Cyngor Abertawe
Swansea Council

Dinas a Sir Abertawe

Hysbysiad o Gyfarfod

Fe'ch gwahoddir i gyfarfod

Pwyllgor Cronfa Bensiwn

Lleoliad: **Ystafell Bwyllgor 6, Neuadd y Ddinas, Abertawe**

Dyddiad: **Dydd Gwener, 13 Mawrth 2020**

Amser: **1.00 pm**

Cadeirydd: **Y Cynghorydd Clive Lloyd**

Aelodaeth:
Cynghorwyr: J P Curtice, P Downing, M B Lewis, D G Sullivan a/ac W G Thomas

Aelod Cyfetholedig o Gyngor Castell-nedd Port Talbot: P Rees

Ymgynghorwyr: N Jellema a/ac W Marshall

Agenda

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Cyfarfod nesaf: I gael ei gadarnhau.

Huw Evans

Huw Evans
Pennaeth Gwasanaethau Democrataidd
Dydd Gwener, 6 Mawrth 2020

Cyswllt: Gwasanaethau Democrataidd: - 636923

Cyngor **Abertawe**
Swansea Council

Agenda Item 3

City and County of Swansea

Minutes of the Pension Fund Committee

Committee Room 6, Guildhall, Swansea

Thursday, 21 November 2019 at 2.00 pm

Present: Councillor C E Lloyd (Chair) Presided

Councillor(s)	**Councillor(s)**	**Councillor(s)**
M B Lewis	D G Sullivan	W G Thomas
J P Curtice		

Neath Port Talbot Council Co-opted Member
P Rees

Advisors

N Jellema	Advisor - Hymans Robertson
N Mills	Independent Investment Advisor

Also Present

I Guy	Chair of Local Pension Board

Officer(s)

Jeremy Parkhouse	Democratic Services Officer
Jeffrey Dong	Deputy Chief Finance Officer / Deputy Section 151 Officer.
Carolyn Isaac	Lawyer

Apologies for Absence
Councillor(s): P Downing

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34 Disclosures of Personal and Prejudicial Interests.

Councillor J P Curtice - agenda as a whole – member of the Local Government Pension Scheme - personal.

Councillor M B Lewis - agenda as a whole – member of the Local Government Pension Scheme - personal.

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

Councillor P Rees - agenda as a whole – Daughter-In-Law is a member of the Local Government Pension Scheme - personal.

Councillor D G Sullivan - agenda as a whole – Daughter-In-Law is a member of the Local Government Pension Scheme and I am in receipt of a pension administered by the former Dyfed Council - personal.

Councillor W G Thomas - agenda as a whole – member of the Local Government Pension Scheme - personal.

Observer:

I Guy, Chair of Local Pension Board - agenda as a whole – member of the Local Government Pension Scheme - personal.

Officers:

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 – personal and Minute No. 36 – Annual Report 2018/19 – Clerk to Llanrhidian Higher Community Council – personal.

35 Minutes.

Resolved that the Minutes of the Pension Fund Committee meeting held on 12 September 2019 be signed and approved as a correct record.

36 Annual Report 2018/19.

The Deputy Chief Finance Officer / Deputy S151 Officer presented for approval the City & County of Swansea Pension Fund Annual Report 2018/19.
It was explained that the Wales Audit Office had completed their audit of the Annual Report 2018/19 in line with their audit plan presented to Pension Fund Committee earlier in the year.

The City & County of Swansea Annual Report 2018/19 was provided at Appendix 1. The Committee noted the very positive report.
Resolved that the Annual Report 2018/19 be approved.

37 Competition and Markets Authority Reporting.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a report which sought to set measurable objectives for appointed investment consultants as required by Competitions and Market Authority (CMA) requirements.

The report outlined CMA requirement, the importance of objectives, establishing objectives for consultants, measuring success in practice and reporting compliance.

The Committee discussed the following: -

- The timescale for reviewing the objectives;
- How the Fund was market leading in setting these objectives;
- Different engagement techniques with Fund members;
- How the objectives would provide a focus for the consultants;
- Including Local Pension Board members in the training programme.

Resolved that the Investment Consultants' objectives attached at Appendix 1 be approved, subjective to periodic review by the Deputy Chief Finance Officer / Deputy Section 151 Officer.

38 Breaches.

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

Appendix A provided the details of breaches that had occurred since the previous Pension Fund Committee in September 2019. The details of the breaches and the actions taken by Management were highlighted.

39 Administering Authority Resourcing.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a report which sought to approve the recommended resourcing enhancements outlined within the report. The different areas of work undertaken by the Pensions Administration and Pension Fund Investment Teams were explained.

It was outlined that the creation of the role of a Senior Pensions Communications Officer would assist the Pensions Administration Section in addressing these evolving demands. It was proposed that this role would be filled from internal resources. The subsequent role profile would be job evaluated and appropriate HR advised recruitment and selection processes would be adopted to appoint to this role.

In addition, it was proposed that the creation of the role of Pension Fund Investment and Accounting Manager be created and filled from existing resources would assist the Pension Fund Investment Section and help to address the increasingly complex workload. The subsequent role profile would be job evaluated and appropriate HR advised recruitment and selection processes would be adopted to appoint to this role.

Resolved that the resourcing amendments outlined in 2.7 and 3.2 and the financial implications in 6.1 be approved.

40 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)

41 Report of the Appointed Actuary.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which presented an overview of the 2019 Actuarial Valuation of the City & County of Swansea Pension Fund.

Chris Archer and Chris Darby of AON presented the Actuarial Valuation as at 31 March 2019, that was provided at Appendix 1. It was commented that the quality of the data provided by the Pension Fund was excellent.

The Committee asked questions of the AON representatives which were responded to accordingly.

The Chair thanked the AON representatives for providing the report.

42 Wales Pension Partnership Update.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which updated the Committee on the progress of the Wales Pension Partnership asset pooling.

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

Referenced within the update is the timeline for the launch of the tranche 3 fixed income fund, this has been rescheduled and will now take place in Q1 2020.

43 Report of the Investment Consultant.

Nick Jellema, Investment Consultant provided a 'for information' report, which presented the Quarter 3 2019 Investment Monitoring Report.

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

44 Report and Retirement of Noel Mills, Independent Advisor.

The "for information" report presented the economic update and market commentary from the perspective of Mr Noel Mills, Appointed Independent Investment Advisor.

The quarterly report ending 30 September 2019 was attached at Appendix 1.

The content of the report was noted by the Committee and various questions were asked, which were responded to accordingly. The Appointed Independent Investment Advisor was thanked for his report.

The Chair expressed thanks and best wishes on behalf of the Committee to Noel Mills for his valued contribution to the Pension Fund Committee and expressed best wishes for his forthcoming retirement.

45 Investment Summary.

The Deputy Chief Finance Officer / Deputy S151 Officer provided a "For Information" report, which presented the investment performance for the quarter, year and 3 years ended 30 September 2019.

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

46 Fund Manager's Presentation(s):

Link Asset Services and Russell Investments.

A presentation was made by Eamon McGrath of Link Asset Services and Aidan Quinn of Russell Investments.

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 4.15 pm

Chair

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2020 Audit Plan – **City and County of Swansea Pension Fund**

Audit year: 2019-20

Date issued: March 2020

Document reference:

This document has been prepared as part of work performed/to be performed in accordance with statutory functions. Further information on this is provided in Appendix 1.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or auditors acting on behalf of the Auditor General in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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

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

Contents

2020 Audit Plan

Summary

1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether City and County of Swansea Pension Fund's (the Pension Fund) accounting statements are 'true and fair'.

2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.

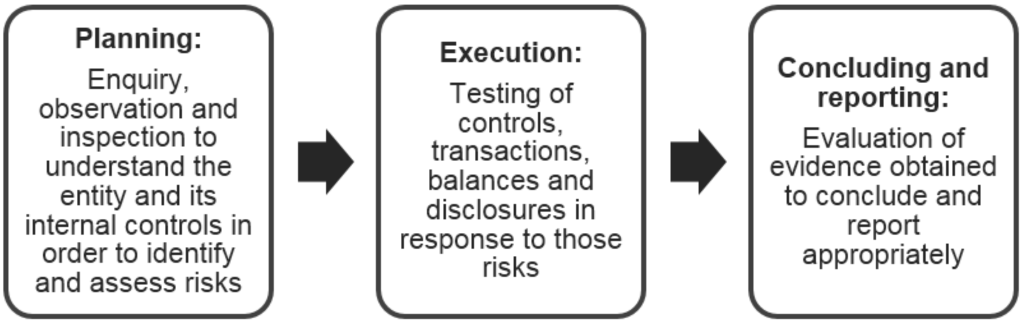
3 There have been no limitations imposed on me in planning the scope of this audit.

4 My responsibilities, along with those of management and those charged with governance, are set out in Appendix 1.

Audit of Pension Fund accounts

5 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. My audit approach consists of three phases as set out in Exhibit 1.

Exhibit 1: my audit approach



6 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in Exhibit 2 along with the work I intend to undertake to address them. Also included are other key areas of audit attention my team will be focusing on.

Exhibit 2: financial audit risks

Financial audit risks	Proposed audit response
Significant risks	
Management Override 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 [ISA 240.31-33].	My audit team will: • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
Other areas of audit attention	
Wales Pension Partnership The eight Pension Funds in Wales have created an 'all-Wales' pooled investment vehicle which will be overseen and reported on by a joint governance committee the Wales Pension Partnership. 2019-20 will be the first year that this joint committee will produce full financial statements overseen by the Carmarthenshire County Council Finance Department. City and County of Swansea Pension Fund transferred £907 million of funds into this new arrangement during 2018-19 but nothing further has been transferred during 2019-20. A consistent disclosure note will be provided to all Pension Funds by the lead authority for inclusion in individual pension fund financial statements.	My team will work with the auditors of the joint governance committee to: • Obtain the assurances needed on the valuation of the funds transferred into the Wales Pension Partnership arrangement. • Obtain the assurances needed on the disclosure note provided for individual pension funds by the lead authority

Financial audit risks	Proposed audit response
McCloud Judgement In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.	My audit team will: • review how the Pension Fund has assessed the impact of the McCloud judgement on the financial statements; and • ensure that where appropriate, this is adequately disclosed in the financial statements.
Guaranteed Minimum Pension (GMP) GMPs were the minimum pensions employers had to provide when they opted their employees out of the State Earnings Related Pensions Scheme (SERPS) between 1978 and 1997, usually through a defined benefit scheme. GMPs were calculated by reference to state pension age which used to be 60 for women and 65 for men. That made pension payments unequal and contravened the 1990 Barbour judgement. The 2018 Lloyds Banking Group judgement has provided clarification on whether and how GMPs should be equalised and creates an obligation to equalise GMPs dating back to 1990. No allowances have previously been made for GMPs in pension liability calculations as HM Treasury made an announcement in 2019 that public service schemes already had a method in place to achieve equalisation. However, further guidance is anticipated in the coming months, including relating to the calculation of indexation/pension increases on GMPs. There is a risk that appropriate allowances are not made in 2019-20 pension liability calculations for the impact of GMPs.	My audit team will: • review any provision made by the actuary relating to the outstanding GMP issues and monitor progress on the development of guidance and clarification of the potential impact; and • ensure that this is adequately disclosed in the financial statements.

Financial audit risks	Proposed audit response
Private Equity Investments Year-end valuation of private equity investments is provided by investment managers which is based upon forward-looking estimates and judgements and industry guidelines. As there is no quoted market process, there is a greater risk for the reasonableness of valuation bases of these investments.	My audit team will: • confirm the investment valuation to audited financial statements; and • seek additional assurance over the valuation basis from control assurance reports.
Investment Management The investment managers provide internal control reports on the investments held on behalf of the Pension Fund. These are independently audited and provide the Pension Fund with assurance on a wide range of controls, e.g. valuation of the investment portfolio held. There is a risk that the internal controls' reports will not be available in the necessary timescales and, when received, highlight specific control weaknesses	My audit team will: assess whether the investment managers' internal control reports for all investment managers provide sufficient, appropriate assurance over the key controls.

