

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.

D White – Agenda as a whole - Member of Local Government Pension Scheme – personal.

Councillor T M White – Agenda as a whole – Member of Local Government Pension Scheme and my daughter is a 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 and Minute No.6 – Draft Statement of Accounts 2018/19 – Clerk of Llanrhidian Higher Community Council – personal.

4 Minutes.

Resolved that the Minutes of the Local Pension Board meeting held on 28 March 2019 be signed and approved as a correct record.

Noted - information regarding death grant nominations had been included in the Neath Port Talbot Council staff newsletter.

5 Low Carbon Index Tracking Fund - Update.

The Interim Section 151 Officer presented a 'for information' report which updated the Committee on the low carbon transition component of the Environmental, Social, Governance (ESG) Policy.

It was added that the Committee had taken a number of steps to understand the impact of ESG issues on the Fund and these were outlined in the report.

It was outlined that as part of the Fund's work, the Committee commissioned MSCI to undertake an analysis of the portfolio's carbon exposure. MSCI had information on each global stocks' carbon related exposure and was able to compare the carbon exposure of the Fund's holdings with a range of reference benchmarks. The results of the study indicated that the current portfolio was 9% underweight carbon assets. The Committee agreed to target a 50% underweight position by 2022 in its revised ESG Policy and the most operationally efficient way to start to reach its target was

via a low carbon passive index. The Pension Fund Committee previously approved the transition of its approximately £0.5bn Blackrock market cap weighted index tracking equity assets into the Blackrock Low Carbon Index tracking fund, which would go a considerable way in meeting its commitment to reduce the fund's carbon footprint by 50% by 2022. Transition of those assets commenced on the 3 July 2019 and would be completely transitioned by the end of the month.

In addition, at the Swansea Council meeting held on 27 June 2019, a notice of motion declaring a climate emergency was approved. Within the notice of motion the ground breaking work and commitment of the Pension Fund Committee to reduce its carbon footprint was referenced. Appendix 1 of the report provided the Environmental, Social, Governance Policy which had been formulated as a result of the initial training, further information gathering, receiving presentations from interest groups and subsequent Committee discussion and decision-making.

The Committee commented upon the positive progress made and the ambition to reduce 50% of the Fund's carbon footprint by 2022, whilst still ensuring appropriate investment returns for the Fund's members.

The Board commented upon the following: -

- The positive progress made and the ambition to reduce 50% of the Fund's carbon footprint by 2022, whilst still ensuring appropriate returns for the Fund's members;
- Engaging with and lobbying companies to alter their policies;
- Challenging countries who do not recognise climate change;
- The content of the Notice of Motion passed by Swansea Council

6 Wales Pension Partnership (WPP) Draft Responsible Investment Policy.

The Interim Deputy Section 151 Officer presented a 'for information' report which requested that the approval of the Responsible Investment Policy (RI) of the Wales Pension Partnership (WPP) by the Pension Fund Committee, be noted.

It was recognised as best practice that WPP had a clearly defined RI Policy which could be implemented across its funds. It had been noted that each member fund of WPP were at different stages of their consideration of the whole ESG/RI agenda. The WPP Policy was therefore formulated with a view to not tying an individual fund to a restrictive or binding commitment. Appendix 1 contained the RI Policy of the WPP.

It was added that the Chair of the Pension Fund Committee was actively persuading other funds in Wales to adopt the policy.

It was also noted that the Pension Fund had been nominated for the Local Government Pension Scheme Best Approach to Sustainable Investing Award.

7 2019 Audit Plan – City and County of Swansea Pension Fund.

The Interim Deputy Section 151 Officer presented the Wales Audit Office (WAO) 2019 Audit Plan which provided the proposed audit work, when it would be undertaken, how much it would cost and who would undertake it.

Appendix 1 sets out the responsibilities of the Auditor, along with those of management and those charged with governance. Exhibit 1 provided the three phases of the audit approach, Exhibit 2 outlined the risks considered significant which required special audit consideration. The proposed audit fee for this work was set out in Exhibit 3 and the timetable of the proposed audits was provided at Exhibit 5.

The Board discussed private equity valuations, which highlighted that in the future estimates rather than actual valuations would be relied upon.

Resolved that the contents of the report be noted.

8 Draft Statement of Accounts 2018/19.

The Interim Deputy Section 151 Officer presented a 'for information' report which requested that the Draft Statement of Accounts for the City & County of Swansea Pension Fund 2018/19, be noted.

It was added that the Wales Audit Office (WAO) had commenced their audit of the Pension Fund Draft Statement of Accounts 2018/19 in line with their audit plan presented to Pension Fund Committee earlier in the year. Their report would be presented to the Board in September 2019. The Draft Statement of Accounts 2018/19 were provided at Appendix 1.

The Board discussed the following: -

- The positive return.
- Cost reduction programme
- Low cost of governance

9 Admission Body Application - The Wallich.

The Interim Deputy Section 151 Officer presented a 'for information' report which noted the approval of the admission body application for The Wallich.

