



City and County of Swansea

## Minutes of the **Local Pension Board**

Committee Room 5 - Guildhall, Swansea

Monday, 5 November 2018 at 10.30 am

### Present:

#### Employer Representatives

Councillor A Lockyer                Neath Port Talbot County Borough Council  
Councillor T M White                Swansea Council

#### LGPS Member Representatives

I Guy                                        Neath Port Talbot County Borough Council

#### Officer(s)

Karen Cobb                                Senior Accountant  
Jeffrey Dong                                Interim Deputy Chief Finance Officer and Deputy S151  
    Officer.  
Carolyn Isaac                                Lawyer  
Jeremy Parkhouse                         Democratic Services Officer

#### Apologies for Absence

A Chaves

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### 32 To Elect a Chair for the 2018-2019 Municipal Year.

**Resolved** that Councillor Alan Lockyer (Neath Port Talbot County Borough Council) be elected Chair for the 2018-2019 Municipal Year.

**(Councillor Alan Lockyer Presided)**

### 33 To Elect a Vice-Chair for the 2018-2019 Municipal Year.

**Resolved** that Mr Ian Guy be elected Vice-Chair for the 2018-2019 Municipal Year.

### 34 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: -

I Guy – Agenda as a whole – Member of Local Government Pension Scheme – personal.

Councillor A Lockyer – Agenda as a whole – Member of Local Government Pension Scheme – personal. My wife and son are also Members of the Local Government Pension Scheme – personal.

Councillor T M White – Agenda as a whole – Member of Local Government Pension Scheme – personal.

**Officers:**

K Cobb - Agenda as a whole – Member of Local Government Pension Scheme – personal.

J Dong – Agenda as a whole – Member of Local Government Pension Scheme – personal.

C Isaac – Agenda as a whole – Member of Local Government Pension Scheme – personal.

J Parkhouse – Agenda as a whole – Member of Local Government Pension Scheme, Minute No.37 – Draft Statement of Accounts 2017/18 and Minute No.38 – Annual Report 2017/18 - Clerk of Llanrhidian Higher Community Council – personal.

**35 Minutes.**

**Resolved** that the Minutes of the Local Pension Board meetings held on 30 April, 26 July and 27 September 2018 be signed and approved as correct records.

**36 ISA 260 Report.**

In the absence of the Wales Audit Office, the Deputy Chief Finance / Section 151 Officer presented a report that set out the matters arising from the audit of the financial statements of the Pension Fund for 2017/18, which required reporting under ISA 260.

It was outlined that the gross assets controlled by the Pension Fund amounted to £1.9 billion. The quantitative levels at which misstatements were judged to be material for the Pension Fund is £19.1 million. The report provided the matters arising from the audit of the financial statements of the Pension Fund for 2017-18.

The draft financial statements for the year ended 31 March 2018 were received on 25 May 2018, prior to the 30 June 2018 deadline. The Wales Audit Office were reporting the more significant issues arising from the audit, which they believed must be considered prior to approval of the financial statements. These issues had already been discussed with the Section 151 Officer.

It was the Auditor General's intention to issue an unqualified audit report on the financial statements once the Authority had provided a Letter of Representation based on that set out in Appendix 1. The proposed audit report was set out in Appendix 2.

It was added that there were no non-trivial misstatements identified in the financial statements which remained uncorrected. There were misstatements which had been corrected by management but which the auditors felt should be highlighted due to their relevance to the responsibilities of the Authority over the financial reporting process.

These were set out with explanations in Appendix 3. These amendments increased the value of investments in the Net Assets Statement by £2.5 million (it was recognised this arose as a timing difference due to the necessity to use estimated figures in order to meet accounts closure deadlines. There were also a number of other presentational amendments made to the draft financial statements arising from the audit.

The key recommendations arising from the financial audit work were set out in Appendix 4. Management had responded to them and progress would be checked during next year's audit. Where any actions were outstanding, the auditors would continue to monitor progress and include it in the report next year.

The Deputy Chief Finance / Section 151 Officer expressed his appreciation to the Finance staff for providing the accounts to the Wales Audit Office well before the required deadline and for the positive report received.

The Board discussed the current method of dealing with external employers and death grant nominations.

**Resolved** that: -

- 1) The contents of the report be noted;
- 2) The Deputy Chief Finance / Section 151 Officer liaises with Ian Guy, LGPS Member Representative regarding highlighting death grant nominations to Fund members.

### **37 Draft Statement of Accounts 2017/18.**

The Deputy Chief Finance / Section 151 Officer presented 'for information' the City and County of Swansea Pension Fund Statement of Accounts 2017/18. He thanked staff within the Treasury and Technical Team for their work in producing the accounts.

It was stated that the City and County of Swansea Pension Fund Accounts formed 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 2017/18 in line with their report would be presented to Pension Fund Committee at the conclusion of the audit later in the year.

The report provided a detailed and informative analysis of the Accounts, highlighting the positive return and stated that the long-term cash flow projections were positive for the Fund into the medium term. It was added that the net assets of the Fund had risen to £1,914,031 at 31 March 2018.

The City & County of Swansea Pension Fund Draft Statement of Accounts 2017/18 were attached at Appendix 1.

**38 Annual Report 2017/18.**

The Deputy Chief Finance / Section 151 Officer provided 'for information' the Annual Report for the City & County of Swansea Pension Fund.

It was outlined that the Wales Audit Office had completed their audit of the Pension Fund Draft Statement of Accounts 2017/18 in line with their audit plan. As required by regulation, the fund was also required to produce an annual report, providing some additional information and explanatory notes in relation to the activity of the fund during the year. The financial statements in the Annual Report were adjusted as per audit findings and recommendations by the appointed auditor.