7 I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair but adopt a concept of materiality. My aim is to identify material misstatements, 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 Committee as those charged with governance for City and County of Swansea Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.

8 For reporting purposes, I will treat any misstatements below a trivial level (set at 5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.

9 My fees and planned timescales for completion of the audit are based on the following assumptions:

- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
- information provided to support the financial statements is in accordance with the agreed audit deliverables document[1];
- appropriate accommodation and facilities are provided to enable my audit team to deliver my audit in an efficient manner;
- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
- Internal Audit's planned programme of work is complete, and management has responded to issues that may have affected the financial statements; and
- controls assurance reports are received from fund managers in accordance with agreed timescales and action has been taken to address any controls weaknesses.

Statutory audit functions

10 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:

- Section 30 Inspection of documents and questions at audit; and
- Section 31 Right to make objections at audit.

11 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.

12 If I do receive questions or objections, I will discuss potential audit fees at the time.

[1] The agreed audit deliverables document sets out the expected working paper requirements to support the financial statements and include timescales and responsibilities.

Fee, audit team and timetable

Fee

13 Your estimated fee for 2020 is set out in Exhibit 3. There have been some changes to my fee rate structure for 2020, however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed onto you.

Exhibit 3: audit fee

	Proposed fee for 2020 (£)[2]	Actual fee for 2019 (£)
Audit of pension fund accounts	£42,710	£42,710

14 The fee for the financial audit is driven by the skill mix required to deliver the work, together with the daily charge rate for each grade of staff member.

15 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 Finance.

16 Further information on my fee scales and fee setting can be found on our website.

Audit team

17 The main members of my team, together with their contact details, are summarised in Exhibit 4.

Exhibit 4: my audit team

Name	Role	Contact number	E-mail address
Anthony Veale	Engagement Lead	02920 320500	anthony.veale@audit.wales
Jason Garcia	Audit Manager	07792 015416	jason.garcia@audit.wales
Leanne Malough	Audit Lead – Senior Auditor	07973 699131	leanne.malough@audit.wales

18 I can confirm that my team members are all independent of the 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.

[2] The fees shown in this document are exclusive of VAT, which is not charged to you.

Timetable

19 I will provide reports, or other outputs as agreed, to the Pension Committee and the Council's Audit Committee, 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
2020 Audit Plan	January – March 2020	March 2020
Financial accounts work: • Audit of Financial Statements Report • Opinion on Financial Statements • Opinion on Summarised Financial Information in Annual Report	March – September 2020 November 2020	September 2020 November 2020
2021 Audit Plan	November – December 2020	February 2021

Future developments to my audit work

20 Details of other future developments including the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit are set out in Appendix 2.

Appendix 1

Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan 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 Pension Fund accounts.

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the Pension Fund 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 the statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Appendix 2

Other future developments

A. Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared online. The main areas of work are regarding financial management, public-sector staff and governance. Further information, including details of forthcoming GPX events and outputs from past seminars can be found on the GPX section of the Wales Audit Office website.

B. Brexit: preparations for the United Kingdom's departure from membership of the European Union

The Auditor General has reported on preparations in Wales for a 'no-deal Brexit', publishing a report in February 2019 and a follow-up letter to the External Affairs and Additional Legislation Committee in September 2019. At the time of reporting, there was a possibility that the UK would leave the EU without a Withdrawal Agreement in place (the no-deal scenario), which would potentially have had significant consequences for Welsh public services and the wider economy and society.

Following the general election, the United Kingdom left membership of the European Union on 31 January 2020 under the terms of the Withdrawal Agreement concluded between the EU and UK in October 2019. The next phase will involve negotiating and agreeing the future relationship between the UK and EU.

There will be a transition period to 31 December 2020, during which the UK will continue to participate in EU programmes and follow EU regulations. The Withdrawal Agreement provides for the transition period to be extended by up to two years, with the agreement of the UK and EU. The deadline for agreeing to extend the transition period is 30 June 2020. The UK Government has said that it does not intend to extend the transition period.

Despite there being an agreement on the terms of withdrawal, there remain some significant uncertainties:

- Given the very tight timetable for reaching agreement, there is a possibility of the UK leaving the transition period at the end of 2020 without an agreement about the future relationship in place. In this scenario many of the issues previously identified around a 'no-deal Brexit', such as disruption to supply chains, would arise again.
- The UK Government's position of seeking a future relationship based on a free trade agreement (rather than a closer relationship aligned to the single market) has implications that are not yet clear but which create opportunities and risks for Wales' economy, society and environment.

- There are also significant unresolved constitutional questions around how powers in areas where devolved governments were directly applying EU law, such as regional development and agriculture, will be exercised across the UK after the transition period.

In light of these uncertainties, the Auditor General will continue to keep a watching brief over developments and will make a decision later in the year as to what, if any, further work is required to look at public bodies' preparations for either a new relationship or a no-trade deal exit from the transition period.

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Agenda Item 5a

Cyngor Abertawe
Swansea Council

Report of the Section 151 Officer

Pension Fund Committee – 13 March 2020

City & County of Swansea Pension Fund
Draft Funding Strategy Statement

Purpose:	To ensure compliance with Local Government Pension Scheme Regulations which requires a funding strategy statement
Reason for Decision:	To approve the funding strategy statement
Consultation:	Legal, Finance and Access to Services.
Recommendation:	That the funding strategy statement is approved
Report Author:	Jeff Dong
Finance Officer:	Jeff Dong
Legal Officer:	Stephanie Williams
Access to Services Officer:	N/A

Funding Strategy Statement

1 Background

1.1 In line with the Local Government Pension Scheme Regulations, the City & County of Swansea Pension Fund is required to produce a funding strategy statement in consultation with its scheme employers and appointed actuary and advisors

The main purpose of this Funding Strategy Statement is to set out the processes by which the Administering Authority:

- establishes a clear and transparent funding strategy, specific to the Fund, which will identify how employer's pension liabilities are best met going forward.
- supports the regulatory requirement in relation to the desirability of maintaining as nearly constant a primary rate of contributions as possible.
- ensures that the regulatory requirements to set contributions as to ensure the solvency and long-term cost efficiency of the Fund are met.

- takes a prudent longer-term view of funding the Fund’s liabilities.

Noting that, whilst the funding strategy applicable to individual employers must be reflected in the Funding Strategy Statement / Investment Strategy Statement, its focus should at all times be on those actions which are in the best long term interests of the Fund.

2 Recommendation

2.1 The Pension Fund Committee is asked to note and approve the attached draft funding strategy statement, subject to any material changes between this date and 31st March 2020 which shall be approved by the Deputy S 151 Officer and the Chairman of the Pension Fund Committee and (if any changes) being reported back to this committee at the next Committee meeting.

3 Legal Implications

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

4 Financial Implications

4.1 The financial implications arising from this report are outlined in the Employer Contribution Rates payable as outlined in the rates certificate included in the Triennial Valuation Report also on this agenda.

5 Equality and Engagement Implications

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

Background Papers: None.

Appendices: Appendix 1 – Funding Strategy Statement.

CITY & COUNTY OF SWANSEA PENSION FUND
FUNDING STRATEGY STATEMENT 2020

1. INTRODUCTION

Overview

1.1 This Statement, originally prepared in accordance with Regulation 76A of the Local Government Regulations 1997 has been reviewed in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the LGPS Regulations). The Statement describes City and County of Swansea's strategy, in its capacity as Administering Authority (the Administering Authority), for the funding of the City and County of Swansea Pension Fund (the Fund).

1.2 As required by Regulation 58(4)(a), the Statement has been prepared having regard to guidance published by CIPFA. This Statement has regard to the updated guidance published in September 2016 and not the original guidance issued in October 2012 as referred to in the LGPS Regulations at time of writing the Statement.

Consultation

1.3 In accordance with Regulation 58(3), the Administering Authority has consulted such persons as it considers appropriate on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.

1.4 In addition, the Administering Authority has had regard to the Fund's Investment Strategy Statement published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Investment Regulations).

1.5 The Fund Actuary, Aon Hewitt Limited, has also been consulted on the contents of this Statement.

Purpose of this Statement

1.6 The main purpose of this Funding Strategy Statement is to set out the processes by which the Administering Authority:

- establishes a clear and transparent funding strategy, specific to the Fund, which will identify how employer's pension liabilities are best met going forward.
- supports the regulatory requirement in relation to the desirability of maintaining as nearly constant a primary rate of contributions as possible.
- ensures that the regulatory requirements to set contributions as to ensure the solvency and long-term cost efficiency of the Fund are met.
- takes a prudent longer-term view of funding the Fund's liabilities.

Noting that, whilst the funding strategy applicable to individual employers must be reflected in the Funding Strategy Statement / Investment Strategy Statement, its focus should at all times be on those actions which are in the best long term interests of the Fund.

Links to investment policy set out in the Investment Strategy Statement

1.7 The Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Investment Strategy Statement and the funding strategy set out in this Statement.

1.8 The assets that most closely match the liabilities of the Fund are fixed interest and index-linked Government bonds of appropriate term relative to the liabilities. The Fund's asset allocation as set out in the Investment Strategy Statement invests a significant proportion of the Fund in assets such as equities which are expected but not guaranteed to produce higher returns than Government bonds in the long term. The Administering Authority has agreed with the Fund Actuary that the Funding Target on the ongoing basis will be set after making some allowance for this higher anticipated return. However, the Administering Authority recognises that outperformance is not guaranteed and that, in the absence of any other effects, if the higher expected returns are not achieved the solvency position of the Fund will deteriorate.

1.9 The funding strategy recognises the investment targets and the inherent volatility arising from the investment strategy, by being based on financial assumptions which are consistent with the expected return on the investments held by the Fund, and by including measures that can be used to smooth out the impact of such volatility.

1.10 The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate including, where appropriate, commissioning asset liability modelling or other analysis techniques.

Review of this Statement

1.11 The Administering Authority undertook its latest substantive review of this Statement in December 2019.

1.12 The Administering Authority will formally review this Statement as part of the next funding valuation following the 31 March 2019 valuation, currently expected to be as at 31 March 2022, unless circumstances arise which require earlier action.

1.13 The Administering Authority will monitor the funding position of the Fund on an approximate basis at regular intervals between valuations, and will discuss with the Fund Actuary whether any significant changes have arisen that require action.

2. THE AIMS AND PURPOSE OF THE FUND

Purpose of the Fund

2.1 The purpose of the Fund is to:

- invest monies in respect of contributions, transfer values and investment income to produce a Fund in order to:
- pay Scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment Regulations over the long term and in so doing:
- to smooth out the contributions required from employers over the long term.

Aims of the Fund

2.2 The main aims of the Fund are:

a) <u>To comply with regulation 62 of the LGPS Regulations 2013 and specifically to:</u>

- adequately fund benefits to secure the Fund's solvency and long term cost efficiency, which should be assessed in light of the risk profile of the Fund and Employers
- while taking account of the desirability of maintaining as nearly constant primary employer contribution rates as possible (and subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled (as defined in Part 1 or deemed employers as per Part 4 of Schedule 2 of the LGPS Regulations), resolution (as defined in Part 2 of Schedule 2 of the LGPS Regulations), and admitted bodies
- enable overall employer contributions to be kept as constant as possible (and subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies

2.3 The Administering Authority recognises that the requirement to keep total employer contributions as nearly constant as possible can run counter to the following requirements:

- the regulatory requirement to secure solvency, which should be assessed in light of the risk profile of the Fund and risk appetite of the Administering Authority and employers
- the requirement that the costs should be reasonable to Scheduled Bodies, Admission Bodies, other bodies and to taxpayers (subject to not taking undue risks), and
- maximising income from investments within reasonable risk parameters (see later)

2.4 Producing low volatility in employer contribution rates requires material investment in assets which ‘match’ the employer’s liabilities. In this context, ‘match’ means assets which behave in a similar manner to the liabilities as economic conditions alter. For the liabilities represented by benefits payable by the Local Government Pension Scheme, such assets would tend to comprise gilt edged investments.

