

CITY AND COUNTY OF SWANSEA

NOTICE OF MEETING

You are invited to attend a Meeting of the

PENSION FUND COMMITTEE

At: Committee Room 1, Civic Centre, Swansea.

On: Thursday, 3 July 2014

Time: 10.00 am

AGENDA

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Patrick Arran
Head of Legal, Democratic Services & Procurement
Thursday, 26 June 2014

Contact: Democratic Services - 636016

Disclosures of Interest

To receive Disclosures of Interest from Councillors and Officers

Councillors

Councillors Interests are made in accordance with the provisions of the Code of Conduct adopted by the City and County of Swansea. You must disclose orally to the meeting the existence and nature of that interest.

NOTE: You are requested to identify the Agenda Item / Minute No. / Planning Application No. and Subject Matter to which that interest relates and to enter all declared interests on the sheet provided for that purpose at the meeting.

1. If you have a **Personal Interest** as set out in **Paragraph 10** of the Code, you **MAY STAY, SPEAK AND VOTE** unless it is also a Prejudicial Interest.
2. If you have a Personal Interest which is also a **Prejudicial Interest** as set out in **Paragraph 12** of the Code, then subject to point 3 below, you **MUST WITHDRAW** from the meeting (unless you have obtained a dispensation from the Authority's Standards Committee)
3. Where you have a Prejudicial Interest you may attend the meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, **provided** that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise. In such a case, you **must withdraw from the meeting immediately after the period for making representations, answering questions, or giving evidence relating to the business has ended**, and in any event before further consideration of the business begins, whether or not the public are allowed to remain in attendance for such consideration (**Paragraph 14** of the Code).
4. Where you have agreement from the Monitoring Officer that the information relating to your Personal Interest is **sensitive information**, as set out in **Paragraph 16** of the Code of Conduct, your obligation to disclose such information is replaced with an obligation to disclose the existence of a personal interest and to confirm that the Monitoring Officer has agreed that the nature of such personal interest is sensitive information.
5. If you are relying on a **grant of a dispensation** by the Standards Committee, you must, before the matter is under consideration:
 - i) Disclose orally both the interest concerned and the existence of the dispensation; and
 - ii) Before or immediately after the close of the meeting give written notification to the Authority containing:

- a) Details of the prejudicial interest;
- b) Details of the business to which the prejudicial interest relates;
- c) Details of, and the date on which, the dispensation was granted; and
- d) Your signature

Officers

Financial Interests

1. If an Officer has a financial interest in any matter which arises for decision at any meeting to which the Officer is reporting or at which the Officer is in attendance involving any member of the Council and /or any third party the Officer shall declare an interest in that matter and take no part in the consideration or determination of the matter and shall withdraw from the meeting while that matter is considered. Any such declaration made in a meeting of a constitutional body shall be recorded in the minutes of that meeting. No Officer shall make a report to a meeting for a decision to be made on any matter in which s/he has a financial interest.
2. A "financial interest" is defined as any interest affecting the financial position of the Officer, either to his/her benefit or to his/her detriment. It also includes an interest on the same basis for any member of the Officers family or a close friend and any company firm or business from which an Officer or a member of his/her family receives any remuneration. There is no financial interest for an Officer where a decision on a report affects all of the Officers of the Council or all of the officers in a Department or Service.

CITY AND COUNTY OF SWANSEA

MINUTES OF THE PENSION FUND COMMITTEE

HELD AT COMMITTEE ROOM 1, CIVIC CENTRE, SWANSEA ON
THURSDAY, 13 MARCH 2014 AT 10.00 AM

PRESENT:

Councillor R C Stewart (Chair) presided for Minute Nos. 36-42.

Councillor P Downing (Vice-Chair) presided for Minute Nos. 30-35 and 43.

Councillor(s):

J Newbury

Councillor(s):

M Thomas

Neath Port Talbot County Borough Council Co-opted Member:

P A Rees

Officers:

B Smith - Chief Accountant and Deputy Section 151 Officer

J Dong - Chief Treasury and Technical Officer

N Havard - Directorate Lawyer

J Parkhouse - Democratic Services Officer

Also present:

N Mills - Independent Investment Advisor

V Furniss - Independent Investment Advisor

30. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors C E Lloyd and D G Sullivan.

31. **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:

Councillor P Downing - My brother works for the Authority and pays into the Pension Fund - personal.

Councillor M Thomas - I have a personal interest as I am a member of the Pension Scheme. Also, my wife works for the Authority and is also a member of the Pension Scheme - personal.

Councillor J Newbury - Minute No. 34 - City and County of Swansea Pension Fund Business Plan 2014/15 and Minute No. 35 - City and County of Swansea Pension Fund - Investment Sub Group - my wife receives a Local Government Pension - personal.

NOTED that Councillors P Downing and M Thomas had received dispensation from the Standards Committee.

32. **MINUTES**

RESOLVED that the Minutes of the Pension Fund Committee held on 5 December 2013 be approved as a correct record.

33. **CITY AND COUNTY OF SWANSEA PENSION FUND BUSINESS PLAN 2014/15**

The Section 151 Officer presented a report which provided a working framework for the Programme of Work 2014/15 for the Pension Fund. The Business Plan for 2014/15 was provided at Appendix 1 of the report.

It was commented that the performance of the Pension Fund was exceptional during the previous year with upper quartile returns which was a very positive result.

RESOLVED that the City and County of Swansea Pension Fund Annual Business Plan 2014/15 be noted and approved.

34. **CITY AND COUNTY OF SWANSEA PENSION FUND - INVESTMENT SUB-GROUP**

The Section 151 Officer presented a report which sought to amend the membership and terms of reference for the City and County of Swansea Pension Fund Investment Sub-Group. It was outlined that the membership and terms of reference for the Sub-Group had previously been agreed in November 2009 and the original report and terms of reference were attached at Appendix A to the report. It was added that the elected membership of the Pension Fund Committee had now increased, therefore allowing more capacity for Elected Member participation in the Pension Fund Investment Sub-Groups Work Programme.

It was therefore proposed that the membership of the Pension Fund Investment Sub-Group be revised to include two Elected Members, namely the Chair and Vice Chair.

Members queried why an Elected Member from the Opposition Parties had not been elected to the Sub-Group.

RESOLVED that:

- (1) the changes to the Membership and Terms of Reference in Appendix B be approved;
- (2) the matter be included for discussion on the Agenda for the next scheduled meeting.

35. **BUSINESS CASE TO PURCHASE ALTAIR MEMBER SELF-SERVICE ONLINE**

The Section 151 Officer presented a report which sought approval of the purchase of Altair Member Self-Service. It was outlined that the Pension Administration System used by the City and County of Swansea Pension Fund is provided by Heywood. The system was upgraded in February 2013 from Axise, a platform based system to Altair, a web based pension administration system which is able to meet the changing pace and increasing demands of the Local Government Pension Scheme. Altair is an integrated solution which allows various add-ons to improve the administrative functionality and is regularly updated to ensure efficiency and service is maintained. In addition to the basic system, the Fund also uses Altair's integrated software for document production, work flow, image and i-connect.

A thorough outline of the business case was provided which included the benefits of implementing the Altair Member Self-Service System. These include:

- Improved service to scheme members.
- Reduction in queries - scheme members would be able to access their record to check information and carry out real time benefit estimates. This will be particularly useful for members considering opting to join the new 50/50 Scheme.
- Pension staff will have more time in order to deal with complex issues and queries.
- Improved communication and engagement.

- Personal information is delivered more quickly, at lower cost - newsletters and other communication material, as well as the statutory annual benefit statements will be available online, thus decreasing printing costs.

It was added that the purchase of Altair Member Self-Service will provide the facility to further automate some of the day to day administration functions, thus improving efficiency and driving down costs.

The Committee discussed the knock-on effect of purchasing the system on jobs within the Pension Section, the capacity of the new system to cope with demand and the communication/training strategy to be undertaken/provided to Pension Scheme members.

RESOLVED that:

- (1) the purchase of Altair Member Self-Service be approved;
- (2) a follow-up report be provided in order to update the Committee on the performance of the Altair System and the communication strategy being undertaken.

(COUNCILLOR R C STEWART PRESIDED)

36. **EXTENSION OF "ADMITTED BODY" STATUS APPLICATION - CELTIC COMMUNITY LEISURE (BY NEATH PORT TALBOT COUNTY BOROUGH COUNCIL) TO THE CITY AND COUNTY OF SWANSEA PENSION FUND**

The Section 151 Officer presented a report which requested approval of the application by Neath Port Talbot County Borough Council to further extend the Admission Agreement of Celtic Community Leisure to the City and County of Swansea Pension Fund.

An extension to the Admission Agreement to 31 March 2014 was agreed by the Committee on 26 September 2013.

At a Cabinet Meeting on 20 February 2013, Neath Port Talbot County Borough Council approved that the current contract for Celtic Community Leisure be continued with the long term objective being to extend the contract for a significant period at a future Cabinet Meeting.

It was added however that the business case and legal considerations are still being progressed and are unlikely to be completed before 31 March 2014. Therefore, a request has been made that the Admission Agreement be extended for a further period to 31 March 2015.

RESOLVED that the application of Neath Port Talbot County Borough Council to further extend the Admission Agreement of Celtic Community Leisure to 31 March 2015 be approved.

37. **URGENT ITEM**

The Chair stated that pursuant to Paragraph 100B(4)(b) of the Local Government Act 1972, he considered that the report of the Section 151 Officer - City and County of Swansea Pension Fund Joint Procurement Opportunity for Investing in Infrastructure should be considered at the meeting as a matter of urgency.

Reasons for Urgency

- (1) An opportunity had arisen to collaboratively procure (with a number of other Local Authorities) for the approved infrastructure investment.
- (2) The intended timetable for launch of the tender is the week commencing 17 March 2014.
- (3) In order to participate in the joint approach, approval of this procurement methodology will result in significant cost savings.

38. **CITY AND COUNTY OF SWANSEA PENSION FUND JOINT PROCUREMENT OPPORTUNITY FOR INVESTING IN INFRASTRUCTURE**

The Section 151 Officer presented a report which sought to deploy investment capital in respect of infrastructure efficiency. It was outlined that an opportunity had arisen to jointly procure and tender for this asset class with a number of other Local Authority Pension Schemes, which would greatly reduce the tendering, due diligence, reporting and search costs for the City and County of Swansea Pension Fund, as well as the other participating Authorities.

The proposed approach is a good example of collaborative working which would result in real cost benefits. The other Authorities involved will be looking to place the tender next week, hence the urgency of the decision to enable the City and County of Swansea Pension Fund to take advantage of this collaborative opportunity.

The Committee asked questions of the Chief Treasury and Technical Officer who responded accordingly.

RESOLVED that the joint procurement methodology for this investment be approved.

39. **EXCLUSION OF THE PUBLIC**

The Committee 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 involve(s) 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 Committee 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)

40. **CITY AND COUNTY OF SWANSEA PENSION FUND - DRAFT TRIENNIAL VALUATION REPORT AND CERTIFICATION 2013**

Chris Archer, Aon Hewitt Ltd presented the City and County of Swansea Pension Fund Draft Triennial Valuation Report and Certification 2013 in order to ensure compliance with the Local Government Pension Scheme Regulations which necessitate the undertaking of a full triennial actuarial valuation.

A number of questions were asked in relation to the report which were responded to accordingly.

RESOLVED that the Draft Triennial Valuation Report and Certification 2013 be approved.

41. **INVESTMENT SUMMARY**

The Section 151 Officer provided a 'for information' report which presented the investment performance for the quarter, year ending 30 December 2013.

42. **INDEPENDENT CORE ADVISOR'S REPORT**

An economic and market update was presented by Mr N Mills, followed by an investment report for the quarter ending 31 December 2013 presented by Mr V Furniss. A discussion ensued after each presentation, during which questions were asked by Members of the Committee and responses were provided accordingly.

The content of each report was noted by the Committee and the Independent Advisors were thanked for their presentations.

(COUNCILLOR P DOWNING - VICE-CHAIR PRESIDED)

43. FUND MANAGER REPORTS

- (1) A joint presentation was provided by Sergio Yavelli and Rob Lamb on behalf of Partners Group, Global Real Estate.
- (2) A joint presentation was provided by Graeme Rutter and Ben Forster on behalf of Schroders Asset Management - UK and European Property.

Questions in relation to the content of the presentations were asked at the end of each presentation by the Committee and responses were provided by the respective Fund Managers.

The contents of the presentations were noted and the Chair thanked each of the Fund Managers for attending the meeting.

The meeting ended at 1.00 p.m.

CHAIR



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Annual Financial Audit Outline **City & County of Swansea Pension Fund**

Audit year: 2013-14

Issued: April 2014

Status of document

This document has been prepared for the City & County of Swansea Pension Fund as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

To the maximum extent permitted by law, the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor do not accept any liability for losses incurred by any member, officer or other employee in their individual capacity, or any third party arising from use of this document.

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, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

This document was produced by PricewaterhouseCoopers LLP on behalf of Anthony Barrett, the Appointed Auditor.

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Annual Financial Audit Outline

Introduction

1. This Annual Financial Audit Outline has been prepared by PricewaterhouseCoopers LLP on behalf of Anthony Barrett, the Appointed Auditor.
2. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Appointed Auditor and fulfils my obligations under the Code of Audit Practice to examine and certify whether the City & County of Swansea Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
3. The purpose of this outline is to explain to you:
 - my audit team's approach to the audit of your Pension Fund accounting statements for the year ending 31 March 2014 including the significant risks of material misstatements in your accounting statements and how we plan to address them;
 - the planned timetable, fees and audit team; and
 - the scope of the audit, our respective responsibilities and how we ensure independence and objectivity in our work.
4. There have been no limitations imposed on me in planning the scope of this audit. If there have been limitations imposed these should be stated here or at an appropriate place in the body of the document.

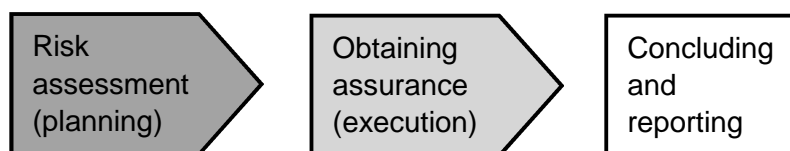
Audit of Pension Fund accounts

5. It is my responsibility to issue a report on the accounting statements which includes an opinion on their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.