It was outlined that following a service review exercise by Neath Port Talbot County Borough Council (NPT CBC) undertaken previously, Tai Tarian (previously called Neath Port Talbot Homes) were appointed to manage housing services on behalf of NPTCBC. An element of that service supported those affected by homelessness had subsequently been re-tendered and The Wallich had been appointed for a 3 year term.

The Wallich, a genuine not for profit organisation with HMRC approved exempt charity status, had been providing accommodation and support services for

homeless people since 1978. The contract for services commenced on the 1st July 2017 to run for 3 years.

Under the contract conditions, the current eligible workforce be transferred under TUPE arrangements from the current employer, Tai Tarian to The Wallich. In order to preserve the pension rights of the transferred staff, it was proposed that The Wallich be granted Admitted Body status to the City & County of Swansea Pension Fund. It was 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 requires the requisite indemnity bond or sponsoring employer guarantee be secured from the sponsoring employer, Neath Port Talbot County Borough Council. The Administering Authority shall also undertake the appropriate risk assessment of the admitted body, The Wallich.

The Board discussed the delay in the process due to pensions not forming part of contract negotiations and the importance of protecting staff going forward.

10 Breaches.

The Interim Deputy Section 151 Officer presented a 'for information' report which presented any breaches which had occurred in the period in accordance with the Reporting Breaches Policy.

Appendix A provided the details of breaches that occurred since the previous Pension Fund Committee in March 201, including a new requirement in respect of frozen refunds. The details of the breaches and the actions taken by the Management were highlighted.

The Board discussed the details of the Breaches listed, particularly the cost of chasing individuals, how elements of each breach were out of the hands of the Fund and actions taken to alleviate problems.

11 MHCLG Consultations on Exit Payment Cap and Valuation Cycle Employer Risk.

The Interim Deputy Section 151 Officer presented a report which sought retrospective approval of the response to H M Treasury (HMT) and The Ministry of Housing Communities and Local Government (MHCLG) Consultation on the Cap on Exit Payments and Valuation Cycle and Reform.

It was outlined that the Government proposed to cap exit payments in the public sector to an absolute limit of £95k and sought consultation on the regulations to implement. The draft statutory instrument and consultation response was provided at Appendix 1.

The Government's definition of an exit payment included any additional pension contributions required to enable the unreduced early access to a member's benefits when they were subject to early retirement when made redundant at aged 55 or

over. To clarify, the exit payment would include redundancy (member received cash payment) and any additional pension contributions (the pension fund receives the payment). The arbitrary limit of £95k would encompass very modestly paid public sector workers who have long service and a number of variables along the way as highlighted within the proposed response.

The remainder of the response identified technical issues relating to how the 2 components of the exit payment cap needed to be assessed and dealt with, plus some of the weaknesses of the proposal. The response was approved by the Chair of the Pension Fund Committee on the 2 July 2019.

In addition, the MHCLG issued consultation on proposals to vary the current 3 year valuation cycle, proposals regarding exit payments and protecting rights of membership of employees of certain employers. The fund's appointed actuary had provided the response to the consultation which was provided at Appendix 2.

The Board discussed the following: -

- The unfair situation where a few small cases could potentially affect many;
- The Pension Fund potentially losing membership as a result;
- Valuation cycles.

12 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)

13 WPP - Update.

The Interim Deputy Section 151 Officer presented a 'for information' report which updated the Committee on the progress of the Wales Pension Partnership (WPP) asset pooling.

Appendix 1 provided the progress and update report provided by the ACS Operator Link Asset Services.

Referenced within the update was the projected approval of the tranche 3 fixed income fund by the FCA in Q4 2019.

The Chair highlighted the need for WPP to continue to improve communications with Local Pension Boards' through their Chairs.

14 Residential Housing as an Asset Class.

The Interim Deputy Section 151 Officer presented a report which informed the Local Pension Board of the decision of the Pension Fund Committee to approve Residential Housing as an investment asset class.

It was outlined that the Pension Fund currently invested in a wide range of asset classes, including equities, bonds, property, infrastructure, private equity, hedge funds and private debt. However, It did not have an allocation to residential housing.

It was added that the Pension Fund Committee received a day's training on the asset class in February 2019, which included presentations from managers specialising in the market rented sector, social housing, affordable housing and homelessness support housing as investable asset classes.

Appendix 1 provided a summary of the attributes and benefits of adopting residential housing as an asset class. The Pension Fund Committee approved the report at its meeting held on 11 July 2019.

The Board highlighted the positive decision and the opportunity to benefit the local economy.

15 Report of the Investment Consultant.

The Interim Deputy Section 151 Officer provided a 'for information' report, which presented the asset valuation and investment performance for the quarter, year and 3 years ended 30 June 2019.

Attached at Appendix 1 were the quarterly investment summaries for the Pension Fund for the quarter, year and 3 years ended 30 June 2019.

The meeting ended at 12.23 pm

Chair