2.5 Other classes of assets, such as stocks, are perceived to offer higher long term rates of return, on average, and consistent with the requirement to maximise the returns from investments within reasonable risk parameters, the Administering Authority invests a substantial proportion of the Fund in such assets. However, these assets are more risky in nature, and that risk can manifest itself in volatile returns over short term periods, and a failure to deliver anticipated returns in the long term.

2.6 This short term volatility in investment returns can produce a consequent volatility in the measured funding position of the Fund at successive actuarial valuations, with knock on effects on employer contribution rates. The impact on employer rates can be mitigated by use of smoothing adjustments at each valuation.

2.7 The Administering Authority recognises that there is a balance to be struck between the investment policy adopted, the smoothing mechanisms used at valuations, and the resultant stability of employer contribution rates from one valuation period to the next.

2.8 The Administering Authority also recognises that the position is potentially more volatile for Admission Bodies with short term contracts where utilisation of smoothing mechanisms is less appropriate.

2.9 <u>b) To ensure that sufficient resources are available to meet all liabilities as they fall due.</u>

The Administering Authority recognises the need to ensure that the Fund has, at all times, sufficient liquid assets to be able to pay pensions, transfer values, costs, charges and other expenses. It is the Administering Authority's policy that such expenditure is met, in the first instance, from incoming employer and employee contributions to avoid the expense of disinvesting assets. The Administering Authority monitors the position on a monthly basis to ensure that all cash requirements can be met.

2.10 <u>c) To manage employers' liabilities effectively.</u>

The Administering Authority seeks to ensure that all employers' liabilities are managed effectively. In a funding context, this is achieved by seeking regular actuarial advice, ensuring that employers are properly informed and consulted, and through regular monitoring of the funding position and the outlook for employers' contributions.

2.11 <u>d) To maximise the total investment return from investments within reasonable risk parameters.</u>

The Administering Authority recognises the desirability of maximising total investment return within reasonable risk parameters. Investment returns higher than those available on Government stocks are sought through investment in other asset classes such as stocks and property. The Administering Authority ensures that risk parameters are reasonable by:

- complying with any restrictions set out in the Investment Regulations
- restricting investment to asset classes generally recognised as appropriate for UK pension funds
- analysing the potential volatility and absolute return risks, and funding risk represented by those asset classes in collaboration with Investment Advisors and Fund Managers, the Fund Actuary and the Wales Pension Partnership and ensuring that they remain consistent with the risk and return profiles anticipated in the funding strategy
- limiting concentration of risk by developing a diversified investment strategy
- monitoring the mis-matching risk that the investments do not move in line with the Fund's liabilities.

3. RESPONSIBILITIES OF THE KEY PARTIES

3.1 The three parties whose responsibilities to the Fund are of particular relevance are the Administering Authority, the individual employers and the Fund Actuary.

Their key responsibilities are as follows:

Administering Authority

3.2 The Administering Authority will:

- Administer the Fund
- Collect investment income and other amounts due to the Fund as set out in the Regulations including employer and employee contributions and, as far as the Administering Authority is able to, ensure these contributions are paid by the due date (with the due date as specified in the LGPS Regulations, Rates and Adjustments Certificate and any Administering Authority policies)
- Pay from the Fund the relevant entitlements as set out by the Local Government Pension Scheme Regulations 2013.
- Invest surplus monies in accordance with the Investment Regulations.
- Ensure that cash is available to meet liabilities as and when they fall due.
- Manage the valuation process in consultation with the Fund's Actuary
- Ensure it communicates effectively with the Fund Actuary to:
    - Agree timescales for the provision of information and provision of valuation results
    - Ensure provision of data of suitable accuracy
    - Ensure that the Fund Actuary is clear about the content of the Funding Strategy Statement
    - Ensure that participating employers receive appropriate communication throughout the process
    - Ensure that reports are made available as required by relevant guidance and Regulations
- Prepare and maintain an Investment Strategy Statement and a Funding Strategy Statement after due consultation with interested parties.
- Monitor all aspects of the Fund's performance and funding and amend these two documents if required.
- Effectively manage any potential conflicts of interest arising from its dual role both as Administering Authority and as Scheme Employer.
- Take measures, as set out in the Regulations, to safeguard the Fund against the consequences of employer default
- Enable the Local Pension Board to review the valuation process as set out in their terms of reference.

Individual Employers

3.3 Individual Employers will:

- Deduct contributions from employees' pay.
- Pay all ongoing contributions, including their employer's contribution as determined by the Fund Actuary, and where relevant set out in the rates and adjustment certificate, promptly by the due date.
- Develop a policy on certain discretions and exercise those discretions within the regulatory framework.
- Pay for additional membership or pension, augmentation, early release of benefits or other one off strain costs in accordance with agreed arrangements.
- Notify the Administering Authority promptly of all changes to membership, or

other changes which affect future funding

- Note and if desired respond to any consultation regarding the Funding Strategy Statement, the Investment Strategy Statement or other policies.
- Pay any exit payments as required in the event of their ceasing participation in the Fund

Fund Actuary

3.4 The Fund Actuary will prepare advice and calculations and provide advice on:

- Funding strategy and the preparation of the Funding Strategy Statement
- Actuarial valuations including the setting of employers' contribution rates and issue of a Rates and Adjustments Certificate, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement and the LGPS Regulations.
- Bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc.
- Valuations on the cessation of admission agreements or when an employer ceases to employ active members i.e. the exiting of employers from the Fund.
- Bonds and other forms of security for the Administering Authority against the financial effect on the Fund and of the employer's default.
- Assisting the Administering Authority in assessing whether employer contributions need to be revised between actuarial valuations as permitted or required by the Regulations.
- Ensure that the Administering Authority is aware of any professional guidance requirements which may be of relevance to his or her role in advising the Administering Authority.

Such advice will take account of the funding position and Funding Strategy Statement of the Fund, along with other relevant matters.

4. FUNDING STRATEGY

Risk Based Approach

4.1 The Fund utilises a risk based approach to funding strategy.

A risk based approach entails carrying out the actuarial valuation on the basis of the assessed likelihood of meeting the funding objectives. In practice, three key decisions are required for the risk based approach:

- what the Solvency Target should be (the funding objective - where the Administering Authority wants the Fund to get to),
- the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by complex risk modelling carried out by the Fund Actuary, define the discount rate, and by extension, the appropriate levels of contribution payable. Together they measure the riskiness of the funding strategy.

These three terms are considered in more detail below.

Solvency Target and Funding Target

Solvency and Funding Success

4.2 The Administering Authority's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term using appropriate actuarial assumptions. The Solvency Target is the amount of assets which the Fund, having taken advice from the Fund Actuary, wishes to hold at the end of the Trajectory Period (see later) to meet this aim.

4.3 The Fund is deemed to be solvent when the assets held are equal to or greater than 100% of the Solvency Target, where the Solvency Target is the value of the Fund's liabilities evaluated using appropriate methods and assumptions. The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

4.4 For secure tax raising Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following exit, the Solvency Target will use appropriate actuarial methods and assumptions that are believed appropriate in the long term for those Bodies. For the 2019 valuation the Solvency Target will be set using an assumed rate of return of 2% in excess of the assumed long term annual increase in the Consumer Prices Index, which is intended to be a prudent outperformance assumption based on assumed future asset holdings.

4.5 For non tax raising Scheduled Bodies the Solvency Target may (dependent on circumstances) be set at a more prudent level than that used for Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following exit.

4.6 For Admission Bodies and other bodies whose liabilities are expected to be orphaned following exit, the required Solvency Target *will* be set at a more prudent level dependent on circumstances. For most such bodies, the chance of achieving solvency will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after exit.

Probability of Funding Success

4.7 The Administering Authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period (or the longest employer Recovery Period, if longer), has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the Fund Actuary.

4.8 Consistent with the Administering Authority's aim of enabling employers' total contributions to be kept as nearly constant as possible, the required chance of achieving the Solvency Target at the end of the relevant Trajectory Period for each employer or employer group can be altered at successive valuations within an overall envelope of acceptable risk.

4.9 The Administering Authority will not permit contributions to be set following a valuation that have an unacceptably low chance of achieving the Solvency Target at the end of the relevant Trajectory Period.

Trajectory Periods

4.10 The Trajectory Period in relation to an employer is the period between the valuation date and the date on which solvency is targeted to be achieved.

4.11 Maintaining a stable Trajectory Period avoids undue volatility when setting long term assumptions for the Fund, where the Administering Authority would in ideal circumstances look to reduce the Recovery Period over time in order to achieve full funding. A Trajectory Period of 25 years will be used for the valuation at 31 March 2019.

Funding Target

4.12 In order to satisfy the legislative requirement to secure long term cost efficiency the Administering Authority's aim is for employer contributions to be set so as to make provision for the cost of benefit accrual, with an appropriate adjustment for any surplus or deficiency. This is achieved through the setting of a Funding Target.

4.13 The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions. It is a product of the actuarial valuation exercise and is not the same as the Solvency Target. It is instead the product of the data, chosen assumptions, and valuation method. The valuation method including the components of Funding Target, future service costs and any adjustment for the surplus or deficiency simply serve to set the level of contributions payable, which in turn dictates the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below).

4.14 Consistent with the aim of enabling employers' primary contribution rates to be kept as nearly constant as possible:

- Contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the future service (primary) contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period.
- For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the future service (primary) contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.

4.15 The discount rate, and hence the overall required level of employer contributions, has been set for the 2019 valuation such that the Fund Actuary estimates that there is an 80% Probability of Funding Success – i.e. and 80% chance that the Fund would reach or exceed its Solvency Target after a Trajectory Period of 25 years (on the assumption that Recovery Periods were less than 25 years for all employers).

Application to different types of body

4.16 Some comments on the principles used to derive the Solvency and Funding Target for different bodies in the Fund are set out below.

Scheduled Bodies and certain other bodies of sound covenant

4.17 The Administering Authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than low risk assets for secure tax raising Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and certain other bodies which are long term in nature i.e. Admission bodies with a subsumption commitment from such Scheduled Bodies. This is known as the scheduled and subsumption body funding target.

4.18 For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangement, charge over assets, etc.

4.19 Where, by virtue of having taken account of some or all of the above factors, the Administering Authority adopts a less risky (more prudent) funding target than the scheduled and subsumption body funding target for any scheduled bodies, this is known as the intermediate funding target.

Admission Bodies and certain other bodies whose participation is limited

4.20 For Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit the Administering Authority will have specific regard to the potential for participation to cease (or to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or whether a guarantor exists to subsume the notional assets and liabilities). This is known as the (ongoing) orphan admission bodies funding target. It is not the same as the exit basis.

Full Funding

4.21 The Fund is deemed to be fully funded when the assets held are equal to 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers / groups of employers. When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficiency.

Recovery Periods

4.22 Where a valuation reveals that the Fund is in surplus or deficiency against the Funding Target, employers' contribution rates will be adjusted to target restoration of fully funding the solvent position over a period of years (the Recovery Period). The Recovery Period to an employer or group of employers is therefore the period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target used in the valuation is payable.

4.23 The Recovery Period applicable for each participating employer is set by the Administering Authority in consultation with the Fund Actuary and the employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund, and whether the employer is in surplus or deficit on the appropriate Funding Target.

4.24 Where an employer is in surplus, and where an employer's expected exit date is unknown or expected to be later than the date the revised rates and adjustments certificate will come into force following the next valuation, this surplus will only lead to an adjustment in an employer's contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities valued relative to the appropriate Funding Target (i.e. to the extent that the employer's funding level is greater than 110%). Note that where an employer is subject to a temporary relaxation of the requirement for Full Funding, or subject to the subsumpion funding target by virtue of a temporary subsumption commitment from City and County of Swansea and/or Neath Port Talbot County Borough Council (see below), the Administering Authority will have regard to the contribution requirement that would have applied without this temporary commitment when determining the extent to which any surplus can lead to contribution reductions.