Audit approach

6. Information regarding the financial audit team is provided in [Exhibit 5](#).
7. My team's audit work uses a range of techniques to assess risk and obtain audit evidence and assurance, and is based on a thorough understanding of your business. This understanding allows my team to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. Our audit approach consists of three phases as set out in [Exhibit 1](#).

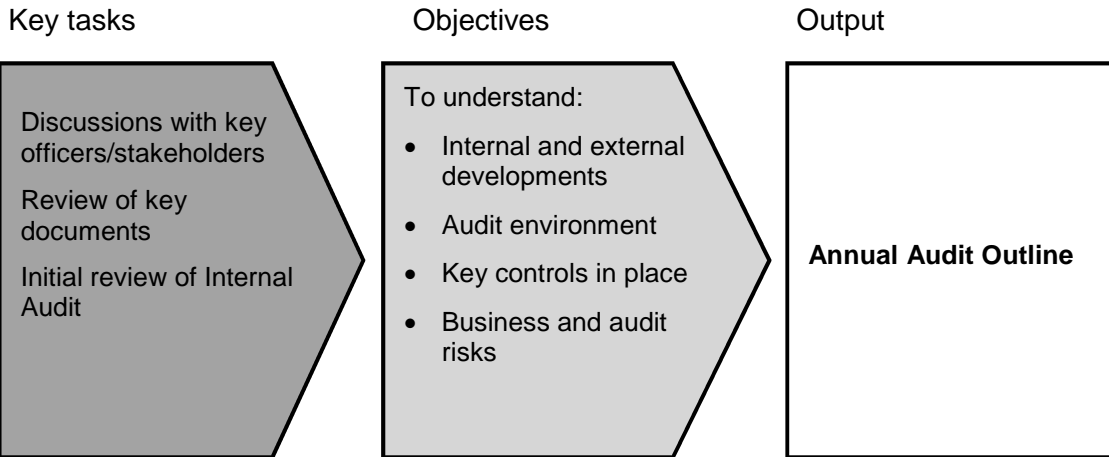
Exhibit 1: Our audit approach



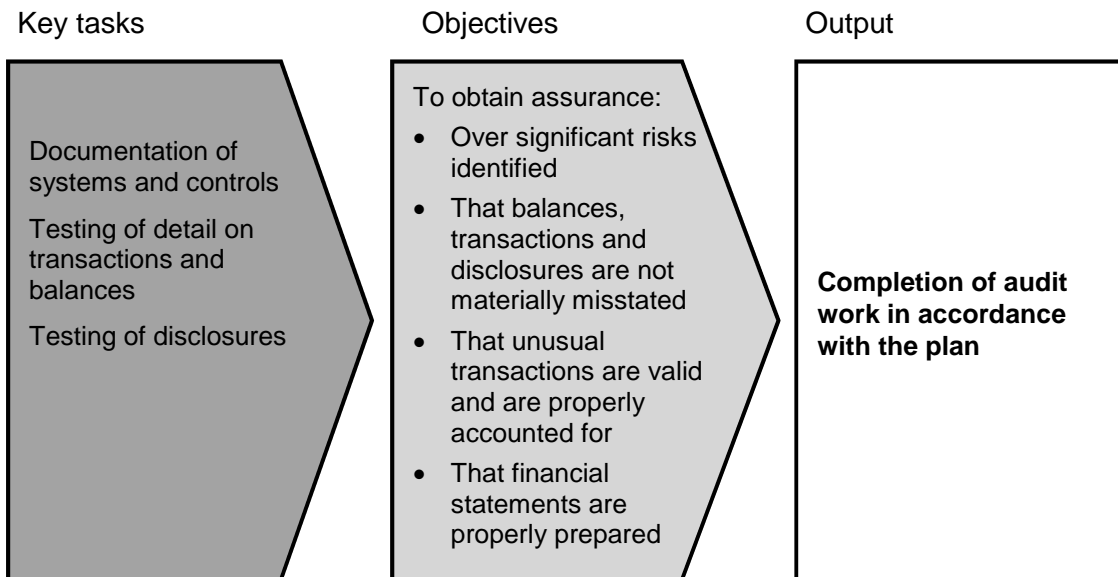
8. The work we undertake in each of these three areas is set out in more detail in [Exhibit 2](#).
9. I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair, but adopt a concept of materiality. In planning and executing the audit, we aim to identify material misstatements in the accounts and related notes, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Pension Fund Panel and to those charged with governance for the City & County of Swansea (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
10. For reporting purposes we will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and, therefore, will not report them.

Exhibit 2: Our audit approach

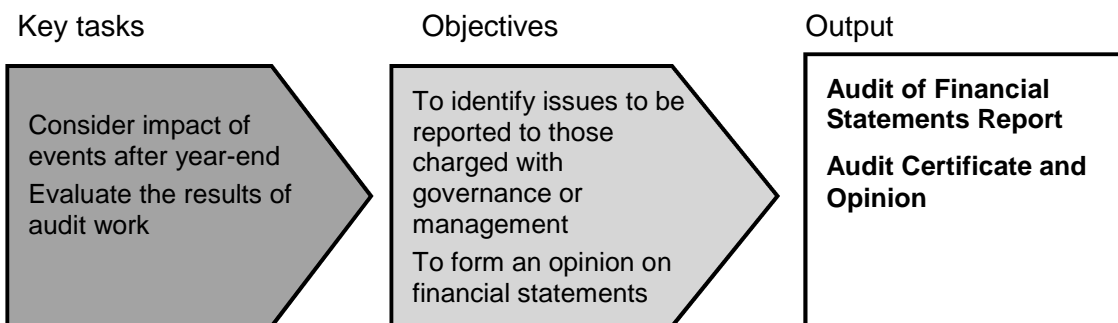
Risk assessment (planning)



Obtaining assurance (execution)



Concluding and reporting



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11. In planning my work and obtaining an understanding of the Pension Fund, I consider the control environment including the activities of Internal Audit to determine the potential impact of its work on my planned procedures. I use the work of Internal Audit to inform my risk assessment as part of my planning procedures.
12. As part of the planning process, my staff considered the information which would be required to support the accounts submitted for audit. The fees, once agreed, will assume that this information will be provided by the timescales agreed and to the quality standards that we expect. My other main assumptions in setting the estimated fees will be that:
- appropriate accommodation and facilities are provided to enable my audit team to deliver our audit in an efficient manner;
 - the financial statements and supporting working papers have been subject to review and validation by management, to provide the Responsible Financial Officer with assurance that they are 'true and fair';
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable those charged with governance to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit has completed its planned programme of work and that management has taken all necessary remedial action on issues that could have affected the financial statements.

Audit risks

13. **Exhibit 3** provides information regarding the main operational and financial risks faced by the Pension Fund that could affect my audit. These are the main risks that I have identified during the initial audit planning process, based upon information currently available, and the actions proposed to address them. I may need to change the audit plan if any new risks emerge. I will not make any changes to the audit plan without first discussing them with officers and, where relevant, those charged with governance.

Exhibit 3: Summary of main audit risks and proposed responses

Significant Risks	Action proposed
Control environment risks	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for evidence of bias; • evaluate the rationale for any significant transactions outside the normal course of business; and • include an unpredictable element to our audit procedures that varies year on year.

Accounting and reporting issues

14. In addition to the significant risk set out above, I also need to consider any new financial accounting and reporting requirements which impact on my responsibilities.
15. There are no significant new financial accounting and reporting requirements that I wish to draw to your attention.

Risk of Fraud

16. International Standards on Auditing (UK&I) state that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility	Management's responsibility	Responsibility of those charged with governance
<p>My objectives are:</p> <ul style="list-style-type: none"> To identify and assess the risks of material misstatement of the financial statements due to fraud; To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and To respond appropriately to fraud or suspected fraud identified during the audit 	<p>Management's responsibilities in relation to fraud are:</p> <ul style="list-style-type: none"> To design and implement programmes and controls to prevent, deter and detect fraud; To ensure that the entity's culture and environment promote ethical behaviour; and To perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation. 	<p>Your responsibility as part of your governance role is:</p> <ul style="list-style-type: none"> To evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate 'tone at the top'; and To ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.

Your views on fraud

17. We enquire of those charged with governance:
- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
 - What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
 - What role you have in relation to fraud?
 - What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

Pension Fund annual report

18. In addition to including the Pension Fund accounts in their main accounting statements, administering authorities are required to publish a Pension Fund annual report which must include the Pension Fund accounts.
19. I am required to read the Pension Fund annual report and consider whether the information it contains is consistent with the audited Pension Fund accounts included in the Council's main accounting statements.
20. I also issue an audit statement confirming the consistency of the accounts included in the annual report with the audited Pension Fund accounts.

Independence

Threats and safeguards

21. At the beginning of the audit process my audit team is required to assess their independence as your external auditor. I made enquiries of all audit teams providing services to you and in order to identify any relationships that, in my professional judgement, may be perceived to impact upon my independence and the objectivity of my audit team.

Relationships and Investments

22. Senior officers and members should not seek or receive personal financial or tax advice from my audit team. Senior officers and members who receive such advice from us should notify me, so that I can put appropriate conflict management arrangements in place.
23. Therefore at the date of this plan I confirm that in my professional judgement, my audit team are independent accountants with respect to the Council, within the meaning of UK regulatory and professional requirements and that the objectivity of my audit team is not impaired.

Fee, audit team and timetable

Fee

24. We are currently unable to provide you with an estimate of our fee for our 2013-14 audit work.
25. Owing to the requirements of the Public Audit (Wales) Act 2013, we are required to revise our approach to fee setting. This act introduces a slightly revised fee-setting requirement on the new Wales Audit Office for all our audit work once its provisions come into effect from 1 April 2014. In anticipation of this new requirement we have needed to take legal advice to clarify a number of its provisions. In the light of that advice, we have reviewed our cost allocation and apportionment processes to ensure that going forward our fee setting will fully comply with these new statutory requirements. This unfortunately has been a time-consuming process. The exercise has now been completed and the Auditor General is has consulted on his fee scales, which take account of revisions made in anticipation of the new legislation. That consultation provides further information about the new legislative requirements.

-
26. After the end of the consultation process (28 February 2014), and after considering the consultation responses, we will be able to provide you with an estimate of your fee for 2013-14.
27. Planning will be ongoing, and changes to my programme of audit work and, therefore, my fee may be required if any key new risks emerge. I shall make no changes without first discussing them with the Head of Financial Services. Further information on the new Wales Audit Office fee scales and fee setting will be provided once finalised.
28. Further information on the Auditor General's fee scales and fee setting can be found on our website at: www.wao.gov.uk/aboutus/4240.asp.

Audit team

Exhibit 4: My team

Name	Role	Contact number	E-mail address
Anthony Barrett	Appointed Auditor	029 2032 0500	anthony.barrett@wao.gov.uk
Kevin Williams	Financial Audit Engagement Lead	029 2080 2161	kevin.a.williams@uk.pwc.com
Stuart Austin	Audit Manager (Pensions Specialist)	0121 265 5871	stuart.austin@uk.pwc.com
Ian Looker	Financial Audit Team Leader (Pensions Specialist)	029 2080 2653	ian.z.looker@uk.pwc.com

29. I can confirm that my team members are all independent of the City & County of Swansea Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

30. I will provide reports, or other outputs as agreed, to the Pension Fund Panel, Audit Committee and Cabinet covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

Exhibit 5: Timetable

Planned output	Work undertaken	Report finalised
Annual Financial Audit Outline	March 2014	April 2014
Audit of Financial Statements (ISA 260) Report	July 2014	September 2014
Audit Opinion on the 2012-13 Financial Statements	July 2014	September 2014

Appendix 1

Roles and responsibilities

The Council is the administering authority of the Pension Fund. This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the 2013-14 Pension Fund accounts.

The Public Audit (Wales) Act 2013 (the 2013 Act) sets out that the Auditor General is to be the auditor of local government bodies in Wales, and their associated pension funds. The 2013 Act does, however, provide transitional arrangements where the appointment of a person as an auditor under section 13 of the Public Audit (Wales) Act 2004 continues to have effect until the end of the period for which the appointment was made (subject to any earlier termination). The Auditor General has appointed Anthony Barrett as the auditor of the Pension Fund accounts for the year ending 31 March 2014.

As Appointed Auditor, I am required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Pension Fund. In accordance with professional standards that apply by virtue of the Code of Audit Practice set under the act, this involves giving an opinion on whether the accounts give a true and fair view of the Pension Fund's financial transactions and of the amount and disposition of the fund's assets and liabilities. The act also requires me to satisfy myself of these things:

- that the accounts are prepared in accordance with regulations under section 39 of the act (the Accounts and Audit (Wales) Regulations 2005);
- that the accounts comply with the requirements of all other statutory provisions applicable to them; and
- that proper practices have been observed in the compilation of the accounts.

I am also required to certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.

The audit does not relieve the Council of its responsibility regarding the Pension Fund to:

- establish systems of internal control to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Electronic communication

During the engagement my audit team may from time to time communicate electronically with you. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

My audit team may also need to access external electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access external networks via your internet connection and that they may do this by connecting their laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and my audit team shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between you and my audit team and my audit teams reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Quality arrangements

I want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with me how my service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately. In this way I can ensure that your concerns are dealt with carefully and promptly. I undertake to look into any complaint carefully and promptly and to do all I can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales.

If you are not satisfied with the way your complaint has been dealt with, you can contact the Complaints Investigation Manager at the Wales Audit Office by phone on 029 2032 0500, or by email at complaints@wao.gov.uk. Further details about the complaints process are available at www.wao.gov.uk/complaints.



