

CITY AND COUNTY OF SWANSEA

MINUTES OF THE PENSION FUND COMMITTEE

**HELD AT COMMITTEE ROOM 1, CIVIC CENTRE, SWANSEA ON
THURSDAY, 13 JULY 2017 AT 10.00 AM**

PRESENT: Councillor C E Lloyd (Chair) Presided

Councillor(s)

P Downing
M Thomas

Councillor(s)

D G Sullivan

Councillor(s)

W G Thomas

Neath Port Talbot County Borough Council Councillor:

P A Rees

Officer(s)

Karen Cobb
Jeffrey Dong
Jeremy Parkhouse
Ben Smith
Stephanie Williams

Senior Accountant
Chief Treasury & Technical Officer
Democratic Services Officer
Section 151 Officer
Principal Lawyer

Also Present:

N Mills
V Furniss
W Marshall

Independent Investment Advisor
Independent Investment Advisor
Investment Consultant - Hymans Robertson

Apologies for Absence

Councillor(s): M B Lewis

5 DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.

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

Councillors

Councillor P Downing - agenda as a whole - my brother works for the Council and contributes to the Pension Fund – personal.

Councillor C E Lloyd – agenda as a whole – my father is a member of the Local Government Pension Scheme – personal.

Councillor D G Sullivan - agenda as a whole – My daughter-in-law is a contributory member of the Pension Scheme and I am in receipt of a Local Government Pension - administered by Dyfed Pension Scheme - personal.

Councillor M Thomas - agenda as a whole – My wife and I are both members of the Local Government Pension Scheme – personal.

Minute No.10 – Draft Statement of Accounts 2016/17 - I am a Community Councillor with Llanrhidian Higher Community Council – personal.

Officers

J Parkhouse - Minute No.10 – Draft Statement of Accounts 2016/17 - I am employed as Clerk to Llanrhidian Higher Community Council – personal.

6 **MINUTES.**

RESOLVED that the Minutes of the Pension Fund Committee meetings held on 9 March and 22 June 2017 be approved as correct records.

7 **URGENT ITEM.**

The Chair stated that pursuant to paragraph 100B (4)(b) of the Local Government Act 1972, he considered that the Consideration of Options to Complete the GMP Reconciliation Exercise report should be considered at the meeting as a matter of urgency.

8 **CONSIDERATION OF OPTIONS TO COMPLETE THE GMP RECONCILIATION EXERCISE WITHIN TIMESCALES AVAILABLE.**

Reason for Urgency: To inform the Pensions Committee that an exercise was being undertaken to consider the options available to complete the GMP reconciliation exercise within the required timescales.

The Chief Treasury and Technical Officer presented a 'for information' urgent report as outlined above. He provided the background to the GMP reconciliation exercise and highlighted the timescales and potential risks involved.

The Committee discussed the information provided in the report and noted the progress made.

9 **LOCAL PENSION BOARD MEMBERS' ATTENDANCE AT PENSION FUND COMMITTEE. (FOR INFORMATION)**

The Principle Lawyer presented a 'for information' report that informed Committee Members regarding future arrangements for attendance of Pension Board members at Pensions Committee.

It was outlined that currently, Pension Boards members were not able to attend full meetings of the Pensions Committee and must leave when any exempted items were being discussed, similar to members of the public.

A letter was received by the previous Chair of the Pensions Committee, Councillor R C Stewart, from the Chair of the Pensions Board Councillor Alan Lockyer, which

formally requested attendance of a Pension Board representative at the Pensions Committee for the full agenda, including exempt items. The letter stated that this was to comply with their Statutory duties and the representative would report back to the full Pensions Board.

Research provided showed that in Wales, 5 Pensions Committees do not allow full attendance of Pensions Board members and 3 allowed attendance.

Advice was provided by the Head of Legal and Monitoring Officer and the previous Director of Resources in response to the letter. The advice was that Pension Board Members could have access to the confidential papers at the same time they are published for the Pensions Committee and that the Chair or Vice Chair could attend the Committee meeting and stay for exempt reports. However, there may be exceptional cases where they would be asked to leave and this would be explained at the time. Pension Board members would also be required to sign a confidentiality undertaking in relation to attendance at Pensions Committee for exempt items and access to exempt reports.

10 **DRAFT STATEMENT OF ACCOUNTS 2016/17.**

The Chief Treasury and Technical Officer presented the City and County of Swansea Pension Fund Statement of Accounts 2016/17. He thanked staff within the Treasury and Technical Team for their work on producing the accounts.

It was stated that the City and County of Swansea Pension Fund Accounts form a distinct and separate component of the Statement of Accounts of the City and County of Swansea as a whole. The Wales Audit Office had audited the Pension Fund Statement of Accounts 2016/17 in line with their report would be presented to Pension Fund Committee at the conclusion of the audit later in the year.

The City & County of Swansea Pension Fund Draft Statement of Accounts 2016/17 were attached at Appendix 1.

RESOLVED that the Draft Statement of Accounts 2016/17 be approved.

11 **WALES PENSION PARTNERSHIP - UPDATE. (FOR INFORMATION)**

The Chief Treasury and Technical Officer presented a 'for information' report that informed the Pension Fund Committee on the progress of the All Wales Investment Pool.

Appendix 1 of the report contained an updated timetable and progress update produced by the Wales Pension Partnership's Advisors, Hymans Robertson.