4.25 The Administering Authority recognises that a large proportion of the Fund’s liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, and where the employer is in deficit, the Administering Authority may be prepared to agree to Recovery Periods which are longer than the average future working lifetime of the membership of that employer. The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the Administering Authority also recognises the risk in relying on long Recovery Periods where employers are in deficit, and has agreed with the Fund Actuary a limit of 30 years for employers which are assessed by the Administering Authority as being a long term secure employer.

4.26 Where employers are in deficit, the Administering Authority’s policy is to agree Recovery Periods with each employer which are as short as possible within the above framework. Recovery Periods for employers or employer groups may differ in order to suitably balance risk to the fund and cost to the employer. For employers whose participation in the fund is for a fixed period it is unlikely that the Administering Authority and Fund Actuary would agree to a Recovery Period longer than the remaining term of participation.

4.27 Resulting from the 2019 valuation, a Recovery Period of up to 19 years was used, with an average Recovery Period of just under 19 years across all participating employers.

Grouping

4.28 In some circumstances it may be desirable to group employers within the Fund together for funding purposes (i.e. to calculate employer contributions). Reasons might include reduction of volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund.

4.29 The Administering Authority recognises that grouping can give rise to cross subsidies from one employer to another over time. Employers may be grouped entirely, such that all of the risks of participation are shared, or only partially grouped such that only specified risks are shared. The Administering Authority’s policy is to consider the position carefully at the initial grouping and at each valuation and to notify each employer that is grouped that this is the case, which other employers it is grouped with and details of the grouping method used. If the employer objects to this grouping, it will be set its own contribution rate. For employers with more than 50 contributing members, the Administering Authority would typically look for evidence of homogeneity between employers before considering grouping.

Where employers are grouped together for funding purposes, this will only occur with the consent of the employers involved.

4.30 All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum benefits on death in service – in other words, the cost of such benefits is shared across the employers in the Fund. Such lump sum benefits can cause funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low cost approach to spreading the risk.

4.31 There is a group of employers in the Fund which will be pooled together for funding and contribution purposes at the 2019 valuation.

4.32 From 1 April 2019 it is expected that the Town and Community Councils Group will consist of the following employers - Briton Ferry Town Council, Cilybebyll Community Council, Clydach Community Council, Coedffranc Community Council, Margam Joint Crematorium Committee, Neath Town Council, Pelenna Community Council and Pontardawe Town Council, and any new small councils will join this group going forward.

4.33 Under the pooling approach these employers will pay a common percentage of pay as their primary contribution rate and will share experience (subject to each employer not taking action which adversely and materially, as determined by the Administering Authority, affects the group's liabilities in which case the Administering Authority may ensure that employer meets the additional liabilities it has created by such action). Each employer in the group will be responsible for meeting any deficit (or benefit from any surplus) allocated to the employer i.e. this will be outside the experience sharing mechanism. Any deficit recovery plan will be based on the specific employer's circumstances.

4.34 In the event that an employer in the group has no active members consideration will be given to first issuing a 'suspension notice' which under the regulations can defer the exit valuation for up to three years if in the reasonable opinion of the administering authority the employer is likely to have one or more active members contributing to the fund within the period specified in the suspension notice. In the event of an exit valuation, the assets and liabilities following exit will be subsumed by the group and the exited employer will not be required to pay any further contributions unless it admits an employee into the Fund, in which case it is expected that the employer will re-join the group as a participating employer. Further, no exit credit will be paid to the exiting scheme employer, unless the exiting scheme employer is in surplus when liabilities are calculated using a Funding Target that anticipates investment in low risk investments such as Government bonds.

However, if the exiting employer is likely to have a material impact on the contribution rate payable by the remaining employers then the Administering Authority may decide that the exiting employer should make additional payments to the Fund over a period of time to protect the remaining employers from such increases.

Stepping

4.35 Again, consistent with the requirement to keep primary employer contribution rates and overall employer contributions as nearly constant as possible, the Administering Authority will consider, at each valuation, whether new contribution rates should be payable immediately, or should be reached by a series of steps over future years. The Administering Authority will discuss with the Fund Actuary the risks inherent in such an approach and will examine the financial impact and risks associated with each employer. The Administering Authority's policy is that in the normal course of events no more than three equal annual steps will be permitted. Further steps may be permitted in extreme cases in consultation with the Fund Actuary, but the total is very unlikely to exceed six steps.

Inter-valuation funding calculations

4.36 In order to monitor developments, the Administering Authority may from time to time request informal valuations or other calculations. Generally, in such cases the calculations will be based on an approximate roll forward of asset and liability values, and liabilities calculated by reference to assumptions consistent with the most recent preceding valuation. Specifically, it is unlikely that the liabilities would be calculated using individual membership data, and nor would the assumptions be subject to review as occurs at formal funding valuations.

Asset shares notionally allocated to individual employers

4.37 <u>Notional asset shares</u>
In order to establish contribution levels for individual employers or groups of employers it is convenient to notionally subdivide the Fund as a whole between the employers (or

group of employers where grouping operates), as if each employer had its own notional asset share within the Fund.

4.38 This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

Roll-forward of notional asset shares

4.39 The notional asset share allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income allocated as set out below. In general, no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year.

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.
- Allowance for any known material internal transfers in the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the liabilities determined using a cash equivalent transfer value basis unless some other approach has been agreed between the two employers.
- Allowance for lump sum death in service and any other benefits shared across all employers (see earlier).
- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

4.40 In some cases information available will not allow for such cashflow calculations. In such a circumstance:

- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is of low materiality or where estimated cashflows can be produced with reasonable accuracy, estimated cashflows will be used.
- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material or difficult to estimate with necessary accuracy, the Fund Actuary may instead use an analysis of gains and losses to roll forward the notional asset share. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses relative to the surplus or deficiency exhibited at the previous valuation. Having established an expected surplus or deficiency at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset holding.
- Analysis of gains and losses methods will also be used where the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers.

Fund maturity

4.41 To protect the Fund, and individual employers, from the risk of increasing maturity producing unacceptably volatile contribution adjustments as a percentage of pay the Administering Authority will normally require defined capital streams from employers in respect of any disclosed funding deficiency.

4.42 In certain circumstances, for secure employers considered by the Administering Authority as being long term in nature, contribution adjustments to correct for any disclosed deficiency may be set as a percentage of payroll. Such an approach carries an implicit assumption that the employer's payroll will increase at an assumed rate. If payroll fails to grow at this rate, or declines, insufficient corrective action will have been taken. To protect the Fund against this risk, the Administering Authority will consider requiring top up payments where deficit contributions fall below a minimum level, or further alternative approaches as it deems appropriate.

5. SPECIAL CIRCUMSTANCES RELATED TO CERTAIN EMPLOYERS

Interim reviews

5.1 Regulation 64(4) of the Regulations provides the Administering Authority with a power to carry out valuations in respect of employers which are expected to cease at some point in the future, and for the Fund Actuary to certify revised contribution rates, between funding valuation dates.

5.2 The Administering Authority's overriding objective at all times is that, where possible, there is clarity over the Funding Target for that body, and that contribution rates payable are appropriate for that Funding Target. However, this is not always possible as any date of exit may be unknown (for example, participation may be assumed at present to be indefinite), and also because market conditions change daily.

5.3 The Administering Authority's general approach in this area is as follows:

- Where the date of exit is known, and is more than three years hence, or is unknown and assumed to be indefinite, interim valuations will generally not be carried out at the behest of the Administering Authority.
- For Transferee Admission Bodies falling into the above category, the Administering Authority sees it as the responsibility of the relevant Scheme Employer to instruct it if an interim valuation is required. Such an exercise would be at the expense of the relevant Scheme Employer unless otherwise agreed.
- A material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light may cause the Administering Authority to informally review the situation and subsequently formally request an interim valuation.
- For an employer whose participation is due to exit within the next three years, the Administering Authority will keep an eye on developments and may see fit to request an interim valuation at any time.

5.4 Notwithstanding the above guidelines, the Administering Authority reserves the right to request an interim valuation of any employer at any time if Regulation 64(4) applies.

Guarantors

5.5 Some employers may participate in the Fund by virtue of the existence of a Guarantor. The Administering Authority maintains a list of employers and their associated Guarantors and monitors the exposure of the Guarantors. The Administering Authority, unless notified otherwise, sees the duty of a Guarantor to include the following:

- If an employer ceases and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund Actuary as due, including any interest payable thereon.
- If the Guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the Guarantor may defray some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities should future deficiencies emerge.
- During the period of participation of the employer a Guarantor can at any time agree to the future subsumption of any residual liabilities of an employer. The effect of that action would be to reduce the Funding and Solvency Targets for the employer, which would probably lead to reduced contribution requirements.

New employers

Initial Rate

5.6 When a new employer joins the Fund, the Fund's Actuary determines the initial employer contribution rate payable.

5.7 An interim contribution rate may be set pending a more accurate calculation by the Fund's Actuary of the employer contribution rate payable. The Administering Authority will determine these interim contribution rates following each Actuarial Valuation and at any other time at its discretion.

5.8 The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or transferred liabilities
- Whether the new employer is open or closed to new entrants
- The funding target that applies to the employer
- The funding level on commencement and, where there is a surplus or deficit, whether the admission agreement is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate)
- Other relevant circumstances as determined by the Administering Authority on the advice of the Fund Actuary

New Admission Bodies

5.9 Where the Administering Authority makes an admission agreement with a body (the New Body), the default stance of the Fund is that the relevant Scheme employer, as defined in Part 3 of Schedule 2 of the LGPS Regulation 2013, will be required to subsume the liabilities (see below) at the point that the New Body no longer has any contributing members. This will be set out within the Admission Agreement or side agreement, and apply to both the liabilities of the initial transferring membership and, in the case of an open admission agreement, any liabilities of the New Body relating to members that commence participation after the initial transfer under the terms of the Admission Agreement.

5.10 Unless agreed otherwise (between the relevant Scheme employer and the New Body) the New Body would be required to target sufficient assets to fully fund the liabilities subsumed by the relevant Scheme employer at exit on the assumptions applicable to the relevant Scheme employer.

Bonds and other securitization

5.11 Paragraph 6 of Part 3, Schedule 2 of the Regulations creates a requirement for a new Admission Body to carry out to the satisfaction of the Administering Authority (and the Scheme Employer in the case of a Transferee Admission Body admitted under paragraph 1(d)(i) of that Part) an assessment taking account of actuarial advice of the level of risk on premature termination by reason of insolvency, winding up or liquidation.

5.12 Where the level of risk identified by the assessment is such as to require it the Admission Body shall enter into an indemnity or bond with an appropriate party. Where it is not desirable for an Admission Body to enter into an indemnity or bond, the body is required to secure a guarantee in a form satisfactory to the Administering Authority from an organisation that either funds, owns or controls the functions of the admission body.

5.13 The Administering Authority's approach in this area is as follows:

- In the case of Transferee Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the Regulations and other Admission Bodies with a Guarantor, and so long as the Administering Authority judges the relevant Scheme Employer or Guarantor to be of sufficiently sound covenant, any bond exists purely to protect the relevant Scheme Employer or Guarantor on default of the Admission Body. As such, it is entirely the responsibility of the relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond. The Administering Authority will be pleased to supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer, but this should not be construed as advice to the relevant Scheme Employer on this matter.
- In the case of Transferee Admission Bodies admitted under Paragraph 1(d) of

Part 3, Schedule 2 of the Regulations, or under Paragraph 1(e) of Part 3, Schedule 2 of the Regulations, where the Administering Authority does not judge the relevant Scheme Employer to be of sufficiently strong covenant, and other Admission Bodies with no Guarantor or where the Administering Authority does not judge the Guarantor to be of sufficiently strong covenant, the Administering Authority must be involved in the assessment of the required level of bond to protect the Fund. The admission will only be able to proceed once the Administering Authority has agreed the level of bond cover. The Administering Authority will supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer form a view on what level of bond would be satisfactory. The Administering Authority will also on request supply this to the Admission Body or Guarantor. This should not be construed as advice to the Scheme Employer, Guarantor or Admission Body.

- The Administering Authority notes that levels of required bond cover can fluctuate and will review, or recommends that the Scheme Employer reviews, the required cover at least once a year.