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Pension Fund Committee – 3 July 2014

LGPS GOVERNANCE REGULATIONS

Purpose:	To inform Pension Fund Committee of pending new regulations re. LGPS governance requirements
Consultation:	Legal, Finance and Access to Services.
Report Author:	Jeffrey Dong
Finance Officer:	Mike Hawes
Legal Officer:	Nigel Havard
Access to Services Officer:	Sherill Hopkins
FOR INFORMATION	

LGPS Governance Regulations

1 Background

- 1.1 The City & County of Swansea Pension Fund governance arrangements are in line with current guidance issued by DCLG which were on a comply or explain basis and were adopted by Council in Sep 2009.
- 1.2 New Governance regulations are due to be issued for consultation at the end of June 2014 (unfortunately too late for inclusion at this Committee Meeting) which will represent fundamental changes and enhancements to the formal Governance arrangements governing the LGPS.
- 1.3 New proposals are to include:
 - 1) Establishment of Local Pension Boards (can be the same as the existing Pension Fund Committee)
 - 2) Clear guidance on the make up of Local Pension Boards
 - 3) Establishment of Pension Scheme Advisory Board
 - 4) wider employer representation on Local pension Board
 - 5) member representation on Local pension Board
 - 6) formal scrutiny of decision making body
 - 7) minimum competence/knowledge /training requirements of Trustees

2 Legal Implications

- 2.1 There are no legal implications arising from this report

3 Financial Implications

- 3.1 There are no financial implications arising from this report

4 Equality and Engagement Implications

- 4.1 There are no equality and engagement implications arising from this report

Report of the Section 1.5.1 Officer

Pension Fund Committee – 3 July 2104

LGPS ADMINISTERING AUTHORITY DISCRETIONS

Purpose:	To approve the discretions available to the City & County of Swansea Administering Authority under the relevant Local Government Pension Scheme Regulations
Reason for Decision:	To ensure compliance with the Local Government Pension Scheme Regulations
Consultation:	Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that: 1) The LGPS – Administering Authority Discretions be approved 2) The policy to abate pensions be amended to include the abatement of the pre 1 April 2014 element of pensions in payment following re-employment
Report Author:	Lynne Miller
Finance Officer:	Jeffrey Dong
Legal Officer:	Nigel Havard
Access to Services Officer:	

1.0 Introduction

1.1 The LGPS regulations require the City & County of Swansea, as an Administering Authority of the Local Government Pension Scheme (LGPS) to formulate, publish and keep under review areas of the Scheme where it may exercise its discretion.

Discretions were previously approved at the Pension Fund Committee of 26 September 2013; however, require review as a result of the implementation of LGPS 2014 with effect from 1 April 2014.

2.0 Main Body of Report

2.1 The Council, as Administering Authority, can exercise discretions contained in the Local Government Pension Scheme Regulations 1995; Local Government Pension Scheme Regulations 1997; the Local Government Pension Scheme (Transitional Provisions) Regulations 1997; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007; the Local Government Pensions Scheme (Administration) Regulations 2008; the Local Government Pension Scheme (Transitional Provisions) Regulations 2008; the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

2.2 A list of all the discretions that the Administering Authority exercises, or chooses not to exercise is shown at Appendix A, those that are new or have been reviewed as a result of the implementation of the new LGPS with effect from 1 April 2014 are shaded grey to highlight.

2.3 These broadly cover how the risk to the fund is managed in certain situations.

2.4 The following discretions are brought to your attention:

- There is one minor change to a previously written discretion in that the policy to abate pensions following re-employment (Appendix B) only refers to regulation 109 of the Local Government Pension Scheme Regulations 1997 and regulation 70(1) of the 2008 Administration Regulations.

While these are still applicable to Councillors and to members who left the Scheme before 1 April 2014, abatement of pensions upon re-employment has been removed from the 2013 Regulations in respect of membership accrued from 1 April 2014.

The 2014 Transitional Regulations, however, still require a policy on abatement of the pre 1 April 2014 element of a pension in payment following re-employment.

It is recommended, therefore, that the policy be amended to also apply to the pre 1 April 2014 element of a pension in payment.

- The regulations require an administering authority to exercise its discretion for some of the employing authority discretions where the participating employer has become defunct.

These discretions, in general, deal with the early release of pension benefits and therefore each case should be considered on its individual merits; however, where this would result in a cost for early

release, a business case would have to be approved justifying that cost.

3.0 General Issues

- 3.1 Not all discretions need to be published; however, it is the intention, for reasons of transparency, to publish the decisions taken in relation to all the available discretions.

If approved, the discretions will be published on the Pension Fund's website and will be circulated to Employer's participating in the Fund.

- 3.2 Whilst the list of discretions sets out the general position, the Council must consider every application on its merit. Where there are extraordinary or justifiable circumstances, a departure from that listed may be appropriate.

- 3.3 The Regulations also require the Employers, who participate in the Local Government Pension Scheme (LGPS) to formulate, publish and keep under review areas of the Scheme where they may exercise their discretion and the Pension Section is actively working with Employers to ensure compliance.

4.0 Equality and Engagement Implications

The discretions must ensure that they do not discriminate against those affected.

5.0 Financial Implications

- 5.1 There are no additional costs to the Pension Fund.

6.0 Legal Implications

- 6.1 Under the LGPS Regulations, the Council, as Administering Authority is required to formulate and keep under review the policies that apply in respect of exercising the discretions referred to in this report.

The Council must publish written statements of the policies and if the Council decides to make any amendments, a statement of the amended policy must be published within one month of the determination.

Background Papers: None

Appendices:

Appendix A – LGPS Administering Authority Discretions

Appendix B – Policy confirming decision to abate pensions following re-employment

CITY & COUNTY OF SWANSEA PENSION FUND

LGPS – ADMINISTERING AUTHORITY DISCRETIONS

DISCRETIONS FROM 1.4.14. IN RELATION TO POST 31.3.14. ACTIVE MEMBERS (EXCLUDING COUNCILLOR MEMBERS) AND POST 31.3.14. LEAVERS (EXCLUDING COUNCILLOR MEMBERS), BEING DISCRETIONS UNDER:

- the Local Government Pension Scheme Regulations 2013 [prefix R]
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- the Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- the Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

REGULATION	DISCRETION	WRITTEN POLICY REQUIRED	RECOMMENDATION
Page 28 R4(2)(b)	Whether to agree to an admission agreement with a Care Trust or NHS Scheme employing authority or care Quality Commission		Each application will be considered on its individual merits.
R5(5) & RSch 2, Part 3, para 1	Whether to agree to an admission agreement with a body applying to be an admission body		Each application will be considered on its individual merits.
RSch 2, Part 3, para 9(d)	Whether to terminate a transferee admission agreement in the event of insolvency, winding up or liquidation of the body; breach by that body of its obligations under the admission agreement; failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so		The Administering Authority will exercise its discretion and terminate the admission agreement where such circumstances arise.

RSch 2, Pat 3, para 12(a)	Define what is meant by “employed in connection with”		The definition will be included in an admission agreement.
R16(1)	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)		The Administering Authority will consider each case on its own merits; however will generally exercise this discretion when the cost to administer such payments exceeds the overall sum to be paid.
R16(10)	Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC		The Administering Authority requires all scheme members, who enter into additional pension contracts to pay additional pension contributions over a period of time, to undergo a medical examination.
R16(10)	Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health		The Administering Authority resolves to turn down an application to pay an APC/SCAPC if it is not satisfied that the member is in reasonably good health
TP15(1)(d) & A28(2)	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds (where AVC/SCAVC arrangement was entered into before 1/4/14)		The Administering Authority resolves to exercise the discretion to levy a charge against a member’s AVC Fund where a member has previously requested the calculation of a conversion from the AVC Fund and failed to proceed with the conversion within three months of being informed of the calculation. The Section 151 Officer to set the rate of the charge to be applied in these cases.
R17(12)	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member		The Administering Authority resolves to pay the AVC monies under the instructions received via the ‘ <i>Death Grant – Expression of Wish form</i> ’. Where there is any doubt as to the validity of the deceased member’s wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, will consider each case on its merits. Payment will be made to any person appearing to the authority to have been a relative or dependent of the deceased at any time.

R22(3)(c)	Pension account may be kept in such form as is considered appropriate		The Administering Authority resolves to keep electronic pension accounts via the pension administration system
TP10(9)	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)		The Administering Authority resolves that it will aggregate the ceased concurrent employment with the ongoing employment which will be in the best interests of the member
R30(8)	Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement Admin Authority discretion if employer has become defunct	YES	The Administering Authority may use its discretion to determine not to apply all or part of this reduction. However, this discretion will only be used where there is a robust business case justifying the cost.
R30(8)	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age Admin Authority discretion if employer has become defunct	YES	The Administering Authority will consider the merits of the application submitted and may only agree where there is a robust business case justifying the cost
R68(2)	Whether to require any strain on Fund costs to be paid “up front” by employing authority following payment of benefits under R30(6) (flexible retirement), R30(7) (redundancy / business efficiency), or the waiver (in whole or in part) under R30(8) of any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement		The Administering Authority resolves that it will require employers to pay in full the cost of pension strain arising from early retirements, within a period not normally exceeding three years.

TPSch 2, paras 1(2) and 2(2)	Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 Admin Authority discretion if employer has become defunct		The Administering Authority will consider each case on its own merits and may only agree where there is a robust business case justifying the cost
TP3(1), TPSch 2, paras 2(1) and 2(2), B30(5) and B30A(5)	Whether to waive any actuarial reduction on pre and/or post April 2014 benefits Admin Authority discretion if employer has become defunct		The Administering Authority will consider the merits of the application submitted and may only agree where there is a robust business case justifying the cost
TPSch 2, para 2(3)	Whether to require any strain on Fund costs to be paid “up front” by employing authority following flexible retirement under R30(6) or waiver of actuarial reduction under TPSch 2, para 2(1) or release of benefits before age 60 under B30 of B30A		The Administering Authority resolves that it will require employers to pay in full the cost of pension strain arising from early retirements, within a period not normally exceeding three years.
R32(7)	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement		The Administering Authority resolves to exercise this discretion
R34(1)	Decide whether to commute small pension		The Administering Authority resolves to exercise the discretion to commute all small pensions up to the maximum prescribed.
R36(3)	Approve medical advisors used by employers (for ill health benefits)		The Administering Authority has approved Independent Registered Medical Practitioners (IRMP) who are qualified in occupational health medicine for each employer on the Fund.
TP12(6)	Whether to use a certificate produced by an IRMP under the 2008 Scheme for the purposes of making an ill health determination under the 2014 Scheme Admin Authority discretion if employer has become defunct		The Administering Authority will exercise this discretion

R38(3)	Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner Admin Authority discretion if employer has become defunct		The Administering Authority will determine eligibility in accordance with the LGPS regulations and medical advice
R38(6)	Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health Admin Authority discretion if employer has become defunct		The Administering Authority will determine eligibility in accordance with the LGPS regulations and medical advice
TP17(5) to (8) & R40(2), R43(2) & R46(2)	Decide to whom death grant is paid		The Administering Authority resolves to pay the death grant under the instructions received via the ' <i>Death Grant – Expression of Wish form</i> '. Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, will consider each case on its merits. Payment will be made to any person appearing to the authority to have been a relative or dependent of the deceased at any time.
R49(1)(c)	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership		The Administering Authority resolves that it shall pay the member or their beneficiaries the highest value of benefit
R54(1)	Whether to set up a separate admission agreement fund		The Administering Authority resolves not to exercise this discretion.

R55	<p>Governance policy must state whether the admin authority delegates 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 admin authority and, if they do so delegate, state</p> <ul style="list-style-type: none"> - the frequency of any committee or sub-committee meetings - the terms, structure and operational procedures appertaining to the delegation - whether representatives of employing authorities or members are included and, if so, whether they have voting rights <p>The policy must also state</p> <ul style="list-style-type: none"> - the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying, and - the terms, structure and operational procedures appertaining to the local Pensions Board 	YES	See Governance Compliance Statement
R58	Decide on Funding Strategy for inclusion in funding strategy statement	YES	See Funding Strategy Statement
R59(1) & (2)	Whether to have a written pensions administration strategy and, if so, the matters it should include		See Pension Administration Strategy Statement

R61	Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers	YES	See Pension Fund Communication Strategy
R64(4)	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer		The Administering Authority resolves to exercise this discretion in all such cases
R65	Decide whether to obtain a new rates and adjustment certificate if the Secretary of State amends the Benefits Regulations as part of the 'cost sharing' under R63		The Administering Authority resolves to exercise this discretion in all such cases
R69(1)	Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.		The Administering Authority resolves to exercise the discretion available under Regulation 69 (1) & (5).
R69(4)	Decide form and frequency of information to accompany payments to the Fund		The Administering Authority resolves to exercise the discretion available under Regulation 69 (1) & (5).
R70 & TP22(2)	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance		The Administering Authority resolves to consider each case on its merits, with any decision on costs being delegated to the Section 151 Officer
R71(1)	Whether to charge interest on payments by employers which are overdue		The Administering Authority resolves to charge interest at the rate of 1% above base, compounded quarterly, in respect of the late receipt of pension contributions and combined benefit payments

R76(4)	Decide procedure to be followed by admin authority when exercising its stage two IDRPs and decide the manner in which those functions are to be exercised		The Administering Authority has resolved that Stage 2 IDRPs be carried out by the Monitoring Officer.
R79(2)	Whether admin. authority should appeal against employer decision (or lack of a decision)		The Administering Authority resolves to consider each case on its individual merits.
R80(1)(b) & TP22(1)	Specify information to be supplied by employers to enable admin. authority to discharge its functions		The Administering Authority resolves to exercise this discretion through negotiation and agreement with each individual employer
R82(2)	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965		<p>The Administering Authority resolves to pay the death grant under the instructions received via the 'Death Grant – Expression of Wish form'. Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, will consider each case on its merits.</p> <p>Payment will be made to any person appearing to the authority to have been a relative or dependent of the deceased at any time.</p>
R83	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit		The Administering Authority resolves to consider each case on its individual merits
R89(5)	Date to which benefits shown on annual benefit statement are calculated		The Administering Authority resolves to use the 31 st March to illustrate the current value of benefits on Annual Benefit Statements
R98(1)(b)	Agree to bulk transfer payment Decision can be made by either employer. Admin Authority or trustees of new scheme		The Administering Authority resolves to exercise its discretion and will consider each case on its merits

R100(68)	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS Joint decision with Admin Authority		Extensions only to be allowed in exceptional circumstances and where the delay was outside of the member's control
R100(7)	Allow transfer of pension rights into the Fund		The Administering Authority resolves to consider each case on its individual merits
TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & B10(2)	Where a member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member		Administering Authority will exercise its discretion on behalf of the deceased member
TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & TSch 1 & L23(9)	Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08.)		Administering Authority will exercise its discretion on behalf of the deceased member
RSch 1 & TP17(9)	Decide to treat child as being in continuous education or vocational training despite a break		The Administering Authority resolves to exercise its discretion and will consider each case on its merits.
RSch 1 & TP17(9)(b)	Decide evidence required to determine financial dependence of co-habiting partner on scheme member or financial interdependence of co-habiting partner and scheme member		The Administering Authority, upon the death of the member, will request evidence, as defined in the regulations
TP3(13) & A70(1) & A71(4)(c)	Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment	YES (for A70(1))	The Administering Authority resolves to abate the pre 1 April 2014 element of pensions in payment following re-employment in accordance with the regulations
TP15(1)(c) & TSch1 & L83(5)	Extend time period for capitalisation of added years contract		The Administering Authority resolves to exercise the discretion available under Regulation 83(5). Each case to be considered on its merits.