The City & County of Swansea Annual Report 2017/18 was provided at Appendix 1.

The Board discussed performance fees and targets.

**39 Breaches Report.**

The Deputy Chief Finance / Section 151 Officer presented a 'for information' report, which provided details of breaches that had occurred in the Pension Fund in accordance with the Reporting Breaches Policy.

Appendix A provided the details of breaches that had occurred in the period and the details of the breaches and actions undertaken by the Management were highlighted.

**40 General Data Protection Regulations (GDPR) Update.**

The Deputy Chief Finance / Section 151 Officer provided a 'for information' report which presented an update on the City & County of Swansea Pension Fund's action plan to comply with GDPR requirements.

Appendix 1 provided a Practical Guide to GDPR and Appendix 2 provided the full GDPR Privacy Notice, Employer's Memorandum of Understanding and Member frequently asked questions.

**41 Business Plan 2018/19.**

The Deputy Chief Finance / Section 151 Officer reported 'for information' the Pension Fund Committee Business Plan 2018-2019, to provide a working framework for the Fund's programme of work.

Appendix 1 provided the Annual Business Plan 2018-2019, Appendix 2 the Pension Fund Risk Register and Appendix 3 the Pension Fund Budget 2018-19.

The Board discussed Welsh Pension Partnership progress, roll out and arrangements with existing fund managers.

#### **42 Admission Body Application - Freedom Leisure.**

The Deputy Chief Finance / Section 151 Officer provided a 'for information' report that outlined the admission body application for Freedom Leisure, which was approved by the Pension Fund Committee.

It was outlined that following a procurement exercise undertaken by scheduled employer, City & County of Swansea, Freedom Leisure were awarded the contract to provide leisure management services to Swansea Council. The company would be responsible for the operation of the leisure facilities and this included the day to day operation, staffing, customer service, health and safety, and marketing of the facilities. They would also be responsible for investment in the refurbishment of the facilities and implementation of effective planned preventive and lifecycle maintenance regimes. The contract included the operation of The LC2; Penlan, Penyrheol, Morrision, and Cefn Hengoed Leisure Centres, Bishopston Sports Centre and Elba Sports Complex. It had been determined that these services satisfied the criteria required for admitted body status under LGPS Regulations.

It was added that Wealden Leisure Limited (trading as Freedom Leisure) were a genuine, not for profit organisation with HMRC approved exempt charity status. They had an objective of providing high quality and affordable health, fitness and leisure activities to the local communities which they served. As a genuine charity there were no shareholders to satisfy, no profit margins sought by venture capital holding companies and no share dividends to be paid to anonymous people. The contract for services was due to commence on the 1<sup>st</sup> October 2018.

Furthermore, under the contract conditions, it was proposed that the current workforce were transferred under TUPE arrangements from the current employer, the City & County of Swansea, to Freedom Leisure. In order to preserve the pension rights of the transferred staff, it was proposed that Freedom Leisure be granted Admitted Body status to the City & County of Swansea Pension Fund. It was also proposed that the admission agreement be granted on a closed scheme basis, to include only the named staff in schedule 1 of the admission agreement.

The admission agreement required would outline the sponsoring employer guarantee which was secured from the sponsoring employer, the City & County of Swansea. The Administering Authority would also undertake the appropriate risk assessment of the admitted body, Freedom Leisure.

#### **43 Exclusion of the Public.**

The Board was requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they involved the likely disclosure of exempt information as set out in the exclusion paragraph of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 relevant to the item(s) of business set out in the report.

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

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

**(Closed Session)**

**44 Wales Pension Partnership Update.**

The Deputy Chief Finance / Section 151 Officer provided a 'for information' update report which outlined the progress of the Wales Pension Partnership. He added that the Partnership was working well but the process would take a considerable time.

**45 Environmental Social Governance (ESG) Policy Update.**

The Deputy Chief Finance / Section 151 Officer provided a 'for information' report which provided an update on low carbon weighted indices.

**46 Investment Consultant's Quarterly Report.**

A 'for information' report presented the quarterly report to summarise the Fund's asset valuations and performance over periods to 30 June 2018.

The quarterly report from Hymans Robertson was attached at Appendix 1. Appendix 2 provided the Investment Vehicles and Appendix 3 the Performance Calculation.

Also provided was a copy of presentation on the City and County of Swansea Pension Fund – Equity Protection Strategies.

**47 Urgent Item.**

The Chair stated that pursuant to paragraph 100B (4)(b) of the Local Government Act 1972, he considered that the draft letter of the Chairs of All Wales LGPS / LPB's on Governance should be considered as a matter of urgency.

**Reason for Urgency**

To allow the Local Pension Board to consider the draft letter.

**Draft Letter of the Chairs of All Wales LGPS / LPB's**

Ian Guy, LGPS Member Representative presented the draft letter on the Governance of the Wales Pension Partnership for discussion. He added that as outgoing Chair, he had already responded to the proposals outlined in the letter and he wished to make the Board aware of the detail.

**Resolved** that the contents of draft letter be approved.

**48 Vacancies**

The Deputy Chief Finance / Section 151 Officer informed the Board that expressions of interest had been sought from scheme employers and Trade Union representatives and it was hoped that appointments would be made shortly.

**49 Next Meeting.**

Due to the unavailability of Board members on 13 December 2018, it was suggested that the next meeting be re-scheduled to early in the New Year.

**Resolved** that the Democratic Services Officer circulates potential dates for the next meeting.

The meeting ended at 12.10 pm

**Chair**