It was added that the Joint Governance Committee (JCG) had its first formal meeting on 29 June 2017. The remit of the JCG was set out in the IAA. The JCG would oversee the procurement process for the Operator and the formal Joint Committee would make the final recommendation to appoint the bidder who best meets the specification criteria.

The Investment Practitioners Group and Officer Working Group (OWG) had been working in consultation with Hymans Robertson and the appointed legal advisors Burges Salmon, in formulating and finalising the procurement process and documentation. The final Invitation to tender (ITT) was issued in June 2017. The OWG shall make the recommendation to appoint an operator to the JCG in September 2017. This decision would then be approved by each Pension Fund Committee in September 2017.

12 **TRAINING PLAN.**

The Chief Treasury and Technical Officer presented a report that sought to determine an annual training programme for Trustees and Officers of the Pension Fund.

It was added that training was required to ensure compliance with the CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice and the Pension Regulator Knowledge and Understanding Requirements.

It was outlined that in 2017/18, the following training had been identified as appropriate training to be undertaken by Members of the Committee, along with any appropriate training opportunities that presented themselves during the year, to be agreed by the Section 151 Officer:

1. Investment Beliefs Workshop
2. ESG Beliefs Workshop
3. LGE (Local Government Employers) Trustee Fundamentals day 1, 2 & 3
4. LGC Investment Summit
5. LAPFF AGM
6. CIPFA trustee training
7. Investment Pooling and the regulatory framework re. an ACS

RESOLVED that the above identified training be agreed.

13 **MIFID II. (FOR INFORMATION)**

The Chief Treasury and Technical Officer and Investment Consultant presented a 'for information' report that informed the Pension Fund Committee on MIFID II and its potential impact on the LGPS nationally and locally.

The potential Impact on the LGPS, the proposed assessment required and the way forward were outlined. The Local Government Association response was provided at Appendix 1.

14 **LGPS CODE OF COST TRANSPARENCY. (FOR INFORMATION)**

The Chief Treasury and Technical Officer presented a 'for information' report that informed the Pension Fund Committee on the new voluntary code of conduct on cost transparency in the fund management industry.

Attached at Appendix 1 was the Code of Conduct for Cost Transparency. It was recognised that the template for completion had only been developed for equity mandates at this stage and the templates for other asset classes were being developed. However, it was intended to engage the appointed equity managers and (other asset class managers as the templates became available) to sign up to the voluntary code. It was noted that this should become a requisite of any future appointments to the fund or the Wales Pension Partnership Pool.

15 **BREACHES POLICY. (FOR INFORMATION)**

The Chief Treasury and Technical Officer presented a 'for information' report that informed the Pension Fund Committee of any breaches that had occurred in the Pension Fund in accordance with the Reporting Breaches Policy.

The Breaches Report was attached at Appendix A. Further information was provided in respect of retirement lump sum payments and a breach of failure by one employer (Gwrp Gwalia) to submit data to the Pension Fund by 30 April in order for the end-of-year reconciliation of contributions and pay to be added to members' records.

16 **INTERNAL CONTROL REPORTS REVIEW. (FOR INFORMATION)**

The Chief Treasury and Technical Officer presented a 'for information' report that informed the Pension Fund Committee of reportable items contained within the internal controls reports of appointed fund managers.

It was added that Asset managers and custodians were subject to heavy regulation from a global, EU and UK context. They were required to report on their systems of internal control, which were subject to external audit and comment by suitably qualified and independent audit companies. The summary of exceptions for the last calendar year was attached at Appendix 1 for the City & County of Swansea's appointed fund managers and custodian.

It was noted that the exceptions had been addressed appropriately by management and were recognised as such with appropriate remedial action being undertaken.

17 **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 involved the likely disclosure of exempt information as set out in the exclusion paragraph of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 relevant to the item(s) of business set out in the report.

The 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)

18 **ADVISORS' REPORTS. (FOR INFORMATION)**

The report presented the economic update and market commentary from the perspective of the appointed Independent Advisors.

Attached at Appendix 1 were the quarterly reports ended 31 March 2017 of the two independent investment advisors, Mr Noel Mills and Mr Valentine Furniss. Mr Furniss also circulated an Investment Report for the Quarter ended 30 June 2017.

The Committee asked questions of each Advisor which were responded to accordingly.

The content of each report was noted by the Committee and the independent advisors were thanked for their reports.

19 **INVESTMENT CONSULTANT'S REPORT. (FOR INFORMATION)**

Mr W Marshall, Hymans Robertson, the appointed investment consultant to the fund, presented the investment, market update and review of Fund performance for the quarter ending 31 March 2017. A brief report relating to Quarter 2, 2017 was also provided to the Committee.

The Committee asked questions of the Investment Consultant which were responded to accordingly. The content of the reports were noted by the Committee and the Investment Consultant was thanked for the report.

20 **INVESTMENT SUMMARY. (FOR INFORMATION)**

The Chief Treasury and Technical Officer provided a "for information" report that presented at Appendix 1 the quarterly investment summaries for the Pension Fund for the quarter, year and three years ended 31 March 2017.

21 **FUND MANAGER'S PRESENTATION:**

A joint presentation was made by Craig McDonald and Emily Archer of Harbourvest.

Questions in relation to the content of the presentation were asked by the Committee and responses were provided accordingly.

The content of the presentation was noted and the Chair thanked the Fund Managers for attending the meeting.

The meeting ended at 12.35 pm

CHAIR