DISCRETIONS IN RELATION TO SCHEME MEMBERS (EXCLUDING COUNCILLOR MEMBERS) WHO CEASED ACTIVE MEMBERSHIP ON OR AFTER 1.4.08. AND BEFORE 1.4.14., BEING DISCRETIONS UNDER:

- the Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [prefix TP]
- the Local Government Pension Scheme Regulations 2013 [prefix R]
- the Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

REGULATION	DISCRETION	WRITTEN POLICY REQUIRED	RECOMMENDATION
Page 37 A28(2)	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds		The Administering Authority resolves to exercise the discretion to levy a charge against a member's AVC Fund where a member has previously requested the calculation of a conversion from the AVC Fund and failed to proceed with the conversion within three months of being informed of the calculation. The Section 151 Officer to set the rate of the charge to be applied in these cases.
A45(3)	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits		The Administering Authority resolves to treat such amounts as simple debts recovered via Invoice for active members. However, for members entitled to the immediate payment of benefits, arrears will be recovered from benefits

A52(2)	Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration		The Administering Authority resolves to pay the death grant under the instructions received via the <i>'Death Grant – Expression of Wish form'</i> . Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, will consider each case on its merits. Payment will be made to any person appearing to the authority to have been a relative or dependent of the deceased at any time.
A52A	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit		The Administering Authority resolves to consider each case on its individual merits
A56(2)	Approve medical advisors used by employers (for early payment, on grounds of ill health, of a deferred benefit or a suspended Tier 3 ill health pension)		The Administering Authority has approved Independent Registered Medical Practitioners (IRMP) who are qualified in occupational health medicine for each employer on the Fund.
A60(8)	Decide procedure to be followed by admin authority when exercising its stage two IDRPs and decide the manner in which those functions are to be exercised		The Administering Authority has resolved that Stage 2 IDRPs be carried out by the Monitoring Officer.
A63(2)	Whether admin. authority should appeal against employer decision (or lack of a decision)		The Administering Authority resolves to consider each case on its individual merits.
A64(1)(b)	Specify information to be supplied by employers to enable admin. authority to discharge its functions		The Administering Authority resolves to exercise this discretion through negotiation and agreement with each individual employer
TP3(13) & A70(1) & A71(4)(c) & T12	Decide policy on abatement of pensions following re-employment	YES for A70(1)	The Administering Authority resolves to abate pensions following re-employment in accordance with the regulations

B10(2)	Where a member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member		Administering Authority will exercise its discretion on behalf of the deceased member
B27(5)	Whether to pay the whole or part of a child's pension to another person for the benefit of that child		The Administering Authority resolves to exercise its discretion and will consider each case on its merits
A52A	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.		The Administering Authority resolves to consider each case on its individual merits
B30(2)	Whether to grant application for early payment of deferred benefits on or after age 55 and before age 60 Admin Authority discretion if employer has become defunct	YES	The Administering Authority will consider each case on its own merits
B30(5)	Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30 Admin Authority discretion if employer has become defunct	YES	The Administering Authority will consider the merits of the application submitted and may only agree where there is a robust business case justifying the cost
B30A(3)	Whether to grant an application for early payment of a suspended tier 3 ill health pension on or after age 55 and before age 60 Admin Authority discretion if employer has become defunct	YES	The Administering Authority will determine eligibility in accordance with the LGPS regulations and, if appropriate, medical advice
B30A(5)	Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A Admin Authority discretion if employer has become defunct	YES	The Administering Authority will consider the merits of the application submitted and may only agree where there is a robust business case justifying the cost

B31(4)	Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria Admin Authority discretion if employer has become defunct		The Administering Authority will determine eligibility in accordance with the LGPS regulations and medical advice
B31(7)	Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment Admin Authority discretion if employer has become defunct		The Administering Authority will determine eligibility in accordance with the LGPS regulations and medical advice
B23(2) & B32(2) & B35(2) & TSch1 & L155(4)	Decide to whom death grant is paid		The Administering Authority resolves to pay the death grant under the instructions received via the ' <i>Death Grant – Expression of Wish form</i> '. Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, will consider each case on its merits. Payment will be made to any person appearing to the authority to have been a relative or dependent of the deceased at any time.
B25	Decide evidence required to determine financial dependence of co-habitee on scheme member or financial interdependence of co-habitee and scheme member		The Administering Authority, upon the death of the member, will request evidence, as defined in the regulations.
RSch 1 & TP17(9)	Decide to treat child as being in continuous education or vocational training despite a break		The Administering Authority resolves to exercise its discretion and will consider each case on its merits
B39 & T14(3)	Decide whether to commute small pension		The Administering Authority resolves to exercise the discretion to commute all small pensions up to the maximum prescribed.

B42(1)(c)	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership		The Administering Authority resolves that it shall pay the member or their beneficiaries the highest value of benefit
TSch 1 & L23(9)	Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08.)		Administering Authority will exercise its discretion on behalf of the deceased member

DISCRETIONS UNDER THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 1997 (AS AMENDED) IN RELATION TO:

a) active councillor members, and

b) councillor members who ceased active membership on or after 1.4.98., and

c) any other scheme members who ceased active membership on or after 1.4.98. and before 1.4.08

REGULATION	DISCRETION	WRITTEN POLICY REQUIRED	RECOMMENDATION
12(5)	Frequency of payment of councillors' contributions		The Administering Authority will require that councillor members' pension contributions are deducted at the same intervals determined by the frequency of their pay.
17(4),(7),(8), & 89(4) & Sch 1	Extend normal 12 month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted by a councillor member requesting that the service should not be treated as relevant reserve forces service		The Administering Authority will consider each case on its own merits.
23(9)	Make an election on behalf of deceased non- councillor member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08)		Administering Authority will exercise its discretion

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38(1) & 155(4)	Decide to whom death grant is paid in respect of councillor members and post 31.3.98. / pre 1.4.08. leavers		<p>The Administering Authority resolves to pay the death grant under the instructions received via the <i>'Death Grant – Expression of Wish form'</i>. Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, will consider each case on its merits.</p> <p>Payment will be made to any person appearing to the authority to have been a relative or dependent of the deceased at any time.</p>
Page 43 Reg 17(9) of the LGPS (Transitional Provisions and Savings) Regs 2014 and definition in Sch 1 of the LGPS Regulations 2013	Decide to treat child as being in continuous education or vocational training despite a break (children of councillor members and children of post 31.3.98. / pre 1.4.08. leavers)		The Administering Authority resolves exercise its discretion and will consider each case on its individual merits
47(1)	Apportionment of children's pension amongst eligible children (children of councillor members and children of post 31.3.98. / pre 1.4.08. leavers)		The Administering Authority resolves to apportion pensions equally amongst eligible children.
47(2)	Pay child's pension to another person for the benefit of the child (children of councillor members and children of post 31.3.98. / pre 1.4.08. leavers)		The Administering Authority resolves to pay the surviving parent or legal guardian.

49 & 156	Agree to commutation of small pension (pre 1.4.08. leavers or pre 1.4.08. Pension Credit members)		The Administering Authority resolves to exercise the discretion available under Regulation 49 to commute all small pensions up to the maximum prescribed.
50 and 157	Commute benefits due to exceptional ill-health (councillor members and pre 1.4.08. leavers and pre 1.4.08 Pension Credit members)		The Administering Authority resolves to use discretion where a medical adviser has certified that the member's life expectancy is less than 1 year.
60(5)	Whether acceptance of AVC election is subject to a minimum payment (councillors only)		The Administering Authority resolves not to exercise discretion (i.e. will accept any amount).
80(5)	Whether to require any strain on Fund costs to be paid "up front" by employing authority following early voluntary retirement of a councillor (i.e. after age 50/55 and before age 60), or early payment of a deferred benefit on health grounds or from age 50 with employer consent (pre 1.4.08. leavers) – (see Note below)		The Administering Authority resolves that it will require employers to pay in full the cost of pension strain arising from early retirements, within a period not normally exceeding three years.
81(1)	Frequency of employer's payments to the fund (in respect of councillor members).		The Administering Authority resolves to exercise the discretion available under Regulation 81(1) & (5).
81(5)	Form and frequency of information to accompany payments to the Fund (in respect of councillor members)		The Administering Authority resolves to exercise the discretion available under Regulation 81(1) & (5).
82(1)	Interest on payments by employers overdue by more than 1 month (in respect of councillor members)		The Administering Authority resolves to charge interest at the rate of 1% above base, compounded quarterly, in respect of the late receipt of pension contributions and combined benefit payments.

89(3)	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits (councillors and pre 1.4.08. leavers)		The Administering Authority resolves to treat such amounts as simple debts recovered via Invoice for active members. However, for members entitled to the immediate payment of benefits, arrears will be recovered from benefits.
91(6)	Timing of pension increase payments by employers to fund (pre 1.4.08. leavers)		The Administering Authority will recover pension increases at intervals of no more than 12 months by mutual agreement with the bodies concerned.
95	Pay death grant due to personal representatives without need for grant of probate / letters of administration (death of councillor or pre 1.4.08. leaver)		<p>The Administering Authority resolves to pay the death grant under the instructions received via the '<i>Death Grant – Expression of Wish form</i>'. Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, will consider each case on its merits.</p> <p>Payment will be made to any person appearing to the authority to have been a relative or dependent of the deceased at any time.</p>
97(10)	Approve medical advisors used by employers (re ill health benefits for councillors and re pre 1.4.08. preserved benefits payable on health grounds)		The Administering Authority has approved Independent Registered Medical Practitioners (IRMP) who are qualified in occupational health medicine for each employer on the Fund.
99	Decide procedure to be followed by admin authority when exercising its IDRPs functions and decide the manner in which those functions are to be exercised (councillors and pre 1.4.08. leavers)		The Administering Authority has resolved that Stage 2 IDRPs functions be carried out by the Monitoring Officer.
105(1)	Appeal against employer decision, or lack of a decision (councillors and pre 1.4.08. leavers)		The Administering Authority resolves to consider each case on its individual merits.
106A(5)	Date to which benefits shown on annual deferred benefit statement are calculated		The Administering Authority will use the Pension Increase date for the appropriate year

109 & 110(4)(b)	Abatement of pensions following re-employment (councillors and pre 1.4.08. leavers)	Yes (for 109)	The Administering Authority resolves to abate pensions following re-employment in accordance with the regulations
118	Retention of CEP where member transfers out (councillors and pre 1.4.08. leavers)		The Administering Authority resolves not to exercise discretion.
147	Discharge Pension Credit liability (in respect of Pension Sharing Orders for councillors and pre 1.4.08. Pension Sharing Orders for non-councillor members)		The Administering Authority resolves to consider each case on its individual merits.

Note: benefits paid on or after age 50 and before age 55 are subject to an unauthorised payments charge and, where applicable, an unauthorised payments surcharge under the Finance Act 2006. Also, any part of the benefits which had accrued after 5 April 2006 would generate a scheme sanction charge.

DISCRETIONS UNDER THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 1995 (AS AMENDED) IN RELATION TO SCHEME MEMBERS WHO CEASED ACTIVE MEMBERSHIP BEFORE 1.4.98

REGULATION	DISCRETION	WRITTEN POLICY REQUIRED	RECOMMENDATION
E8	Decide to whom death grant is paid in respect of pre 1.4.98. retirees / pre 1.4.98. deferreds		<p>The Administering Authority resolves to pay the death grant under the instructions received via the '<i>Death Grant – Expression of Wish form</i>'. Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, will consider each case on its merits.</p> <p>Payment will be made to any person appearing to the authority to have been a relative or dependent of the deceased at any time.</p>
F7	Whether to pay spouse's pensions for life for pre 1.4.98 retirees / pre 1.4.98 deferreds who die on or after 1.4.98. (rather than ceasing during any period of remarriage or co-habitation)		The Administering Authority to exercise its discretion to allow payment of appropriate spouse's pensions for life
Reg 17(9) of the LGPS (Transitional Provisions and Savings) Regs 2014 and definition in Sch 1 of the LGPS Regulations 2013	Decide to treat child as being in continuous education or vocational training despite a break (children of pre 1.4.98. retirees / pre 1.4.98. deferreds)		The Administering Authority resolves to exercise its discretion and will consider each case on its merits.

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G11(1)	Apportionment of children's pension amongst eligible children (children of pre 1.4.98. retirees / pre 1.4.98. deferreds)		The Administering Authority resolves to apportion the pension equally amongst eligible children.
G11(2)	Pay child's pension to another person for the benefit of the child (children of pre 1.4.98. retirees / pre 1.4.98. deferreds)		The Administering Authority resolves to pay the child's pension to the surviving parent or guardian.

**DISCRETIONS UNDER THE LOCAL GOVERNMENT (EARLY TERMINATION OF EMPLOYMENT) (DISCRETIONARY COMPENSATION)
(ENGLAND AND WALES) REGULATIONS 2000 (AS AMENDED)**

Under Regulation 26 of the Discretionary Compensation Regulations, each authority (other than an Admitted Body) is required to formulate and keep under review a policy which applies in respect of exercising their discretion in relation to:

REGULATIONS	DISCRETION	WRITTEN POLICY REQUIRED	RECOMMENDATION
31(2)	Agree to pay annual compensation on behalf of employer and recharge payments to employer		The Administering Authority resolves to exercise its discretion and pay as described.

DISCRETIONS UNDER THE LOCAL AUTHORITIES (ALLOWANCES FOR MEMBERS) (WALES) REGULATIONS 2007 [SI 2007/1086]

ADMIN AUTHORITY	REGULATIONS	DISCRETION	WRITTEN POLICY REQUIRED	RECOMMENDATION
Relevant Authority	38	Scheme of allowances made by a county council or county borough council must specify which members will be eligible to join the LGPS and that the basic and special responsibility allowances will be pensionable		The Administering Authority resolves that all Councillor Members are eligible to join the LGPS.



