Staff morale low;
- Increased time and effort in addressing errors;
- Failure to comply with KPI's which could lead to a TPR breach and potential fines;
- Reduced employers / member engagement and allotted time to ensure the Fund's website is up-to-date;
- Faced with the ever-changing goalposts of the pension world there would be a failure to comply / deliver appropriate staff training as and when required in-line with LGPS specific legislative / Regulatory changes;
- Failure to monitor / update policies / publish new policies and processes in line with LGPS requirement / best practice;
- Diminished data quality scores
- Audit qualification
- Non-compliance with SORP and accounting disclosures
- Incorrect Cashflow management

This could result in
- Member / employer complaints, which could lead to Internal Dispute Resolution Procedure appeals or worst-case scenario the reporting of the Fund to The Pension Ombudsman and the issue of a fine;
- The issue of formal improvement notices or financial penalties by the TPR for non-compliance;
- Experienced staff members leaving causing a loss of knowledge/competencies;
- Media attention;
- Staff members feeling under pressure / stressed resulting in high level sickness absence;
- Staff retention / experienced staff members leaving the Section; comparison of job roles within other sectors more money / less responsibilities;

8. Legal Implications

8.1 There are no direct legal implications arising from this report; other than potential failure to comply with statutory changes to the Regulations due to resource constraints

9. Financial Implications

9.1 The financial implications are outlined in 5.5 and 6.3 resulting in an addition of £188,861to the 21/22 budget which shall be funded as a direct addition to the pension fund administration budget.

10. Equality and engagement Implications

10.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.

10.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

10.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

10.4 An integrated impact assessment screening has been undertaken and it concludes that there are no equality impact implications arising from this report.

Background Papers: None.

Appendices: None.

Cyngor Abertawe
Swansea Council

Report of the Chief Legal Officer

Local Pension Board – 25 November 2022

Exclusion of the Public

Purpose:	To consider whether the Public should be excluded from the following items of business.
Policy Framework:	None.
Consultation:	Legal.
Recommendation(s):	It is recommended that:
1)	The public be excluded from the meeting during consideration of the following item(s) of business on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Paragraphs listed below of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 subject to the Public Interest Test (where appropriate) being applied.
Item No's.	**Relevant Paragraphs in Schedule 12A**
8, 8a, 8b, 8c and 9	14
Report Author:	Democratic Services
Finance Officer:	Not Applicable
Legal Officer:	Tracey Meredith – Chief Legal Officer (Monitoring Officer)

1. Introduction

1.1 Section 100A (4) of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, allows a Principal Council to pass a resolution excluding the public from a meeting during an item of business.

1.2 Such a resolution is dependant on whether it is likely, in view of the nature of the business to be transacted or the nature of the proceedings that if members of the public were present during that item there would be disclosure to them of exempt information, as defined in section 100I of the Local Government Act 1972.

2. Exclusion of the Public / Public Interest Test

2.1 In order to comply with the above mentioned legislation, Cabinet will be requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Exclusion Paragraphs of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

2.2 Information which falls within paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended is exempt information if and so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2.3 The specific Exclusion Paragraphs and the Public Interest Tests to be applied are listed in **Appendix A**.

2.4 Where paragraph 16 of the Schedule 12A applies there is no public interest test. Councillors are able to consider whether they wish to waive their legal privilege in the information, however, given that this may place the Council in a position of risk, it is not something that should be done as a matter of routine.

3. Financial Implications

3.1 There are no financial implications associated with this report.

4. Legal Implications

4.1 The legislative provisions are set out in the report.

4.2 Councillors must consider with regard to each item of business set out in paragraph 2 of this report the following matters:

4.2.1 Whether in relation to that item of business the information is capable of being exempt information, because it falls into one of the paragraphs set out in Schedule 12A of the Local Government Act 1972 as amended and reproduced in Appendix A to this report.

4.2.2 If the information does fall within one or more of paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended, the public interest test as set out in paragraph 2.2 of this report.

4.2.3 If the information falls within paragraph 16 of Schedule 12A of the Local Government Act 1972 in considering whether to exclude the public members are not required to apply the public interest test but must consider whether they wish to waive their privilege in relation to that item for any reason.

Background Papers: None.
Appendices: Appendix A – Public Interest Test.

Appendix A

Public Interest Test

No.	Relevant Paragraphs in Schedule 12A
12	**Information relating to a particular individual.**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 12 should apply. Their view on the public interest test was that to make this information public would disclose personal data relating to an individual in contravention of the principles of the Data Protection Act. Because of this and since there did not appear to be an overwhelming public interest in requiring the disclosure of personal data they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.
13	**Information which is likely to reveal the identity of an individual.**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 13 should apply. Their view on the public interest test was that the individual involved was entitled to privacy and that there was no overriding public interest which required the disclosure of the individual's identity. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.
14	**Information relating to the financial or business affairs of any particular person (including the authority holding that information).**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 14 should apply. Their view on the public interest test was that: **a)** Whilst they were mindful of the need to ensure the transparency and accountability of public authority for decisions taken by them in relation to the spending of public money, the right of a third party to the privacy of their financial / business affairs outweighed the need for that information to be made public; or **b)** Disclosure of the information would give an unfair advantage to tenderers for commercial contracts. This information is not affected by any other statutory provision which requires the information to be publicly registered. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

No.	Relevant Paragraphs in Schedule 12A
15	**Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 15 should apply. Their view on the public interest test was that whilst they are mindful of the need to ensure that transparency and accountability of public authority for decisions taken by them they were satisfied that in this case disclosure of the information would prejudice the discussion in relation to labour relations to the disadvantage of the authority and inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.
16	**Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.**
	No public interest test.
17	**Information which reveals that the authority proposes:** **(a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or** **(b) To make an order or direction under any enactment.**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 17 should apply. Their view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by the public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.
18	**Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 18 should apply. Their view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

Agenda Item 8a

By virtue of paragraph(s) 14 of Schedule 12A
of the Local Government Act 1972
as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

Document is Restricted

By virtue of paragraph(s) 14 of Schedule 12A
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Agenda Item 8b

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Agenda Item 8c

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Agenda Item 9

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