Subsumed liabilities

5.14 Where an employer is exiting the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

5.15 In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally this will mean assuming continued investment in a mix of growth and matching assets.

Orphan liabilities

5.16 Where an employer is exiting the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

5.17 The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government fixed interest and index linked bonds.

5.18 To the extent that the Administering Authority decides not to match these liabilities with Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the employer's notional assets between the exit date of the employer and each subsequent funding valuation of the Fund. Assets will then be reallocated within the Fund to ensure the orphan liabilities remain 100% funded on a low risk basis after taking account of any outstanding exit payments payable to, or due from the exiting employer, with any investment profit or loss allocated to the contributing employers in proportion to their notional asset share.

Smoothing of contribution rates for Admission Bodies

5.19 The Administering Authority recognises that a balance needs to be struck as regards the financial demands made of Admission Bodies. On the one hand, the Administering Authority requires all Admission Bodies to be fully self funding, such that other employers in the Fund are not subject to levels of expense as a consequence of the participation of those Admission Bodies. On the other hand, in extreme circumstances, requiring achievement of full funding over a short time horizon may precipitate failure of the body in question, leading to significant costs for other participating employers.

5.20 In circumstances which the Administering Authority judges to be extreme, the Administering Authority will engage with the City and County of Swansea and Neath Port Talbot County Borough Council, as the dominant employers in the Fund, with a view to seeking agreement that the requirement that contribution rates target Full Funding can be temporarily relaxed, or alternatively one or both employers agree to subsume the relevant Admission Bodies on exit.

5.21 Should an Admission Body leave the Fund during a period where the City and County of Swansea and/or Neath Port Talbot County Borough Council has agreed to subsumption of residual liabilities, the exit funding requirement will be reduced to reflect the Fund's continuing access to funding, should a deficiency emerge in the future in respect of those liabilities (see cessation of participation for subsumed liabilities below).

5.22 At subsequent valuations the position will be reassessed with a view to returning Admission Bodies to paying contributions which target Full Funding.

Cessation of participation i.e. Exiting the Fund

5.23 Where an employer becomes an exiting employer, an exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of exiting regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund. When employees do not transfer to another employer they will retain pension rights within the Fund, i.e. either as a deferred pensioner or immediately taking retirement benefits.

5.24 The assumptions adopted to value the departing employer's liabilities for the exit valuation will depend upon the circumstances. In particular, the exit valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by long-term other employers.

5.25 For orphan liabilities the Funding Target in the exit valuation will anticipate investment in low risk investments such as Government bonds. This is to protect the other employers in the Fund, as upon exit, the employer's liabilities will become "orphan" liabilities within the Fund, and there is no recourse to that (former) employer if a shortfall emerges in relation to these liabilities after the exit date. Any deficit or surplus in the Fund in respect of the employer will generally be due to the Fund as a termination contribution, or payable by the Fund to the employer as an exit credit respectively, where the exit date is on or after 14 May 2018.

5.26 For subsumed liabilities the exit valuation will be determined on the basis that the scheme employer, or in the case of grouped employers, the remaining contributing group employers, providing the subsumption commitment will subsume all assets and liabilities from the exiting scheme employer. No exit credit will be paid to, or any exit debt required from, the exiting scheme employer, unless the exiting scheme employer is in surplus when liabilities are calculated using a Funding Target that anticipates investment in low risk investments such as Government bonds. The assets and liabilities will be subsumed within those of the employer, or employers, providing the subsumption commitment, with future contribution requirements for this employer, or group of employers, being reassessed at each actuarial valuation.

5.27 In addition, the Administering Authority may, at its discretion, include additional margins for prudence compared to the approach used for determining ongoing contributions, for example in relation to regulatory uncertainty (which at the date of this Statement includes uncertainty associated with the McCloud case, cost management process and indexation and equalisation of GMP).

6. IDENTIFICATION OF RISKS AND COUNTER MEASURES

Approach

6.1 The Administering Authority seeks to identify all risks to the Fund and to consider the position both in aggregate and at an individual risk level. The Administering Authority will monitor the risks to the Fund, and will take appropriate action to limit the impact of these both before, and after, they emerge wherever possible.

6.2 The Administering Authority will ensure that funding risks are included within their overarching risk management framework and strategy, linking to their risk register and risk management policy as appropriate and includes defining a role for the Local Pension Board within this framework.

6.3 The main risks to the Fund are considered below:

Choice of Solvency and Funding Targets

6.4 The Administering Authority recognises that future experience and investment income cannot be predicted with certainty. Instead, there is a range of possible outcomes, and different assumed outcomes will lie at different places within that range**.**

6.5 The more optimistic the assumptions made in determining the Solvency and Funding Targets, the more that outcome will sit towards the 'favourable' end of the range of possible outcomes, the lower will be the probability of experience actually matching or being more favourable than the assumed experience, and the lower will be the Solvency and Funding Targets calculated by reference to those assumptions.

6.6 The Administering Authority will not adopt assumptions for Scheduled Bodies and certain other bodies which, in its judgement, and on the basis of actuarial advice received, are such that it is less than 55% likely that the strategy will deliver funding success (as defined earlier in this document). Where the probability of funding success is less than 65% the Administering Authority will not adopt assumptions, which lead to a reduction in the aggregate employer contribution rate to the Fund.

6.7 The Administering Authority's policy will be to monitor an underlying 'low risk' position (making no allowance for returns in excess of those available on Government stocks) to ensure that the Funding Target remains realistic

Investment Risk

6.8 This covers items such as the performance of financial markets and the Fund's investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

6.9 The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk

- currency risk
- macroeconomic risks
- environmental; social and corporate governance risks

6.10 The Administering Authority reviews each investment manager’s performance quarterly and annually considers the asset allocation of the Fund by carrying out an annual review meeting with its Investment Advisors and Fund Managers. The Administering Authority also annually reviews the effect of market movements on the Fund’s overall funding position.

Employer risk

6.11 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.

6.12 The Administering Authority will put in place a Funding Strategy Statement which contains sufficient detail on how funding risks are managed in respect of the main categories of employer (e.g. scheduled and admission bodies) and other pension fund stakeholders.

6.13 The Administering Authority will maintain a knowledge base on their employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and will use this information to inform the Funding Strategy Statement.

Climate change

6.14 The systemic risks posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities for investors. The Administering Authority and Investment Advisory Panel keeps the effect of climate change on future returns under review and will commission modelling or advice from the Fund Actuary on the potential effect on funding as required.

Liability Risk

6.15 The main risks include discount rates, pay and price inflation, changing retirement patterns, mortality and other demographic risks.

6.16 The Administering Authority will ensure that the Fund Actuary investigates demographic, pay and pension increase experience at each valuation and reports on developments. The demographic assumptions are intended to be best estimate, informed by Fund experience and wider evidence where needed, e.g. the mortality assumptions are informed by a postcode analysis carried out by the Fund Actuary's specialist longevity team and the projections model released by the Continuous Mortality Investigation of the Institute and Faculty of Actuaries. If the Administering Authority becomes aware of any material changes in population mortality which may also be reflected in the Fund's experience it will ask the Fund Actuary to report on the effect on the funding position and employer contributions.

6.17 The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements in the Fund and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position and employer contributions.

6.18 If significant liability changes, including from demographic changes, become apparent between valuations, the Administering Authority will notify the affected employers of the anticipated impact on costs that will emerge at the next valuation and consider whether to require the review of the bonds that are in place for Admission Bodies. It will also consider the extent to which such changes can or should be allowed for in exit valuations, taking advice from the Fund Actuary.

Regulatory and Compliance Risk

6.19 The risks relate to changes to general and LGPS specific regulations, national pension requirements or HM Revenue and Customs' rules. The Administering Authority will keep abreast of all proposed changes to Regulations and LGPS benefits. If any change potentially affects the costs of the Fund, the Administering Authority will ask the Fund Actuary to assess the possible impact on costs of the change. Where significant, the Administering Authority will notify employers of the possible impact and the timing of any change.

6.20 There are a number of consultations which have been issued in recent years, some of which represent proposed changes which were first raised a number of years ago, including a cap on exit payments by public sector employers, new Fair Deal arrangements and greater flexibility on employer exit from the LGPS. Some of these may affect funding and pose a risk to the Fund. The Government has also consulted on changes to the valuation cycle although the Administering Authority understands that the 2022 valuation is going ahead as previously planned.

6.21 There are a number of additional uncertainties associated with the benefit structure at the time of the latest formal review of this Statement, including:

6.22 How Government will address the issues of GMP indexation and equalisation beyond expiry of the current interim solution from 6 April 2021

6.23 The outcome of the McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes were illegal age discrimination, and what the remedy might be in the LGPS in terms of its scope and form.

6.24 The outcome of the cost management process and whether the agreement reached in relation to the Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% of pay.

6.25 Details of the allowance made for these uncertainties in the 2019 valuation are as follows:

<u>McCloud/Cost Cap</u>

6.26 1.5% of pay has been added to employer contributions based on Fund-specific calculations carried out by the Fund Actuary. This figure has been calculated across the Fund as a whole on the scheduled and subsumption body funding target assuming the following remedy:

6.27 Compensation will apply to members who joined the LGPS before 1 April 2014 (see below).

6.28 Benefits will be the better of those accrued in the 2014 Scheme or those accrued in the 2008 Scheme, backdated to 1 April 2014 (i.e. an 'underpin' approach).

6.29 Compensation will apply to members who retire from active service with immediate pension benefits, through normal health or ill health retirement (this is because transitional protections only applied to members retiring from active service with immediate pension).

6.30 The remedy will not apply to spouses' or dependants' benefits. This is because transitional protections only applied to members' benefits

6.31 The cost is split 0.4% of pay in respect of past service and 1.1% of pay in respect of future service where the past service cost has been spread over a recovery period of 19 years.

GMP indexation/equalisation

6.32 There is no allowance for GMP equalisation beyond the extended 'interim' solution announced in January 2018, i.e. for full inflationary increases on GMP to be paid from the Fund for members reaching State Pension Age by 5 April 2021.

Liquidity and Maturity Risk

6.33 This is the risk of a reduction in cash flows into the Fund (including investment income – e.g. potentially resulting from changes in investment holdings), or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions. Changes in the funding position and hence (secondary) employer contributions can also affect the cashflow position since it is not always possible to deliver complete stability of contributions. Timing of contribution payments by employers can also impact on liquidity requirements were flexibility is granted by the Administering Authority. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,

- Budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;
- An increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed),
- Public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS),
- Scheme changes, for example, lower member contributions as provisionally agreed as part of the Scheme Advisory Board Cost Management Process will lead to lower member contributions which may not be immediately matched by higher employer contributions,
- An increase in the take-up of the 50/50 option (whether on affordability grounds or to avoid tax charges) will reduce member contributions to the Fund

6.34 The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity or other changes leading to cashflow or liquidity issues. The Administering Authority also commissions the Fund Actuary to provide projections of benefit payments and contributions based at each valuation and monitors the cashflow position on a regular basis.

Governance Risk

6.35 This covers the risk of unexpected structural changes in the Fund membership (for example the closure of an employer to new entrants or the large scale withdrawal or retirement of groups of staff), or establishment of a wholly owned company which does not participate in the Fund, or only partially participates, and the related risk of the Administering Authority not being made aware of such changes in a timely manner.

6.36 The Administering Authority’s policy is to require regular communication between itself and employers, and to ensure regular reviews of such items as bond arrangements, financial standing of non-tax raising employers and funding levels. The Fund will consider commissioning triennial reviews of any bonds as part of its risk management.

Statistical/Financial Risk

6.37 This covers such items such as the performances of markets, Fund investment managers, asset reallocation in volatile markets, pay and /or price inflation varying from anticipated levels or the effect of possible increases in employer contribution rate on service delivery and on Fund employers. The Administering Authority policy will regularly assess such aspects to ensure that all assumptions used are still justified.