City and County of Swansea
Dinas A Sir Abertawe

POLICY STATEMENT REQUIRED BY THE LGPS REGULATIONS

ADMINISTERING AUTHORITY DISCRETIONS

1. Discretions under the Local Government Pension Scheme Regulations 1997 (As Amended)

Regulation 109

PROVISION	DECISION
Abatement of pensions following re-employment (councillors and pre 1.4.2008 leavers)	Pensions to be abated following re-employment in accordance with the regulations.

2. Discretions under the Local Government Pension Scheme (Administration) Regulations 2008

Regulation 70(1)

PROVISION	DECISION
Abatement of pensions following re-employment (pre 1.4.2014 leavers)	Pensions to be abated following re-employment in accordance with the regulations.

3. Discretions under the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

Regulation 3(13)

PROVISION	DECISION
Abatement of pre 1 April 2014 element of pensions in payment following re-employment	The pre 1 April 2014 element of pensions in payment to be abated following re-employment in accordance with the regulations.

Agenda Item 6c

Report of the Section 151 Officer

Pension Fund Committee – 3 July 2014

LGPS STRUCTURAL REFORM- CALL FOR EVIDENCE FOLLOW UP CONSULTATION RESPONSE

Purpose:	To provide a formal response to DCLG following consultation arising from the Call for Evidence into Pension Fund Structural Reform
Reason for Decision:	To approve the proposed response.
Consultation:	Legal, Finance and Access to Services.
Recommendation:	That The City & County of Swansea Pension Fund Consultation Response is approved
Report Author:	Jeffrey Dong
Finance Officer:	Mike Hawes
Legal Officer:	Nigel Havard
Access to Services Officer:	Sherill Hopkins

LGPS Structural Reform – Call for Evidence Follow Up Consultation Response

1 Background

- 1.1 This consultation attached at Appendix 1 represents the next step in reform of the Local Government Pension Scheme, building on the responses to the Call for Evidence (which this Committee formally responded to in Dec 2013), the analysis of the Shadow Scheme Advisory Board and further cost benefit analysis of potential options for reform commissioned from Hymans Robertson, the Actuarial and Investment Consulting Firm.
- 1.2 It sets out the government's preferred approach to reform, seeks views on the proposals and asks respondents to consider how if adopted, these reforms might be implemented most effectively.
- 1.3 The City & County of Swansea Pension Fund's response is attached at Appendix 2 for approval.

2 Recommendation

- 2.1 The Pension Fund Committee is asked to approve the attached response on behalf of the City & County of Swansea Pension Fund in response to the consultation attached

3 Legal Implications

- 3.1 The relevant legal provisions and guidance are set out in Appendix 1

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



Department for
Communities and
Local Government

Local Government Pension Scheme: Opportunities for collaboration, cost savings and efficiencies

Consultation

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If you have any enquiries regarding this document/publication, email contactus@communities.gov.uk or write to us at:

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May 2014

ISBN: 978-1-4098-4190-6

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1. The consultation process and how to respond

Scope of the consultation

Topic of this consultation:	The structure of the Local Government Pension Scheme and opportunities to reduce administration and investment management costs.
Scope of this consultation:	The consultation sets out the evidence for proposals for reforms to the Local Government Pension Scheme and opportunities to deliver savings of £660 million a year for local taxpayers. The Government seeks respondents' views on the proposals set out in section four, and asks respondents to consider how if adopted, these reforms might be implemented most effectively.
Geographical scope:	This consultation applies to England and Wales.
Impact Assessment:	It is not possible to provide an impact assessment at this stage as the detailed mechanism needed to implement the proposed reforms is still being developed.

Basic Information

To:	The consultation is aimed at all parties with an interest in the Local Government Pension Scheme and in particular those listed on the Government's website: https://www.gov.uk/government/publications/local-government-pension-scheme-regulations-information-on-who-should-be-consulted
Body/bodies responsible for the consultation:	Secretary of State, Department for Communities and Local Government. The consultation will be administered by the Workforce, Pay and Pensions division.
Duration:	The consultation will last for 10 weeks, opening on 1 May and closing on 11 July 2014.
Enquiries:	Enquires should be sent to Victoria Edwards. Please email LGPSReform@communities.gsi.gov.uk or call 0303 444 4057.
How to respond:	Responses to this consultation should be submitted to LGPSReform@communities.gsi.gov.uk by 11 July 2014 . Electronic responses are preferred. However, you can also write to: Victoria Edwards

	<p>Department for Communities and Local Government Zone 5/F5, Eland House Bressenden Place London, SW1E 5DU</p> <p>Please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please give a summary of the people and organisations it represents and where relevant, who else you have consulted in reaching your conclusions.</p>
After the consultation:	The responses to the consultation will be analysed and a Government response published. Should any legislative changes be needed, a further consultation will follow.
Agreement with the Consultation Principles:	This consultation has been drafted in accordance with the Consultation Principles.

Background

Getting to this stage:	<p>This consultation has been developed drawing on three sources of evidence:</p> <ul style="list-style-type: none"> • A call for evidence on the future structure of the Local Government Pension Scheme, which ran from 21 June to 27 September 2013. 133 responses were received and analysed, helping to inform this consultation. • An analysis of the responses to the call for evidence provided by the Shadow Scheme Advisory Board. • Supplementary cost-benefits analysis of proposals for reform commissioned from Hymans Robertson using the Contestable Policy Fund. The commission did not extend to making recommendations. <p>The Shadow Board's analysis, the Hymans Robertson report and the Government's response to the call for evidence are all available on the Government's website: https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies.</p>
Previous engagement:	<p>As outlined above, this consultation follows a call for evidence that gave anyone with an interest in the Scheme the opportunity to inform the Government's thinking on potential structural reform. The call for evidence was run in conjunction with the Local Government Association and the responses were shared with the Shadow Scheme Advisory Board, which provided the Minister for Local Government with their recommendations and analysis of the responses.</p> <p>The call for evidence also drew on a round table event that took place on 16 May 2013 with representatives of administering</p>

	authorities, employers, trade unions, the actuarial profession and academia. This event discussed the potential for increased co-operation within the Scheme, including the possibility of structural change to the existing 89 funds.
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Additional copies

- 1.1 This consultation paper is available on the Government's website at:
<https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

Confidentiality and data protection

- 1.2 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).
- 1.3 If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, in itself, be regarded as binding on the Department.
- 1.4 The Department will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

Help with queries

- 1.5 Questions about the policy issues raised in the document can be sent to LGPSReform@communities.gsi.gov.uk.
- 1.6 A copy of the Consultation Principles is at www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance. Are you satisfied that this consultation has followed these principles? If not or you have any other observations about how we can improve the process please email: consultationcoordinator@communities.gsi.gov.uk
- 1.7 Alternatively, you can write to:

DCLG Consultation Co-ordinator,
Zone 8/J6, Eland House,
Bressenden Place
London SW1E 5DU.

2. Introduction and background

Introduction

- 2.1 The Government believes that there is scope for significant savings, of £660 million per year, to be achieved through reform of the Local Government Pension Scheme. To that end, from 21 June to 27 September 2013, the Government ran a call for evidence on structural reform of the Local Government Pension Scheme. The paper asked respondents to consider what might be done to improve fund performance and drive efficiencies across the Scheme.
- 2.2 This consultation represents the next step in reform of the Scheme, building on the responses to the call for evidence and further cost benefit analysis of potential options for reform. It sets out the Government's preferred approach to reform and seeks views on the proposals.

Background

- 2.3 With assets of £178 billion in 2012-13, the Local Government Pension Scheme is one of the largest funded pension schemes in Europe. Several thousand employers participate in the Scheme, which has a total of 4.68 million active, deferred and pensioner members.¹ The Department for Communities and Local Government is responsible for the regulatory framework governing the Scheme in England and Wales.
- 2.4 The Scheme is managed through 89 funds which broadly correspond to the county councils following the 1974 local government reorganisation as well as each of the 33 London Boroughs. In most cases, the fund administering authorities are upper tier local authorities such as a county or unitary council, but there are also some administering authorities established specifically to manage their fund, for example the Environment Agency Pension Fund and the London Pension Fund Authority. The fund authorities have individual governance and working arrangements. Each fund has its own funding level, cash-flow and balance of active, deferred and pensioner members, which it takes into account when adopting its investment strategy, which is normally agreed by the councillors on the fund authority's pensions committee.
- 2.5 Employer contributions to the Scheme, the majority of which are funded by taxpayers, were more than £6 billion in 2012-13. The costs of managing and administering the scheme were estimated as being £536 million in 2012-13.² However, the actual costs are likely to be rather higher; the investment costs alone have recently been estimated as in excess of £790 million.³ While investment returns and the costs of providing

¹ Scheme asset value and membership figures taken from Department for Communities and Local Government statistical data set - Local government pension scheme funds summary data: 2012 to 2013 <https://www.gov.uk/government/statistical-data-sets/local-government-pension-scheme-funds-summary-data-2012-to-2013>

² Local government pension scheme funds summary data: 2012 to 2013

³ Department for Communities and Local Government: Local Government Pension Scheme structure analysis, Hymans Robertson p.11. <https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

benefits are the most significant drivers of the overall financial position of funds, management costs also have an impact on funding levels and thus the pension contributions made by employers and scheme members.

2.6 Under the Public Service Pensions Act 2013, there will be a requirement for a national scheme advisory board, as well as a local board for each of the 89 funds. The regulations that will establish national and local governance arrangements have not yet been made and the Department will be consulting on these issues shortly. In the meantime, scheme employers and the trade unions have established a Shadow Board, which has been considering a number of issues connected with the Scheme, including its efficient management and administration. In addition, the Minister for Local Government has asked the Shadow Board to consider how the transparency of the funds might be improved.

Getting to this stage

2.7 In 2010, the Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission. The purpose of the Commission was to review public service pensions and to make recommendations on how they might be made more sustainable and affordable in the long term, while being fair to both taxpayers and public sector workers.

2.8 Lord Hutton's final report was published on 10 March 2011 and formed the basis for major reforms to all public service pension schemes. The new Local Government Pension Scheme which came into effect on 1 April 2014 is the first scheme to be introduced that follows Lord Hutton's principles for reform as enacted in the Public Service Pensions Act 2013.

2.9 Lord Hutton highlighted the collaborative approach being taken by funds within the Local Government Pension Scheme and recommended that the benefits of co-operative working between local government pension funds and opportunities to achieve efficiencies in administration more generally should be investigated further.⁴

Recommendation 23: Central and local government should closely monitor the benefits associated with the current co-operative projects within the Local Government Pension Scheme, with a view to encouraging the extension of this approach, if appropriate, across all local authorities. Government should also examine closely the potential for the unfunded public service schemes to realise greater efficiencies in the administration of pensions by sharing contracts and combining support services, including considering outsourcing.

2.10 More generally, Lord Hutton went on to comment about the need for change and improved scheme data. At paragraph 6.1 he said:⁵

⁴ Independent Public Service Pensions Commission: Final Report p.17
[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.p
df](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf)

⁵ Independent Public Service Pensions Commission: Final Report p.122

In its interim report, the Commission noted the debate around public service pensions is hampered by a lack of consensus on key facts and figures and a lack of readily available and relevant data. There are also inconsistent standards of governance across schemes. Consequently it is difficult for scheme members, taxpayers and commentators to be confident that schemes are being effectively and efficiently run. It also makes it more difficult to compare between and within schemes and to identify and apply best practice for managing and improving schemes.

- 2.11 The Department therefore co-hosted a round-table event to consider these issues with the Local Government Association in May 2013. There were 25 attendees from administering authorities, employers, trade unions, the actuarial profession and academia. The discussion centred on the possible aims of reform, the potential benefits of structural change and the work required to provide robust evidence to analyse the emerging options and establish a starting point and target.
- 2.12 The objectives for reform identified at the round-table fed into a call for evidence on the future structure of the Scheme, which ran from 21 June to 27 September 2013. This asked respondents to set out the data required to enable a reliable comparison of fund performance and to consider how the administration, management and structure of the Scheme might be reformed to address the objectives identified at the round-table event. These objectives included reduced fund deficits and improved investment returns, as well as reduced investment fees and administration costs, greater flexibility of investment, especially in infrastructure and more use of better in-house investment management.
- 2.13 133 responses were received to the call for evidence and these submissions have been analysed to inform this consultation. A separate response to the call for evidence has been published and is available at: <https://www.gov.uk/government/consultations/call-for-evidence-on-the-future-structure-of-the-local-government-pension-scheme>. The Shadow Scheme Advisory Board has also reviewed the responses to the call for evidence and submitted recommendations to the Minister for Local Government. Its findings have been considered in the development of this consultation and are available via a link on its webpage or from the Shadow Board's website: <http://www.lgpsboard.org/index.php/structure-reform/board-analysis-menu>.
- 2.14 To support the call for evidence, the Minister for Local Government and the Minister for the Cabinet Office commissioned additional analysis using the Contestable Policy Fund. The Fund gives Ministers direct access to external policy advice through a centrally managed match fund, allowing Ministers to draw directly on the thinking, evidence and insight of external experts. Following a competitive tender process, Hymans Robertson were selected to establish the aggregate performance of the Scheme by asset class and to provide a detailed cost-benefit analysis of three potential options for reform:
- Establishing one common investment vehicle for all funds;
 - Creating five to ten common investment vehicles for fund assets
 - Merging the existing structure into five to ten funds.
- 2.15 The analysis set out the costs and benefits of each option; the time required to realise savings; the practical and legal barriers to implementation and how they might

be addressed. Hymans Robertson's findings have been reflected in this consultation, alongside the call for evidence responses and analysis by the Shadow Scheme Advisory Board. A copy of the Hymans Robertson report, which did not extend to making recommendations, is available on the Government's website:

<https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

3. The case for change

Summary of the proposals

3.1 Having considered the responses to the call for evidence, as well as the Shadow Board’s recommendations and the Hymans Robertson report, the Government believes that the following steps are needed to help ensure that the Scheme remains affordable in the long term for both employers and members. The proposals aim to balance the opportunities from aggregation and scale whilst maintaining local accountability.

3.2 The package of proposals set out in this document include:

- Establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs.
- Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since the aggregate fund performance has been shown to replicate the market.
- Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
- A proposal not to pursue fund mergers at this time.