Smoothing Risk

6.38 The Administering Authority recognises that utilisation of a smoothing adjustment in the solvency measurement introduces an element of risk, in that the smoothing adjustment may not provide a true measure of the underlying position. Where such an adjustment is used, the Administering Authority will review the impact of this adjustment at each valuation to ensure that it remains within acceptable limits.

Recovery Period Risk

6.39 The Administering Authority recognises that permitting surpluses or deficiencies to be eliminated over a recovery period rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements. The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and to limit the permitted length of recovery period where appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.

Stepping Risk

6.40 The Administering Authority recognises that permitting contribution rate changes to be introduced by annual steps rather than immediately introduces a risk that action to restore solvency is insufficient in the early years of the process. The Administering Authority will limit the number of permitted steps as appropriate. Details of the Administering Authority's policy are set out earlier in this statement.

Cyngor Abertawe
Swansea Council

Report of the Section 151 Officer

Pension Fund Committee - 13 March 2020

Breaches Report

Purpose:	The report presents any breaches which have occurred in the period in accordance with the Reporting Breaches Policy.
Report Author: Claire Elliott, Pension Manager	
Finance Officer: Jeff Dong – Deputy S 151 Officer	
Legal Officer: Stephanie Williams – Principal Lawyer	
Access to Services Officer: N/A	
For Information	

1. Introduction

1.1 The Reporting Breaches policy was adopted with effect from 9 March 2017.

1.2 The policy requires a report to be presented to the Pension Board and Pension Fund Committee on a quarterly basis, highlighting any new breaches which have arisen since the previous meeting and setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated

1.3 Following the introduction of GDPR requirements and the requirements to report any breaches to the Information Officer and ICO, if required, it has been determined good practice and transparent to also include GDPR breaches also within this report

2. Breaches

2.1 Under the policy, breaches of the law are required to be reported to the Pensions Regulator where there is reasonable cause to believe that:

- A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with

- The failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions

2.2 The Breaches Report is attached at Appendix A and the following further information is provided.

2.3 Under the LGPS regulations, interest is paid on retirement lump sum payments if the payment is made more than one month after retirement and calculated at one per cent above the base rate on a day to day basis from the due date of payment and compounded with three-monthly rests.

2.4 Since the last report in November 2019, 1.71% of retirement lumps sums have not been paid within the benchmark (it should be noted that 100% of payments were made within 1 month when all documentation was received). The % of non-payment of retirement lump sums within the specified benchmark was due to the members not returning completed pension election forms within a timely manner. Communication sent to members at time of retirement has been reviewed to ensure that the importance of timely return of required documents is highlighted and reminder triggers put in place.

2.5 The basic objective of the General Data Protection Regulation (GDPR) is to enforce stronger data security and privacy rules among organisations when it comes to protecting an individual's personal data. The UK legislation is the Data Protection Act 2018 and mirrors many key principles of the Data Protection Act 1998. Where a breach of a member's personal data happens (a breach of personal data means that a security breach has taken place leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to personal data, transmitted, stored or otherwise processed. [GDPR Article 4(12)]), the Pension Fund (who complies with Swansea Council GDPR Principles) has an obligation to undertake a full investigation within the initial 72-hours of acknowledging a data breach. When the Fund became aware of the breach, the appropriate investigation took place within the stipulated timeframe and the findings presented to the Data Breach Panel for review. The requirements presented for improved working practices by the Data Breach Panel the Fund has incorporated within the day-to-day working practices.

2.6 The Fund requires that employers pay employee and employer contributions to the Fund on a monthly basis and no later than the 19th of the month after which the contributions have been deducted. There have been a number of instances during the reporting period where breaches have occurred. In each case, Treasury Management staff have written to the employers to request payment and provide a reminder of the responsibilities to submit on time.

2.7 With regards to performance data in respect of processing refunds, in most cases, the sums are quite small and the problem is locating the member/former member to process the refund, quite often they may have moved address or even passed away.

2.8 The target asset allocation to global equities and UK equities has been superceded by the transition to WPP Opportunities; notwithstanding the same the existing specified limit has been breached. The Pension Fund Committee has previously approved a de-risking programme, which shall re-allocate those assets into real/yielding assets. Meanwhile an equity protection programme has been implemented in March 2019.

2.9 In respect of the GDPR breach, when sending out correspondence, some documentation relating to another member (non-sensitive) was inadvertently included from the photocopier. Having reported to the Council's appointed Data Control Officer, it was determined as a minor breach and mitigating controls were implemented. Both parties were informed of the breach.

3. Equality and Engagement Implications

N/A

4 Legal Implications

4.1 Where breaches have occurred, the legal implications are outlined in Code of Practice no.14 and GDPR legislation.

5. Financial Implications

5.1 Minimal loss of investment income and a possible penalty charge from TPR.

Background papers: None

Appendices:
Appendix A: Breaches Register

City and County of Swansea Breach Register **Appendix A**

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	New Breach (since last report)
Mar 2019	Investment asset allocation	The Investment Strategy Statement outlines an indicative allocation of 34% +/- 5% to Global Equities. At 31st March 2017, the allocation was 43%	There is resulting over allocation to global equities	The asset class in question returned 33% during the year which has caused the uplift in valuation- the best performing asset class during the year. There is a planned investment review for 2018/19 which shall review asset allocations on a long term basis	Noting the volatility of asset values and the pending asset allocation review, it is determined imprudent to incur material transaction costs to address the allocation imbalance. A longer term allocation shall be derived from the pending investment review.	Allocations shall be reviewed as part of the investment review	
Mar – May 2019	Administration	1.56% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due	% due to members failing to return pension election forms in a timely manner	.	Communication to members regarding retirement options reviewed to ensure the importance of returning documents in a	

		within 1 month of receipt of member option return	date, under the 2013 LGPS regulations			timely manner is emphasised	
30/04/2018	Administration	All annual returns for year-end by 30/04/2018 have been submitted.	N/A	N/A		N/A	
Apr – June 2019	Administration	Frozen refunds unclaimed for this period equates to 95.83%	In accordance with current Scheme Regulations, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment	High % due to member not making a positive election to claim refund	Information has been reported in the breach register	Member was written to 3 months prior to the date of the 5-year anniversary of date of leaving	

Jun-August 2019	Administration	1.67% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% due to delay in payment of 1 members AVC fund value from the Prudential		Communication to members highlighting a possible delay in the payment of their retirement benefits if the member continues paying AVCs up to and including the last month of employment	
Jul-August 2019	Administration	Frozen refunds unclaimed for this period equates to 81.25% …. This equates to a monetary value of £1,581.92	In accordance with current Scheme Regulations, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an	High % due to member not making a positive election to claim refund	Information has been reported in the breach register	Member was written to 3 months prior to the date of the 5-year anniversary of date of leaving	

			unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. Going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.				
Apr – July 2019	Contributions	2 Employers have not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Sept-Nov 2019	Administration	1.67% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement;	The administering authority has accrued interest payments on retirement lump sums, paid more than one month	% due to delay in payment of 1 members AVC fund value from the Prudential		Communication to members highlighting a possible delay in the payment of their retirement benefits if the member	

		100% was paid within 1 month of receipt of member option return	after their due date, under the 2013 LGPS regulations			continues paying AVCs up to and including the last month of employment	
Sept-Nov 2019	Administration	Frozen refunds unclaimed for this period equates to 83.34% …. This equates to a monetary value of £3,524.06	In accordance with current Scheme Regulations, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has	High % due to member not making a positive election to claim refund	Information has been recorded in the breach register	Members were written to as at time of leaving and 3 months prior to the date of the 5-year anniversary of date of leaving	

			been amended to support this. Going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.				
Sept – Nov 2019	Contributions	3 Employers have not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Dec 2019 – Feb 2020	Administration	1.71% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% due to delay in member returning the election form within a timely manner.		Member informed that the payment of the lump sum had been delayed due to late return of election forms.	✓
Dec 2019 – Feb 2020	Administration	Frozen refunds unclaimed for this period	Regulations, no further interest will accrue on or	% has reduced in comparison with the previous	Information has been recorded in the breach	Current procedure is that written	✓

		equates to 64% …. This equates to a monetary value of £3,505.73	after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary**	quarter however it is still high. This is because the member has not made a positive election to claim refund	register	communications are issued to the member when they leave providing the appropriate option of a refund or transfer. The member is contacted for a second time 3 months prior to the 5 year anniversary date of leaving.	

			ruling will be removed.				
Dec 2019 – Feb 2020	GDPR Breaches	1 breach reported during this quarter. Member coms inadvertently sent to the wrong person as the letter had become caught up with the individuals Pension Options.	Possible reporting of Section to the Independent Commissions Office (ICO).	Staff reminded of the importance of removing all documentation from the printer and to check correspondence to ensure this is going to the correct individual. Encouraging e-coms as a means of communication.	Reported breach to Swansea Council Data Protection Officer and an investigation undertaken.	Further to the investigation, it was deemed not necessary to report the breach to the ICO as adequate prevention measures have been identified and put in place.	✓
Dec 2019– Feb 2020	Contributions	3 Employers have not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	✓

*New breaches since the previous meeting should be highlighted

*New breaches since the previous meeting should be highlighted

Report of the Section 151 Officer

Pension Fund Committee – 13 March 2020

City & County of Swansea Pension Fund Business Plan 2020/21

Purpose:	To provide a working framework for the Pension Fund's programme of work for 2020/21
Reason for Decision:	To approve the outlined work programme.
Consultation:	Legal, Finance and Access to Services.
Recommendation:	That The City & County of Swansea Pension Fund Annual Business Plan & budget 2020/21 is approved
Report Author:	Jeff Dong
Finance Officer:	Jeff Dong
Legal Officer:	Stephanie Williams
Access to Services Officer:	Rhian Millar

Business Plan 2020/21

1 Background

1.1 In line with best practice, the Pension Fund produces a business plan to inform its work programme for the forthcoming 12 month period. The business plan for 2020/21 is attached.at Appendix 1

2 Recommendation

2.1 The Pension Fund Committee is asked to note and approve the attached business plan for the year 2020/21 noting the timescale and responsibility for key action points throughout the year. The document is a dynamic document and will be revised and amended throughout the year as necessary.

3 Legal Implications

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

4 Financial Implications

4.1 There are no financial implications arising from this report

5 Equality and Engagement Implications

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

Background Papers: None.

Appendices: Appendix 1- Business Plan 2020/21.

CITY AND COUNTY OF SWANSEA

Cyngor Abertawe
Swansea Council

Pension Fund

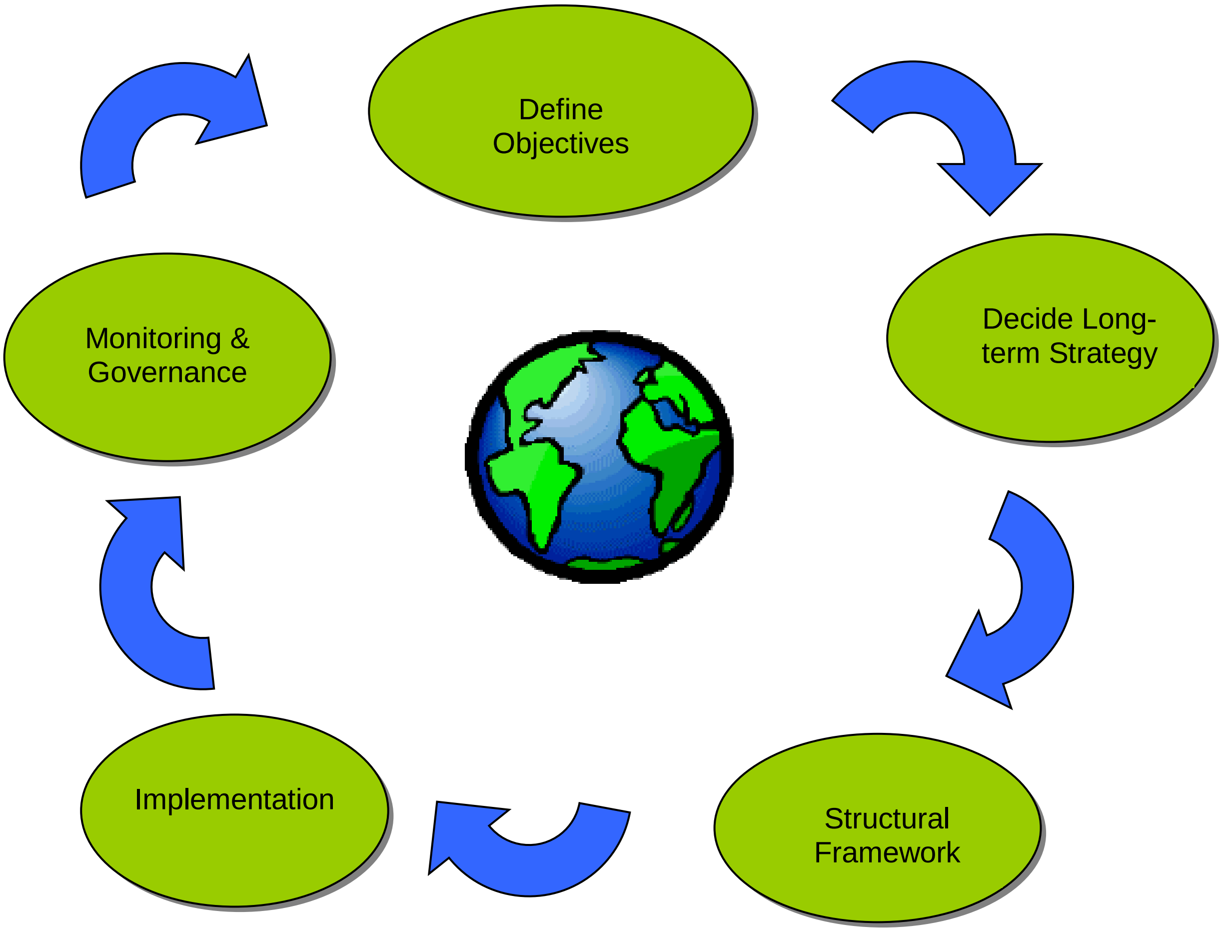
Annual Business Plan 2020/21

Local Government Pension Scheme
City & County of Swansea

Business Plan

1. Decision-making Framework

The Pension Fund Committee have the delegated responsibility to manage the investment arrangements of the Fund to meet the overall investment objectives identified in the Statement of Investment Principles. Investment decisions are taken by the Committee as advised by the Deputy S151 Officer and professional external investment consultants. The Pension Fund Committee use the following framework to formulate their policy in all aspects relating to the management of the Fund's assets.



This Plan relates to the management of the Fund's assets over the medium-term, with a detailed plan of issues to be addressed in the next twelve months.

2. Summary of Investment Arrangements

The primary investment objectives of the Pension Fund Committee as stated in the Investment Strategy Statement are:

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that the Fund's investment strategy will be reviewed at least every three years and as appropriate in the interim.

The Fund's investment strategy was last reviewed during 2019. A full analysis including both a quantitative (using asset liability modelling) and qualitative analysis was undertaken following the last triennial valuation in 2017. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferreds and active members), together with the level of surplus or deficit (relative to the funding basis used). Details of the assumptions used in the quantitative analysis was considered prior to the Committee agreeing any strategic changes.

The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability, given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation and is considering a formal rebalancing framework alongside potential changes to the Fund's longer term strategic asset allocation.

Performance of the investment managers has historically been measured by The WM Company who have withdrawn from the market, the service is being undertaken in the interim by PIRC, this service shall be reviewed on an All Wales basis. Performance figures are considered by the Pension Fund Committee on a quarterly basis.

Each of the external managers provides quarterly reports on performance and makes presentations to Committee as and when required.

3. Issues addressed in year to 31 March 2020

In the last twelve months the Pension Fund Committee has addressed the following investment issues:

a. Objectives

- The fund reviewed its objectives as outlined in the revised Investment Strategy Statement

.

b. Investment Strategy

The Pension Fund Committee monitored its investment strategy and asset allocation as outlined in The Investment Strategy paper previous, providing an update on progress re. the de-risking strategy

c. Structural Framework

The Wales Pension Partnership (WPP) has successfully transitioned its global equities assets (including Swansea) into the WPP ACS. Work is ongoing in relation to the other liquid assets in the portfolio with the next tranche of assets, fixed income to be scheduled to complete in the first quarter 2020.

d. Implementation

- Produced annual report and statement of accounts 2018/19
- Held Annual General Consultative Meeting
- FRS17 statement included in accounts
- Transitioned passive global equity assets into a low carbon index tracking fund
- Transitioned active global equity assets into the WPP global opportunities fund
- Held employer triennial valuation consultation meetings
- Held employee roadshows
- Implemented electronic annual benefit statements

e. Monitoring & Governance

During the year, the Pension Fund Committee has held quarterly monitoring meetings with reports from the investment consultant and officers.

The Local Pension Board has held quarterly meetings reviewing the work of the pension fund committee

The Joint Governance Committee (JGC) of the WPP have met 4 times during the year.

A consultation meeting to consider the 2018/19 Annual Report and Statement of Accounts was held, to which all employing bodies and trade unions were invited.

The Principal Pensions Officer held several open meetings for employers and members in order to explain the implementation of new regulations, share best practice and improve data submission portals and other changes amongst other administration issues.

The Local Pension Board has met during the year, with 2 new member representative members joining during the year, Mr David White and Ms Rosemary Broad .

f. Environmental, Social, Governance (ESG)

The Fund has successfully transitioned £0.5bn of assets into the Blackrock low carbon fund and was recognised in its responsible investment approach by winning the LAPF Best Approach to Sustainable Investment Approach Award 2019. It is currently concluding due diligence on a number of impact investments including renewable power (solar and wind) and affordable/community housing.

4. The Business Plan

a. Objectives

The Investment Objectives, Strategy and Risk Profile shall be considered when reviewing the Investment Strategy Statement and when considering the revision of the funding strategy statement that was adopted for the 2019 valuation.

b. Investment Strategy

The solvency level of the Fund continues to be carefully monitored. The ongoing uncertainty for the world economies and shock events means that Pension Fund Committee members shall continuously review the funding level. The strategy will be regularly reviewed to seek to reduce the risk within the portfolio in light of recent gains.

Particular areas to be addressed are as follows:

- Review the effectiveness of the implemented structure of the fund
- Review de-risking strategy
- Review the profile of the Equity protection programme
- Review asset allocation and new asset classes
- Review risk parameters
- Re- balance more efficiently
- Review appropriate fund benchmarks

- Implement revised employee contribution rates
- Implement revised employer contribution rates

c. Structural Framework

The structural framework of the investment management arrangements of the fund has been materially impacted by the establishment of the WPP. The joint governance committee has met 4 times during the year and has engaged formally with the chairs of the 8 local Pension Boards and has held its first joint training session during the year.

d. Implementation & Risk Management

The Panel will implement decisions taken in respect of the strategy described above and has identified and shall monitor risks identified in Appendix 2 in the Pension Fund Risk Register. A programme to reduce risk in the equity portfolio as the fund reallocates to a variety of yielding real assets was the implementation of an equity protection programme, the progress of which has been reported quarterly since inception.

e. Monitoring & Governance

The Governance arrangements of the CCS pension fund have been formally reviewed in line with regulations and the Council's constitution has been amended to reflect the same.

The Pension Fund Committee will continue to consider issues arising from all the guidance for investment decision making and further improve compliance where required .

The Chairman (or his nominated Deputy) of the Pension Fund Committee shall be the Swansea representative on the Joint Governance Committee of the Wales Pension Partnership

An Annual Consultative Meeting shall be held to consider the 2019/20 Annual Report.

Further open meetings for employers shall be arranged as required to consider revisions to the scheme and the impact of auto enrolment and will consult on further dialogue with MHCLG in relation to structural reform of the LGPS.

f. Trustee/Officer Training

The Deputy S151 Officer and advisors will continue to identify suitable Trustee training opportunities, striving to ensure Trustees are appropriately equipped to discharge their role.

Since the publication of the CIPFA skills and knowledge framework and TPR toolkit , there is a growing pressure for Pension Fund Committee Trustees to demonstrate acceptable levels of competency to discharge their roles.

The Trustees, in turn are to ensure their own training requirements are being met and are asked to make themselves available for training when required.

Similarly officers are required to demonstrate competency and experience in discharging their roles and the Deputy S151 Officer shall continue to identify training opportunities for the officers of the fund.

The appointed investment consultant, Hymans has recently launched an LGPS National Knowledge Assessment (NKA) self assessment toolkit to gauge the level of competency of both Committees and Boards. It is intended to benchmark levels of competency against best practice in the coming months

5. Business Plan Timetable

The following table in Appendix 1 set out progress against the 2019/20 business plan and sets out the broad Pension Fund Committee business plan over the next twelve months for 2020/21, the document is a dynamic document which is subject to review during the year. The business plan also includes a projected budget for the forthcoming year in respect of main areas of income and expenditure.

The action plan will, where appropriate, form the basis of the agenda items at the Pension Fund Committee meetings.

APPENDIX 1

Review of 2019/20 Business Plan Targets to year ended 31st March 2020

Action	Description	Time-scale	Primary Responsibility	Status
1	Formulate Annual Business Plan for 19/20	Aug 2019	Deputy S 151 Officer	Achieved
2	Complete 2019 Triennial Valuation Planning/implementation	March 2019- November 2020	Deputy S 151 Officer /actuary	Ongoing
3	Review FSS ahead of Triennial valuation	Nov 2020	Deputy S 151 Officer /actuaries	Achieved
4	Undertake formal Review of Investment Strategy Statement pre 2019 triennial valuation	Mar 2020	Deputy S 151 Officer	Achieved
5	Implement revised pension SORP and CIPFA guidance in producing annual report and statement of a/cs	June 2019	Deputy S 151 Officer	Achieved
6	Implement GMP reconciliation	April 2020	Deputy S 151 Officer	Ongoing
7	Monitor LGPS Regulation Changes and provide response to consultation where necessary to DCLG	DCLG timetable	Deputy S 151 Officer	Achieved
8	Review Compliance with TPR for investment decision making.	2019/20	Deputy S 151 Officer	Achieved
9	Support the All Wales Investment Pool project (procurement, governance & oversight arrangements, prospectus design, sub fund design, tax, transition management)	Continuous	Deputy S 151 Officer	Achieved & Ongoing
10	Consider and approve Pension Fund Accounts and Annual Report	September 2019	Deputy S 151 Officer	Achieved
11	Review performance of Fund and each individual	July 2019	Deputy S 151 Officer	Ongoing

	Manager, taking into account behaviour of world markets	September 2019 Dec 2019 March 2020		
12	Continue to implement the fund’s ESG Policy in respect of reduced carbon exposure	2019/20	Deputy S 151 Officer	Achieved and ongoing
13	Annual consultative meeting with employers re. annual report	November 2019	Deputy S 151 Officer	Achieved Nov 2019
14	Receive presentations from Fund Managers/ACS Operator/advisors	July 2019 September 2019 December 2019 March 2020	Deputy S 151 Officer	Achieved
15	Implement any amendments as a result of revised regulations	DCLG Timetable	Deputy S 151 Officer	Achieved
16	Review Pension Administration Strategy to ensure compliance with legislation	Nov 2019	Deputy S 151 Officer	Achieved
17	Review Communication Strategy to ensure fit for purpose and compliance with regulations	Nov 2019	Deputy S 151 Officer	Achieved
18	Continuous strategy review	Ongoing	Deputy S 151 Officer /advisors	Ongoing
19	Member self-serve upgrade	Dec 2019	Deputy S 151 Officer	Implemented
20	Review employer covenants	Mar 2020	Deputy S 151 Officer	Implemented