3.3 Hymans Robertson’s analysis, which was based on detailed, standardised data, demonstrated that the significant savings could be achieved by the Scheme if all of the funds adopt the following proposals in full. The Government is interested in exploring these proposals further with a view to maximising value for money for taxpayers, Scheme employers and fund authorities.

Proposal	Estimated Annual saving
Moving to passive fund management of all listed assets, accessed through a common investment vehicle.	£420 million
Ending the use of “fund of funds” arrangements in favour of a common investment vehicle for alternative assets	£240 million

3.4 The saving of £420 million associated with moving to passive management of listed assets is comprised of two elements:

- Reduction in investment fees: £230 million
- Reduction in transaction costs: £190 million

The performance that is reported by the Local Government Pension Scheme funds is net of these transaction costs.

3.5 The savings associated with passive fund management can be achieved quickly, within one to two years. The annual savings arising from using common investment vehicles for alternative assets would build gradually, with the full annual savings reached over 10 years, as existing contracts came to an end.

- 3.6 This package of proposals provides a clear opportunity to substantially reduce the investment costs of the Scheme. They are most effective when adopted by all 89 funds and the Government proposes to implement them together. Indeed, the passive management of listed assets could be most easily facilitated through a common investment vehicle.
- 3.7 In addition, the cost of investment has been estimated to be considerably higher than previously reported. Recognising the need for more reliable and comparable performance and cost data, the Government will continue to work with the Shadow Scheme Advisory Board to improve the transparency of fund data as set out in paragraph 5.3.
- 3.8 The remainder of this section sets out the objectives and rationale for reform and the evidence underpinning the approach taken. A more detailed explanation of the proposals for reform is provided in section four.

The objective of reform

- 3.9 The cost of the Local Government Pension Scheme has risen considerably since the 1990s, with the increased costs falling predominantly on Scheme employers and local taxpayers. In England alone, the cost to Scheme employers has almost quadrupled from £1.5 billion in 1997-98 to £5.7 billion in 2012-13. Indeed, when the Welsh funds are also considered, the total cost to employers is around £6.2 billion a year.⁶ The Government has already taken action to reduce the cost of the Scheme and make it more sustainable and affordable to employers and taxpayers in the long term. For example, the new 2014 Scheme with a revised benefit structure came into effect on 1 April, helping to reduce and rebalance the cost between members and employers. However, it is clear from examining the aggregate data on the Scheme which has come to light as part of this review, that there is more that can be done to improve the sustainability of the funds.
- 3.10 At present, the funds report that administration and investment management costs are £536 million per year, of which £409 million is attributed to investment. Indeed, the reported cost of investment in cash terms has continued to rise in recent years: from £340 million in 2010-11; to £381 million in 2011-12; and £409 million in 2012-13.⁷ In fact, using more detailed and standardised data CEM Benchmarking Incorporated, as sub-contractors to Hymans Robertson, identified that the fees for investment management of the Scheme could be much higher than reported, at in excess of £790 million. Some of the fees for investment management are not fully transparent to the funds and are therefore difficult to quantify. In practice, the actual cost of investment to the funds is likely to be even higher than £790 million, as their analysis did not include other costs in their calculation such as transaction costs and performance related fees on alternative assets.
- 3.11 Coupled with the responses to the call for evidence, Hymans Robertson's analysis has provided a system review, shedding light on the aggregate performance of the Scheme by asset class, as well as the transactions and processes that underpin the

⁶ Local government pension scheme funds summary data: 2012 to 2013

⁷ Local government pension scheme funds summary data: 2012 to 2013

costs of investment. The work carried out by CEM Benchmarking Incorporated found that while funds were paying investment fees comparable with a peer group of funds of much larger size with similar mandates, there remained considerable scope for savings through a more efficient approach to investment.

3.12 The priorities of reducing fund deficits and improving investment returns set out in the call for evidence are underpinned by one overarching objective: that the Scheme remains sustainable and affordable for employers, taxpayers and members in the long term. Having considered this new aggregate view of the funds, the evidence indicates that there are opportunities to reduce costs without damaging overall Scheme performance. The Government therefore believes that it is right to consider opportunities to reduce costs and deliver value for money for employers and taxpayers, in pursuit of the overarching objective of a more sustainable and affordable Scheme.

Reducing fund costs or tackling deficits?

3.13 Although the call for evidence was developed around the primary objectives of reducing fund deficits and improving investment returns, very few responses set out ideas for managing deficits in a different way. The Shadow Scheme Advisory Board argued that more thinking could be done to consider how deficits might be addressed in the longer term. Its sixth recommendation stated⁸:

The Board will support the Government by (a) developing a shortlist of feasible options for managing deficits and (b) conducting further research on the costs and benefits of the key options for reform.

3.14 The Government agrees that opportunities to improve funding levels should continue to be explored and looks forward to considering the Shadow Board's proposals for alternative ways of managing deficits. **Respondents to this consultation are also invited to submit any feasible proposals for the reduction of fund deficits.**

3.15 While very few submissions effectively tackled deficit reduction, both public and private sector respondents recognised that the Scheme may benefit from addressing the secondary aim of reducing investment costs, partly by managing investments more efficiently. Taking action to reduce the cost of running the Scheme will help to meet this objective by increasing the funding available for investment. In the longer term, this should help to improve the funding level of the Scheme and reduce the pressure on employer contribution rates. This consultation therefore focuses on the cost savings to be found through collaboration and more efficient investment.

Achieving scale to reduce fund costs

3.16 There is already a growing consensus across the Local Government Pension Scheme that there are opportunities to deliver further efficiencies and savings for local taxpayers through collaboration. When the call for evidence was launched, funds in

⁸ Call for Evidence on the Future Structure of the Local Government Pension Scheme: The Local Government Pension Scheme Shadow Scheme Advisory Board analysis and recommendations, p.4 <http://www.lgpsboard.org/images/CFE/20140115SSABreportFINAL>

Wales, Scotland and London had already begun to research the benefits of scale and explore the relative merits of mergers and common investment vehicles. Similarly, shared administration arrangements had been established in a number of areas including across Kensington and Chelsea, Hammersmith and Fulham, and Westminster; as well as in Northamptonshire and Cambridgeshire.

3.17 Several responses to the call for evidence cited earlier reports or academic research into the benefits of fund size, drawing heavily on the exploratory work of Scotland, Wales and London, as well as the international experience of countries including Australia and Canada.⁹ On balance, these reports found that there was no clear link between investment returns and fund size. However, they did show that there were significant benefits to scale, such as lower investment and administration costs, easier access to alternative asset classes like private equity and hedge funds, and improved governance. This view was also reached by the Shadow Board in its analysis of the call for evidence responses, which argued that:¹⁰

The evidence appears to show indirect benefits of larger fund sizes, although any direct link between fund size and investment return in the Local Government Pension Scheme is inconclusive.

3.18 Although managed as 89 funds, with an asset value of £178 billion the Local Government Pension Scheme clearly has the potential to achieve the benefits of scale realised by larger funds. Whilst many of the funds have gone some way to achieving this by using procurement frameworks or establishing joint-working arrangements, there is more that can be done. This consultation will set out how using common investment vehicles and passive management for listed assets can in the long term lead to savings of over £660 million a year for the Scheme.

Achieving efficiencies and safeguarding local accountability

3.19 The call for evidence asked interested parties to suggest options for reform that would best meet the primary and secondary objectives set out in paragraph 2.12 above. A range of tools and approaches to achieving greater economies of scale were suggested, with fund mergers, common investment vehicles, and existing collaborations such as procurement frameworks all discussed extensively.

3.20 Two themes were discussed consistently when respondents sought to evaluate the merits of the main proposals for reform:

- The potential cost and time required for implementation;
- The importance of local accountability.

Costs and benefits of the proposals

3.21 Around half of the responses discussed the cost effectiveness of merging funds and how this might be implemented. Many argued that while savings could be achieved as a result of economies of scale, more analysis was needed to ensure that the benefits

⁹ A list of the most commonly referenced papers can be found on the Shadow Scheme Advisory Board's web-pages: <http://www.lgpsboard.org/index.php/structure-reform/responses-public-view>

¹⁰ The Local Government Pension Scheme Shadow Scheme Advisory Board analysis and recommendations, p.3

of mergers outweighed the cost and time required to implement them successfully.

3.22 Analysis was undertaken by Hymans Robertson who evaluated the costs and benefits of three options for reform over 10 years. They found that although significant savings could be realised over the period by amalgamating into five funds, merger could take around 18 months longer to implement than common investment vehicles; the delay in the emergence of savings leading to a significant reduction in the net present value of savings over 10 years. The report also showed that the savings achieved by pooling assets into two common investment vehicles would be slightly higher than if 10 were used.¹¹

Possible model for reform	Net present value of savings over 10 years (£ billions)
Assets pooled into two common investment vehicles	£2.8
Assets pooled in 10 common investment vehicles	£2.6
Fund assets and liabilities merged into five funds	£1.9

3.23 The calculations shown exclude the impact of the reduced transaction costs, which Hymans Robertson showed would also help to deliver additional savings of £1.9 billion for the Scheme over 10 years.

3.24 A number of fund authorities also submitted evidence of the benefits to their fund of procurement frameworks such as the National LGPS Frameworks. A procurement framework provides authorities with a short list of organisations who can bid for contracts, reducing the time and cost of running a more substantial process.

National LGPS Frameworks' response to the call for evidence cited one fund who had used their actuarial framework to secure services at a procurement cost of £4,000 instead of the estimated £30,000-£40,000 required for a full procurement process. If this same rate of savings applies to Global Custodian procurements, with costs again reduced by 90 per cent, the Framework believes savings of £90,000 per fund can be found.

3.25 Although there are clear benefits to using frameworks, the scale of savings achievable does not match those possible through more substantial reform such as common investment vehicles. However, the Government believes that there is still a role for procurement frameworks to play in delivering savings for the Scheme and is keen to see this opportunity taken up by more of the funds.

Local accountability

3.26 Most call for evidence responses stressed the importance of local accountability and the direct link to elected councillors, which would be lost if funds were merged. At present the authority's Councillors, usually through the pensions committee, are asked to agree the fund's investment strategy. The authority then publishes an annual report which details the costs and investment performance of the fund, enabling the public to assess how effective the investment strategy has been. Some respondents argued that this allows local taxpayers to hold the fund and local councillors to account. As one fund authority stated:

¹¹ Local Government Pension Scheme structure analysis; Hymans Robertson p.6.

“There is a clear, democratic link to local voters and businesses through elected members sitting on pensions committees...

The regulatory requirements to produce an annual report and accounts and policy statements...ensure that key information on the management of funds is held in the public domain. This approach ensures local and national accountability.

The Pensions Committee believes that a forced merger of funds could only weaken accountability and the democratic link.”

3.27 However, a smaller number of respondents queried the benefit of this link, emphasising the importance of Myners Principle 1 – that administering authorities should ensure that investment decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make effective decisions and monitor their implementation.¹² Although Councillors on the committee receive training, there is a risk that they have neither a background in finance nor the time to invest in developing the knowledge required to a sufficient depth. In addition, some suggested that the frequent turnover of Pensions Committee members as a result of the electoral cycle made it difficult to ensure a long term view of the investment strategy.

3.28 The ability to set a tailored investment strategy and determine the asset allocation locally was seen as vital amongst respondents from both the public and private sectors. This is perceived as an important tool for managing each fund’s unique funding position and cash-flow requirements. Several respondents also emphasised the importance of local accountability as a means to ensuring the representation of Scheme members and employers. As one Scheme employer set out in their response to the call for evidence:

The existing arrangements in English County Council and London Funds promote and facilitate a clear link between the relevant individual Fund and employing bodies... As the public sector continues to fragment the number of scheduled/ admitted bodies will increase making all the more important a genuinely “local”, as presently exists, link between employers and Funds.

3.29 Under a fund merger, asset allocation would need to take place at the new, larger fund authority level. However, common investment vehicles offer greater flexibility and can be established with the asset allocation made either centrally within the vehicle, or by the local fund authority.

3.30 Around 15 responses to the call for evidence stressed that common investment vehicles could achieve the benefits of scale attributed to fund mergers, without the associated disruption, implementation time, cost or loss of local accountability. As one fund outlined when talking of pooling assets in common investment funds:

¹² Pensions Regulator – adaptation of Myners principles for the Local Government Pension Scheme
<http://www.thepensionsregulator.gov.uk/docs/igg-myners-principles-update.pdf>

This approach might realise significant scale benefits more speedily and with less disruption, while still retaining local accountability and decision making on key matters such as deficit recovery plans and asset allocation.

3.31 Having considered the responses to the call for evidence and Hymans Robertson's analysis, the Government has decided not to consult on fund mergers at this time. However, there remains a strong case for achieving economies of scale through the use of common investment vehicles.

4. Proposals for reform

Proposal 1: Common investment vehicles

The case for change

- 4.1 Using common or collective investment vehicles to aggregate the Scheme's investments and moving to passive investment of listed assets has the potential to deliver significant savings of over £660 million per year, through reduced investment and other costs for all asset classes in the Scheme. These savings were set out by Hymans Robertson, whose report showed that it was likely that the economies of scale from aggregation would be best accessed through common investment vehicles.
- 4.2 Further savings arise from the efficient structure offered by a common investment vehicle. Within any common investment vehicle or pooled fund, money will flow in and out as investors purchase and redeem units in the fund. If those buying and selling units within a pool can be matched, fund managers will not need to sell assets to meet redemption requests and as such the volume of transactions can be minimised, improving cost efficiency.
- 4.3 Common investment vehicles may also deliver savings by reducing the use of "fund of funds" to access alternative assets, such as hedge funds, private equity, property and infrastructure. Fund of funds are used to achieve the scale required for individual funds to make investments they may not be able to access directly. However, this introduces an additional layer of fees, increasing the total cost of investment. Setting up a common investment vehicle would help funds achieve the scale required to invest, without the high costs associated with a "fund of funds".
- 4.4 Hymans Robertson found that investment fees for alternative assets were particularly high compared to other asset classes, accounting for less than 10 per cent of the Scheme's assets, but for at least 40 per cent of fees.¹³ The firm's analysis showed that savings of up to £240 million per year could be achieved by ending the use of "fund of funds" across the Scheme, provided that the existing contracts were permitted to run their full course in order to avoid potentially significant termination costs. Consequently, although some savings would begin to accrue straight away, this annual total would be reached over 10 years.¹⁴
- 4.5 The wider benefits of common investment vehicles include improved transparency. As the funds would be subject to the same investment costs and asset managers, the effect of asset allocation and local decision making would become more transparent, revealed in part by the variation in investment returns. This should provide the Department, fund authorities and taxpayers with an opportunity to compare the effectiveness of a fund's asset allocation. In addition, the vehicle could provide a platform for the operation of national framework agreements, helping to minimise the cost of procurement and other administrative costs of investment such as actuarial and custodial services.

¹³ Local Government Pension Scheme structure analysis; Hymans Robertson p.11

¹⁴ Local Government Pension Scheme structure analysis; Hymans Robertson p.7

- 4.6 A common investment vehicle for alternative assets could also help to improve governance by providing an independent assessment of alternative investment strategies, particularly for local infrastructure investment. A pooled vehicle could make it easier for funds to invest in infrastructure when appropriate opportunities arise, by providing a cost effective way to realise the scale needed.
- 4.7 As discussed in paragraph 3.28, local determination of a fund's asset allocation was seen as a vital consideration amongst respondents to the call for evidence. A common investment vehicle could be designed to allow asset allocation to remain at local fund authority level, consistent with ensuring that decisions are taken in line with existing local accountabilities.

Proposal for reform

- 4.8 The Government believes that there are clear advantages to funds in pooling their assets in common investment vehicles for all asset classes, but that all asset allocation decisions should remain with the fund authorities.
- 4.9 Hymans Robertson's analysis demonstrated that there were slightly higher returns over ten years if the funds were organised through one common investment vehicle for listed assets and a second for alternatives, rather than a greater number. This evidence suggests that savings will be maximised by the creation of two vehicles: a single common investment vehicle for listed assets organised by asset class (for example, UK equity, European equity, UK bonds and so on), and a second vehicle for alternative assets.
- 4.10 Concentrating the Scheme into two common investment vehicles may increase its exposure to risk. Several public and private sector responses to the call for evidence also stressed that capacity constraints may begin to apply if a fund became too large. As one fund authority stated in their response to the call for evidence:

Furthermore there may be issues about capacity – the best fund managers may be closed to new business, and even if indeed the capacity exists, they may be reluctant to have too much business from a single client (as that creates business risks).

- 4.11 However, the Government believes that the exposure to risk should be mitigated if the asset allocation remains as diversified as it is at present. The Hymans Robertson report noted that the issue of capacity constraint would not apply to the common investment vehicle for listed assets if it were invested in passive funds.

- Q1. Do you agree that common investment vehicles would allow funds to achieve economies of scale and deliver savings for listed and alternative investments? Please explain and evidence your view.**
- Q2. Do you agree with the proposal to keep decisions about asset allocation with the local fund authorities?**
- Q3. How many common investment vehicles should be established and which asset classes do you think should be separately represented in each of the listed asset and alternative asset common investment vehicles?**

Further considerations

A. Changes to the investment regulations

4.12 The current investment regulations place restrictions on the amount of a fund that can be invested in certain types of vehicle, for example limited partnerships in aggregate are subject to a limit of 30 per cent. In addition, while some types of common investment vehicle are listed within the regulations, others are not. Squire Sanders, as subcontractor to Hymans Robertson, indicated that secondary legislation could be used to reform the investment regulations, removing the anomalies created between different types of vehicle and any ambiguity about the funds' ability to invest substantially in common investment vehicles.

4.13 The Government recognises that the investment regulations are in need of review. The Department will consult separately on reforms to these regulations, including any changes required to facilitate investment in common investment vehicles. **However, any initial thoughts would be welcome in response to this consultation.**

B. The type of common investment vehicle

4.14 The term collective or common investment vehicle can be used very broadly and take different forms. At this time, the Government would like to seek views on the specific type of common investment vehicle to be used, but anticipates that the following principles might underpin the design:

- Pooling of assets, possibly on a unitised or share basis;
- Safeguards for individual funds, for example through Financial Conduct Authority authorisation;
- Governance arrangements considered as part of wider governance reforms arising from 2013 Public Service Pensions Act;
- Strategic asset allocation remains with individual funds; and
- An option for other funded public service pension schemes to participate in the common investment vehicles if they wish.

4.15 There are a number of types of common investment vehicle available that might fulfil some or all of these principles. One such model currently under review is the tax transparent Authorised Contractual Scheme.¹⁵ However, careful consideration of the governance arrangements for any common investment vehicle would be needed before any more detailed proposals are developed.

Q4. What type of common investment vehicle do you believe would offer the most beneficial structure? What governance arrangements should be established?

Proposal 2: Passive fund management of listed assets

4.16 There are two main types of investment approach, which can be used individually or in combination.

- Passive management typically invests assets to mirror a market in order to deliver a

¹⁵ More information can be found on the Financial Conduct Authority's website:

<http://www.fca.org.uk/firms/firm-types/collective-investment-schemes/authorised-contractual-schemes>

return comparable with the overall performance of the market being tracked.

- An actively managed fund employs a professional fund manager or investment research team to make discretionary investment decisions on its behalf.

4.17 The Local Government Pension Scheme makes use of both of these approaches, although active management is used more extensively than passive. By applying their expertise, it is hoped that active managers will deliver a level of return in excess of the market's performance, although this comes at a much higher cost than passive management. A few funds gave examples of how they had benefited from active management in their response to the call for evidence.

For example, the active manager of one fund had outperformed their performance benchmark by 3.2 per cent since 2007 and by 5.7 per cent in the last three years.

4.18 However, Hymans Robertson cite evidence from defined benefit pensions funds in the United States which shows that for equities, returns are explained predominantly by market movements and asset allocation policy, with active management playing no role¹⁶.

The case for change

4.19 There are some risks associated with paying for active management, since not all active managers will be able to achieve returns higher than the market rate. Hymans Robertson was therefore asked to examine the performance of the Scheme in aggregate to see whether the funds' overall performance was benefiting from active management.

4.20 Hymans Robertson considered the performance before fees of equities and bonds in aggregate across the Scheme over the 10 years to March 2013. This new analysis, evaluating the funds' investment as one Scheme, showed that there was no clear evidence that the Scheme as a whole had outperformed the market in the long term. They concluded that listed assets such as bonds and equities could have been managed passively without affecting the Scheme's overall performance.

Equity market ¹⁷	UK	North America	Europe excluding UK	Japan	Developed Pacific excluding Japan	Emerging Markets
FTSE Index	10.7	9.5	11.4	7.4	16.4	18.2
Aggregate Local Government Pension Scheme	10.8	8.4	11.6	7.5	17.3	17.1
Excess active return gross of fees	0.1	-1.1	0.2	0.1	0.9	-1.1

¹⁶ Local Government Pension Scheme structure analysis; Hymans Robertson, p.19. Data based on 'Rehabilitating the Role of Active Management for Pension Funds' by Michel Aglietta, Marie Briere, Sandra Rigot and Ombretta Signori.

¹⁷ Local Government Pension Scheme structure analysis, Hymans Robertson, table 9 p.20. Sources: State Street Investment Analytics (The WM Company), CEM Benchmarking Inc. *This is Hymans Robertson's estimate of the extra cost which reflects the low fees that the Local Government Pension Scheme in aggregate pay for active management of UK equities. The global cost premium is estimated by CEM as 0.56%

Extra cost (per annum) of active	0.34*	0.27	0.20	n/a	0.49	0.53
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- 4.21 This analysis of investment return is specific to the performance of the Local Government Pension Scheme in aggregate.
- 4.22 In their report, Hymans Robertson quantified the fees savings achievable from moving to passive management of listed assets as £230 million per annum, assuming that all funds participated.¹⁸
- 4.23 In addition to the savings arising from lower fees, a move to passive management will also reduce the level of asset turnover. This occurs as investment managers buy and sell assets within an asset class. Both passive and active managers buy and sell assets, but turnover is generally much higher, and therefore more costly, under active management. Hymans Robertson estimated that if all of the Scheme's UK and overseas equities had been managed passively in the financial year 2012-13, turnover costs would have been around £190 million lower.¹⁹
- 4.24 Hymans Robertson also conducted a detailed analysis of the transition methodology and costs to move to passive management of all listed assets. They identified that the cost of transition could be around £215 million.²⁰ These transition costs are approximately equal to the savings achieved from reduced turnover costs in just one year.
- 4.25 Their analysis of transition also concluded that any market disruption will be limited as there is no proposed change to asset allocation. Hymans Robertson suggested that a single coordinated but phased transition would minimise market impact.

Proposals for reform

- 4.26 The Hymans Robertson report concluded that if the Scheme acts collectively and moves all listed assets into passive management, investment fees and turnover costs could be reduced by up to £420 million per year. This represents a significant saving for the funds, employers and local taxpayers which would begin to accrue within two years of moving to passive management of listed assets.
- 4.27 Having considered this analysis, the Government believes that funds should make greater use of passive management for all listed assets such as bonds and equities. Alternative assets such as property, infrastructure or private equity would continue to be managed actively through a separate common investment vehicle.

Further consideration

A. Take up of passive management

- 4.28 A number of the responses to the call for evidence emphasised that a small movement in investment performance has the potential to have a more significant impact on the Scheme's finances than the savings achievable from investment management fees. It is therefore important that full consideration is given to the

¹⁸ Local Government Pension Scheme structure analysis; Hymans Robertson p.7

¹⁹ Local Government Pension Scheme structure analysis; Hymans Robertson p.7

²⁰ Local Government Pension Scheme structure analysis; Hymans Robertson p.17

impact of a move to passive management on overall Scheme performance.

4.29 The Government acknowledges that, as set out in paragraph 4.17, there are funds who feel they have benefited from active management. However, Hymans Robertson's analysis of the savings associated with moving to passive management of listed assets is underpinned by a full consideration of investment performance by asset class across the Local Government Pension Scheme. This analysis shows that a move to passive management would not have damaged returns across the Scheme as, in aggregate, the funds' investment performance has replicated the market in much the same way as passive investment.

4.30 The Government therefore wishes to explore how to secure value for money for taxpayers, Scheme members and employers through effective use of passive management, while not adversely affecting investment returns. There is a range of options open to Government and the funds to achieve this:

- Funds could be required to move all listed assets into passive management, in order to maximise the savings achieved by the Scheme.
- Alternatively, funds could be required to invest a specified percentage of their listed assets passively; or to progressively increase their passive investments.
- Fund authorities could be required to manage listed assets passively on a "comply or explain" basis.
- Funds could simply be expected to consider the benefits of passively managed listed assets, in the light of the evidence set out in this paper and the Hymans Robertson report

Q5. In light of the evidence on the relative costs and benefits of active and passive management, including Hymans Robertson's evidence on aggregate performance, which of the options set out above offers best value for taxpayers, Scheme members and employers?

5. Additional considerations

Data transparency

- 5.1 Although all of the funds publish annual reports setting out their costs and investment returns, a theme common to the majority of responses to the call for evidence was the need for greater transparency and more comparable data. As one fund outlined in its response to the call for evidence:

There is currently insufficient information available to permit a robust comparison of different Local Government Pension Scheme funds. This includes data on investment performance, investment management costs, pension administration costs, and actuarial information. All of this data should already be available within each Local Government Pension Scheme fund but there needs to be a central repository to collate and analyse the information and ensure that it is comparable.

- 5.2 Moving to a common investment vehicle will help to facilitate this transparency, as the investment fees derived from a common vehicle will be more comparable. It will also help to highlight the effect of asset allocation and fund decision making. Since the funds would be investing through the same vehicles, the effect of asset allocation will be more easily seen from the resulting variation in investment returns. The common investment vehicles would also allow greater clarity over variations between asset allocations and actuarial discount rates.
- 5.3 However, it is clear that further improvements are needed to ensure published Scheme data is comparable between funds. The Minister for Local Government has asked the Shadow Board to look at data transparency in more detail and it has already made progress in this area, bringing together all of the funds' annual reports on its website. The Government is keen to support the Shadow Board in this work and looks forward to working with it to ensure more comparable data is available in the future.

Procurement frameworks

- 5.4 As set out in paragraph 3.24, there are clear advantages and savings to making use of the National LGPS Frameworks. The frameworks provide funds with the opportunity to reduce the cost and time associated with procurement. By developing a short list of approved candidates, the frameworks can help funds reduce the time taken to procure a service from six to nine months to a matter of weeks, as well as offering standardised terms and conditions. In addition to offering savings to the funds, the small fee paid by funds to access the framework helps to ensure that the model is self-financing in the long term.
- 5.5 At present, frameworks have been established by the National LGPS Framework for investment consultancy, global custody and benefit and actuarial services. The Government believes that funds can deliver further savings, using these frameworks to procure a range of services including actuarial and investment advice. Funds should give serious consideration to making greater use of these frameworks. In addition, common investment vehicles could be used as a platform from which to operate such frameworks.

Administration

5.6 The question of how to improve the cost effectiveness of administration was posed in the call for evidence as a secondary objective for structural reform. Around 12 submissions suggested that larger funds were able to achieve lower administration costs. Some fund authorities and pensions administrators set out the benefits they had seen from aggregating administration services, arguing that significant savings could be achieved from reduced staff and accommodation costs, greater automation, member and employer self service and I.T cost reductions. For example, as a shared service for fund authorities set out in their response:

Local Government Shared Services (“LGSS”) Pensions Service is a collaborative venture between two Scheme funds established in October 2010, which has already saved £500k per annum in pensions administration.

5.7 However, while these savings are valuable to the Scheme, they are small in comparison to the cost reductions associated with greater passive management of listed assets and the use of common investment vehicles. In addition, as some respondents stressed, the administration of the Scheme is already facing a period of significant change with the introduction of the 2014 Scheme from 1 April 2014.

5.8 Having considered these factors, the Government has decided not to consult on administration reform at this time. However, the call for evidence has highlighted the scope for potential administrative efficiencies as well as the associated risks. At this stage, the Government proposes to allow the administration arrangements for the 2014 Scheme to mature before considering reform any further.

APPENDIX 2

City & County of Swansea Pension Fund Draft Consultation Response

The City & County of Swansea, has considered the set of proposals which are set out in your consultation document. We are pleased to see that they are broadly in line with the key recommendations within the Society of Welsh Treasurers (SWT) Pensions Group Working Together report 2013.

In order to take the proposals forward CLG have posed 5 questions for consultation, the following is the response of the City & County of Swansea Pension Fund:

Question 1

Do you agree that common investment vehicles (CIVs) would allow funds to achieve economies of scale and deliver savings for listed and alternative investments? Please explain and evidence your view.

In principle yes, however this is largely caveated by the structure and framework of the CIV, it is still unclear as to how the CIV would be implemented (independent body, taken on by an existing Administering Authority, or outsourced to third parties).

In order for Administering Authorities to maintain their asset allocation/investment strategy autonomy, there needs to be sufficient scope and breadth of asset class not only by class but by risk appetite. Noting this, it is even more important that the structure of the CIV is as cost efficient as possible if it is planned to offer a CIV across the investment universe. A more measured approach may be the adoption of CIVs in the more commonly owned and highly liquid asset classes (equities and bonds) than trying to satisfy the varying requirements of the different funds which may have difficulty and (cost) in extricating themselves from existing illiquid investments. A great advantage of the current investment arrangements of the LGPS is the natural risk diversification it offers.

There is a danger that the economies of scale are eroded by a replication of management/administration costs within the CIV. It is recommended that CLG engage with the fund management industry through the IMA and leverage the efficient pooled structures already available by urging fund managers in recognising LGPS as a CIV client and passing these savings onto LGPS through collective negotiations/frameworks entered into with the IM industry. A potential unwanted outcome of this process is a reduction in competition.

Question 2

Do you agree with the proposal to keep decisions about asset allocation with the local fund authorities?

Yes, each fund has varying funding level/maturity profile/membership and hence its investment strategy should have the flexibility to match those liabilities and demands.

The experience and subject competence in each Authority is variable, however it is envisaged that the revised governance and trustee training regulations will reinforce and ensure robust governance structures are in place to make informed decisions.

An important mechanism that Administering Authorities currently can exercise in the event of non performance by an appointed manager is termination of contract, it is important that each Administering Authority is still afforded this ultimate sanction in the event of a non performing CIV.

Question 3

How many common investment vehicles should be established and which asset classes do you think should be separately represented in each of the listed asset and alternative asset common investment vehicles?

It should be clear that the objective of cost efficiency is married with the ability of each Administering Authority to deploy its adopted investment strategy.

The number of CIVS should adequately reflect this (and it is envisaged that your proposal of 5 to 10) most fits with this aim. The implementation should start with the liquid most commonly owned asset classes i.e equities and bonds which would allow most funds to deploy their assets into a suitable CIV with relative ease realising the most savings.

The appropriateness of trying to configure the raft of alternative CIVs required would be a considerable task

Question 4

What type of common investment vehicle do you believe would offer the most beneficial structure? What governance arrangements should be established?

We think it is important that the envisaged cost benefits of the CIVs are not eroded by overly complicated replicated management structures.

It is clear that fund managers have in place legal structures/management agreements which would reflect LGPS as a collective client delivering the associated fee benefits with minimum set up and ongoing costs.

In the above arrangements, the important of robust governance is paramount and the formation of a trustee board made up of investment officers elected members and advisors is recommended to provide the necessary directional framework.

Question 5

In light of the evidence on the relative costs and benefits of active and passive management, including Hymans Robertson's evidence on aggregate performance, which of the options set out above offers best value for taxpayers, Scheme members and employers?

The LGPS as whole and CCS as Administering Authority already makes broad use of passive management in the main asset classes (equities and bonds), with CCS investing approximately 34% of its portfolio in this way.

It should be recognised that although passive management offers the most cost benefits from a fee perspective, it is not without its investment disadvantages, (namely market risk, market capitalisation risk, concentration of assets, investment bias, investment inefficiency). In this vein alternative indices should be considered alongside market capitalised indices when specifying passive investing

Of the options outlined, funds should be encouraged to work towards a minimum percentage of funds invested on a passive basis with a comply or explain framework implemented. This fund has benefitted from the outperformance of active management and the experience of other funds on a localised basis would support the same. There would be increased volatility and concentration of investment risk if wholly invested passively.

Agenda Item 7

Report of the Section 151 Officer

Pension Fund Committee July 3 2014

TRUSTEE & PENSION FUND COMMITTEE TRAINING – CIPFA CODE OF PRACTICE PUBLIC SECTOR FINANCE KNOWLEDGE & SKILLS

Purpose:	To determine an annual training programme for Trustees and Officers of the Pension Fund
Policy Framework:	CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice
Reason for Decision:	To ensure compliance with the CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice
Consultation:	Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that: 1) the Training identified for members and officers in sections 3.5 and 3.6 be approved
Report Author:	Jeffrey Dong
Finance Officer:	Jeffrey Dong
Legal Officer:	Nigel Havard
Access to Services Officer:	

1 Introduction

- 1.1 In March 2000, the Chancellor of the Exchequer commissioned Paul Myners to conduct a review of institutional investment in the UK. The review was asked to consider whether there were distortions in institutions' investment decision-making. The efficiency of investment decision-making is an important driver of productivity, helping ensure that capital is allocated effectively and that managers are monitored and held accountable for performance.
- 1.2 One of Myners' main conclusions was that many pension fund trustees lack the necessary investment expertise to act as strong and discerning customers of the investment consultants and fund managers who sell them

services.

1.3 In order to address the distortions identified, Myners recommended that pension fund trustees voluntarily adopt, on a 'comply or explain' basis, a series of principles codifying best practice for decision-making in relation to investment. These principles would be a powerful force for behavioural change. The central tenets included:

- decisions should be taken only by those with the right skills and expertise, and trustee boards should ensure they have access to appropriate skills and resources;
- fund managers should be set clear objectives and timescales;
- the performance of all managers should be measured, and trustees should assess their own performance;
- trustees should engage with investee companies where it is in the interests of their fund members so to do; and
- the investment strategy and returns of the fund should be reported annually to members and the public.

1.4 The Government agreed that the principles represent a clear and coherent approach, which will help the pensions industry respond to the challenges it faces, and from which everyone – consumers, industry and Government, but especially pension funds themselves – stands to benefit. The Government committed to reviewing after two years the extent to which the principles had been effective in bringing about behavioural change.

2 **Progress**

2.1 The Government has concluded that the voluntary approach is beginning to work, but considerably more efforts are needed to ensure that problem areas identified by the review are satisfactorily addressed. It believes that pension funds would better serve their members' and sponsors' interests if the best practice embodied in the Myners principles were to be strengthened and amplified, particularly in relation to trustee expertise and the process of investment decision-making.

2.2 Strengthening trustee skills and expertise is fundamental to achieving Myners' goals. The Pensions Act requires all trustees and officers to have appropriate knowledge and understanding of funding, investment, and relevant legal and scheme-specific issues. The Pensions Regulator will be responsible for enforcing this legal requirement, and the Occupational Pensions Regulatory Authority (OPRA) has developed a detailed code of practice to provide trustees with guidance.

2.3 The Government proposed that the Myners principle in relation to effective decision-making (principle 1) should be strengthened to align it with the

objective standard of expertise set in the Pensions Act; but also to incorporate the review's conclusion that: the role played by the chair of the trustee board; having a critical mass of trustees with investment expertise; and the availability of additional resources to support the trustee board, are all key factors in promoting effective investment decision-making by pension funds. It therefore proposed to add three new elements to the principle. In all pension funds, the chair has a critical role in ensuring that the board as a whole has appropriate skills to address its responsibilities, and sets aside the appropriate time and resources to address investment decision-making.

3 CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice

3.1 The CIPFA Code of Practice represents a key element in complying with Myners' requirements for knowledge & skills in decision makers in public pension funds.

3.2 The Code of practice is underpinned by 4 key principles:

1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making and other aspects of the financial administration of public sector pension schemes can only be achieved where the those involved have the requisite knowledge & skills.
2. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.
3. The associated policies and practices are guided by reference to the requirements outlined in the CIPFA Pensions Finance Knowledge & Skills framework.
4. The organisation has designated a named individual to be responsible for ensuring that policies are implemented.

3.3 CIPFA recommends that all LGPS organisations adopt the following statements:

1. This organisation adopts the key recommendations of the Code of Practice
2. This organisation recognises that effective financial administration and decision making can only be achieved where those involved have the requisite knowledge and skills
3. accordingly that organisation will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant knowledge and skills
4. The policies and practices will be guided by reference to CIPFA knowledge and skills framework
5. The organisation will report on an annual basis how these policies have

been put into place

6. this organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of practice to the Section 151 Officer

3.4 The City & County of Swansea Pension Fund Policy Statement

The City & County of Swansea Pension Panel recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the LGPS are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The City & County of Swansea Pension Fund formally adopted the CIPFA Pensions Finance Knowledge & Skills Code of Practice in June 2012. It will provide/arrange training for staff and members of the pensions decision making body to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The pension panel has designated the Section 151 officer to be responsible for ensuring that the policies are implemented.

The Pension Committee has formally undertaken initial introductory training in the LGPS and now needs to consolidate that knowledge with continuous development.

With the pending revision of LGPS Governance Regulations, the importance of minimum Trustee competence, knowledge and skills will greatly increase

3.5 In 2014/15, the following initial training is recommended for members:

1. LGE (Local Government Employers) Trustee Fundamentals day 1, 2 & 3 (for those members who have not undertaken the course)
2. LGC Investment Summit
3. Infrastructure Investment as an asset class
4. Challenges Facing the LGPS

3.6 The determination of the training requirements for officers shall be delegated to the Section 151 Officer and shall be implemented through the personal appraisal process

4 Financial Implications

4.1 The financial implications of the report are that costs will be maintained within the training budget of the Pension Fund.

5 Legal Implications

5.1 The underlying legal framework is set out in the Report

6 Equality Impact Assessment Implications

6.1 None

Agenda Item 8

Report of the Section 1.5.1. Officer

Pension Fund Committee – 3 July 2014

REPORT ON LOCAL GOVERNMENT PENSION SCHEME CONSULTATION REGULATIONS

Purpose: The report presents an overview of the communication strategy which will be undertaken to encourage Scheme members to register to use Member Self Service

Report Author: Lynne Miller – Pensions Manager

Finance Officer: Jeff Dong – Chief Treasury & Technical Officer

Legal Officer: Nigel Havard

Access to Services Officer:

FOR INFORMATION

1. Background

1.1 The Committee approved the purchase of Member Self Service (MSS) on 13th March 2014.

1.2 MSS will provide Scheme members with secure online access to their details held on the pension database as well as allow them to make some amendments to the data held, such as their Death Grant Expression of Wish and perform estimates of benefit calculations.

1.3 The Committee requested that a follow-up report be provided to update them on the performance of the system and the communication strategy being undertaken.

1.4 The system is currently at its implementation stage and therefore an update on its performance will be provided at further meetings; however this report presents an overview of the communication strategy which will be undertaken to encourage Scheme members to register to use MSS.

2. Main Body

2.1 An implementation plan for MSS has been devised between the Fund and *heywood*, the supplier with a provisional go-live date for late August 2014.

2.2 MSS will be accessed from the front page of the Fund's website.

- 2.3 The go-live date is timed to tie in with the distribution of the Annual Benefit Statements for 2013/14 which have to be issued by 31st August 2014, in accordance with the regulations.
- 2.4 The Annual Benefit Statements will contain a loose-leafed insert which will outline the benefits of registering to use MSS as well as provide details of how to obtain an activation key from the Fund. This will notify all active members of the new facility.
- 2.5 MSS has already been highlighted to employers during recent meetings. Following the launch of MSS, the Fund will ask permission from its participating employers to visit staff premises to further promote the facility as well as be on hand to assist with registration. Permission will also be sought to advertise on notice boards and through work emails
- 2.6 It is also the intention to send activation keys to all new members in 'New Member Packs' at commencement as well as include information in any correspondence where it is appropriate.
- 2.7 The facility will also be promoted during induction courses, pre-retirement courses and any other presentations or meetings that the Fund arranges or is invited to attend.
- 2.8 Pensioner members will receive the information contained on the Annual Benefit Statement insert in their Annual Newsletter which will next be distributed in April 2015. Pensioner members will be able to view the current value of their pension and submit a change of address or bank/building society account.
- 2.9 Deferred members will receive the same insert in their Annual Benefit Statement which will be distributed circa June 2015.

4. Equality and Engagement Implications

- 4.1 There are no equality and engagement implications.

5. Legal Implications

- 5.1 There are no legal implications.

6. Financial Implications

- 6.1 There are no financial implications.

FOR INFORMATION

Background papers: None

Appendices: None.

Agenda Item 9

Report of the Head of Legal, Democratic Services & Procurement

Pension Fund Committee – 3 July 2014

EXCLUSION OF THE PUBLIC

Purpose:	To consider whether the Public should be excluded from the following items of business.	
Policy Framework:	None.	
Reason for Decision:	To comply with legislation.	
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.	Relevant Paragraphs in Schedule 12A
	9	14
	10	14
	11	14
	12	14
Report Author:	Democratic Services	
Finance Officer:	Not Applicable	
Legal Officer:	Patrick Arran – Head of Legal, Democratic Services and Procurement (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.

Public Interest Test

No.	Relevant Paragraphs in Schedule 12A
12	Information relating to a particular individual.
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 12 should apply. His 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 he 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.</p>
13	Information which is likely to reveal the identity of an individual.
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 13 should apply. His 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 he 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.</p>
14	Information relating to the financial or business affairs of any particular person (including the authority holding that information).
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 14 should apply. His view on the public interest test was that:</p> <p>a) Whilst he was 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</p> <p>b) Disclosure of the information would give an unfair advantage to tenderers for commercial contracts.</p> <p>This information is not affected by any other statutory provision which requires the information to be publicly registered.</p> <p>On that basis he 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.</p>

No.	Relevant Paragraphs in Schedule 12A
15	<p>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.</p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 15 should apply. His view on the public interest test was that whilst he is mindful of the need to ensure that transparency and accountability of public authority for decisions taken by them he was 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 he 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.</p>
16	<p>Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.</p>
	<p>No public interest test.</p>
17	<p>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.</p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 17 should apply. His 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 he 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.</p>
18	<p>Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime</p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 18 should apply. His 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 he 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.</p>

Agenda Item 11

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

Agenda Item 12

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.

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By virtue of paragraph(s) 14 of Schedule 12A
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By virtue of paragraph(s) 14 of Schedule 12A
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as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

Document is Restricted

Agenda Item 13

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