Business Plan 2020/21 to Year Ending 31 March 2021

Action	Description	Time-scale	Primary Responsibility
1	Formulate Annual Business Plan for 2020/21	Mar 2020	Deputy S 151 Officer
2	Implement 2019 Triennial Valuation	April 2020	Deputy S 151 Officer /actuary
3	Implement FSS	Mar 2020	Deputy S 151 Officer /actuaries
4	Undertake formal Review of Investment Strategy Statement pre 2019 triennial valuation	Mar 2021	Deputy S 151 Officer
5	Implement revised pension SORP and CIPFA guidance in producing annual report and statement of a/cs	June 2020	Deputy S 151 Officer
6	Finalise GMP reconciliation	Sep 2020	Deputy S 151 Officer
7	Monitor LGPS Regulation Changes and provide response to consultation where necessary to MHCLG	MHCLG timetable	Deputy S 151 Officer
8	Review Compliance with TPR for investment decision making.	2020/21	Deputy S 151 Officer
9	Support the All Wales Investment Pool project (procurement, governance & oversight arrangements, prospectus design, sub fund design, tax, transition management)	Continuous	Deputy S 151 Officer
10	Consider and approve Pension Fund Accounts and Annual Report	September 2020	Deputy S 151 Officer
11	Review performance of Fund and each individual Manager, taking into account world markets	July 2020 September 2020 Dec 2020 March 2021	Deputy S 151 Officer
12	Continue to implement the fund's ESG Policy in respect of reduced carbon exposure and responsible investments	2020/21	Deputy S 151 Officer

13	Annual consultative meeting with employers re. annual report	November 2019	Deputy S 151 Officer
14	Receive presentations from Fund Managers/ACS Operator/advisors	July 2020 September 2020 December 2020 March 2021	Deputy S 151 Officer
15	Implement any amendments as a result of revised regulations	MHCLG Timetable	Deputy S 151 Officer
16	Review Pension Administration Strategy to ensure compliance with legislation	Nov 2020	Deputy S 151 Officer
17	Review Communication Strategy to ensure fit for purpose and compliance with regulations	Nov 2020	Deputy S 151 Officer
18	Assess knowledge and skills of pension fund committee and local pension board members via National knowledge assessment (NKA)	July 2020	Deputy S 151 Officer
19	Review Governance arrangements pending issuance of SAB guidance	Dec 2020	Deputy S 151 Officer
20	Re- measure Carbon exposure across the equity portfolio	Dec 2020	Deputy S 151 Officer

APPENDIX 2

City & County of Swansea Pension Fund Risk Register 2020/21

Risk	Existing control measures /new control measures	Impact	Likelihood	Assigned	Date	Risk status
CCSPF1- Failure to comply with LGPS Regulation **If there is failure to comply with regulation, there would be adverse audit opinion and loss of trust from employers within scheme**	• Well trained staff • CPD • Pensions Officer Group • Society of Welsh Treasurers • Internal/external audit regime	High	Low	JD	2020/21	Green
CCSPF2 – Failure to process accurate pension benefits in a timely manner **If a pension benefit is paid incorrectly there could be a cost to the fund or penalty imposed for lateness of payment**	• Well trained staff • Established procedure with imbedded checks and segregation of duties in place • Regular KPI monitoring • Use of market leading software Altair • NFI checks • Atmos checks • GDPR	High	Low	JD	2020/21	Green
CCS PF3- Failure to collect and account for full receipt of contributions from employers and employees on time **If there is a failure to collect appropriate contributions there may be a rise in employers contributions and an adverse impact on cashflow and the ability to pay benefits and adverse audit opinion**	• Contribution timetable/monitoring procedure • Administering Authority agreement • Escalation and fines for non compliance • Internal audit	High	Low	JD	2020/21	Green
CCS PF4 – Failure to keep pension records up to date **If pension records are not up to**	• Administering Authority agreement with employers to ensure timely passing of	High	Medium	JD	2020/21	Amber

date, a wrong benefit may be calculated and paid	information • Data accuracy checks undertaken • Data validation on Altair system • Periodic data validation by scheme actuary/NFI •					
CCSPF 5 Failure to hold personal data securely **If there is breach of data there is a risk to the individual's details and loss of trust in the Authority**	• Compliance with GDPR • Business Continuity plan • IT Security Policy • Systems and pension payroll audit annually	High	Low	JD	2020/21	Green
CCSPF6 Loss of funds through fraud or misappropriation by Administrative staff **If funds are lost through fraud or misappropriation by Administrative staff could lead to increase in employer contributions**	• Segregation of duties • Clear roles and responsibilities and schemes of delegation • Internal external audit	High	Low	LM	2020/21	Green
CCSPF7 – Loss funds through fraud or misappropriation in investment related functions **If funds are lost through fraud or misappropriation in investment related functions could lead to increase in employer contributions**	• Segregation of duties • Clear roles and responsibilities and schemes of delegation • Internal/external audit • Regulatory control reports by external fund managers, custodians, fund administrators • FCA registration • Due diligence upon appointment	High	Low	JD	2020/21	Green
CCSPF8- Liquidity/cashflow risks – insufficient liquid assets with which to meet liabilities as they fall due **If levels of liquidity are insufficient then pension payments may not be able to be met**	• Weekly pension fund cash investments monitoring • SIP allocation to liquid assets	High	Low	JD	2020/21	Green

CCSPF 9- Volatility in employer contribution rates due to decease/increase in valuation of assets/liabilities	• Engage with expert actuary to make appropriate assumptions and employ suitable mechanisms to mitigate unaffordable rises • Regular monitoring of investment manager performance • Diversified investment asset allocation	High	Medium	JD	2020/21	Amber
CCSPF10- Prolonged failure of investment managers to achieve their objective returns	• Regular investment monitoring by officers • Regular presentation to pension fund committee • Ability to sack managers • Diversified investment strategy with a number of different managers	Medium	Medium	JD	2020/21	Green/Amber
CCSPF11- Price Risk- the volatility of the price of the quoted investments held exposes the fund to the risk of price movements in the market	• A comprehensive diversified investment approach is adopted	High	Low	JD	2020/21	Green
CCSPF 12- Interest rate risk- The risk of exposure to significant interest rate rises	• A comprehensive diversified investment approach is adopted	Medium	Low	JD	2020/21	Green
CCSPF 13 Discount Rate Risk- Volatility in the discount rate used inflates the level of liabilities to be paid	• Engage professionally qualified actuary who can mitigate the effects of abnormal discount rates	High	Medium	JD	2020/21	Amber
CCSPF 14 Foreign Exchange Risk- The risk of fluctuation the value of foreign currencies (the fund holds foreign investments whilst its liabilities are payable in sterling)	• A comprehensive diversified investment approach is adopted • Good cashflow management	High	Low	JD	2020/21	Green

CCSPF 15 – having suitably trained/experienced staff	• Training, development and succession planning	High	Medium	JD	2020/21	Amber
CCPF 16- Having suitably trained knowledgeable Pension Fund Committee Members/Local Pension Board Members	• CIPFA Knowledge and Skills framework • TPR Toolkit • Training Plan • Professional Advisors/Officers advising	High	Low	JD	2020/21	Green

Pension Fund – Budget 2020/21

	Actual 2018/19	Probable 2019/20	Estimate 2020/21
Membership Numbers			
Contributors	19,888	19,945	20,000
Pensioners	13,229	13,540	13,850
Deferred	11,874	11,809	11,900

	Actual 2018/19	Probable 2019/20	Estimate 2020/21
	£'000	**£'000**	**£'000**
Income			
Employer Contributions	74,944	78,975	79,500
Employee Contributions	18,456	19,266	19,500
Transfers In	5,037	5,000	5,000
Other Income	374	395	400
Investment Income	31,229	31,000	32,000
	130,040	**134,636**	**136,400**
Expenditure			
Pensions Payable	65,016	67,668	68,818
Lump Sum Benefits	17,063	12,300	13,000
Refunds	183	140	150
Transfers Out	6,136	6,500	6,000
	88,398	**86,608**	**87,968**
Administrative Expenses			
Support Services	757	757	760
Actuarial Fees	36	95	50
Advisors Fees	23	18	0
Consultancy Service	80	70	70
External Audit Fees	43	43	45
Performance Monitoring Fees	14	14	15
Printing & Publications	15	18	18
Other	625	650	500
Pension Fund Committee	6	6	10
Local Pension Board	0	2	5
Wales Pension Partnership	118	100	91
	1,717	**1,773**	**1,564**
Investment Expenses			
Management Fees	4,491	3,290	6,000
Performance Fees	668	850	850
Custody Fees	167	170	670
Transaction Costs	4,716	80	1,000
	10,042	**4,390**	**8,520**

Report of the Section 151 Officer

Pension Fund Committee – 13 March 2020

Trustee Training

CIPFA Code of Practice, Public Sector Finance Knowledge and Skills

The Pension Regulator Knowledge and Understanding Duty on Committee Members

Purpose:	To determine an annual training programme for Pension Fund Committee and Local Pension Board members and officers of the Pension Fund.
Reason for Decision:	To ensure compliance with the CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice and the Pension Regulator Knowledge and Understanding Requirements.
Consultation:	Legal, Finance and Access to Services.
Recommendation:	It is recommended that:
1. The assessment and outline training plan in 3.7, 3.8 and 3.9 be approved and further opportunities which are identified during the year be delegated to the Deputy S 151 Officer for approval.	
Report Author:	J Dong
Finance Officer:	J Dong
Legal Officer:	S Williams
Access to Services Officer:	R Millar

1 Introduction

1.1 Section 248 of The Pension Act 2004, as amended by Pensions Act 2013 requires that trustees of occupational pension schemes should be trained and have the knowledge and understanding of the law relating to pensions, the role of trustees and the principle of scheme funding, investment management, scheme administration of pension benefits. Whilst there is a legal requirement for a prescribed level of knowledge and understanding for members of a Local Pension Board, this legal requirement does not apply to members of a Pension Fund Committee. Accordingly, the Pensions Committee have agreed to have regard to the Myner principles, The Pension Regulators' Toolkit, Scheme Advisory Board (SAB) and adopt the CIPFA Knowledge and Skills Framework.

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 Code of Practice & The Pension Regulator's Knowledge & Understanding Requirements

3.1 <u>CIPFA Code</u>

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 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 <u>The Pension Regulator</u>

Key points

- You must have the required knowledge and understanding of scheme rules, documents recording scheme administration policies and pensions law.
- You should have adequate training to meet the knowledge and understanding requirements.

3.5 Knowledge and understanding requirements

You must:

- be conversant with (ie have a working knowledge of) your scheme rules and any document recording policy about the administration of your scheme
- have knowledge and understanding of the law relating to pensions

Scheme rules and administration policies

You must have a working knowledge of your scheme rules and documented administration policies. You should understand them in enough detail to:

- know where they are relevant to an issue
- understand and if necessary challenge any advice that you’re given

3.6 <u>The City & County of Swansea Pension Fund Policy Statement</u>

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. CIPFA have recognised the necessity to revisit and update this code of practice.

The Pension Committee has designated the Deputy Section 151 officer to be responsible for ensuring that the policies are implemented.

The majority of the Pension Committee and Local Pension Board have been in post for some time now and have formally undertaken initial introductory training in the LGPS and are consolidating that knowledge with continuous development, however an ongoing induction programme shall be required for the 2 new members of the Local Pension Board recently appointed.

With the revision of LGPS Governance Regulations and SAB guidance, the importance of minimum Trustee competence, knowledge and skills shall greatly increase.

3.7 Hymans, the fund's appointed investment consultant have recently launched the LGPS National Knowledge Assessment (NKA) which seeks to assess the knowledge levels of Pension Fund Committees and Local Pension Boards nationwide.

In participating in the assessment, funds shall receive a full report outlining:

- Own fund results
- Analysis and suggested next steps
- Benchmarked position against other funds
- A tailored recommended training plan

The assessment shall launch in March and shall require the completion of a 15-20 minute survey with the results being collated and used to inform both a local but also a national picture of LGPS trustee competence.

3.8 In 2019/20, the following Trustee training was undertaken by members of the Committee and Local Pension Board :

1. WPP Investment Beliefs Workshop
2. WPP ESG Beliefs Workshop
3. LGE (Local Government Employers) Trustee Fundamentals day 1, 2 & 3
4. LGC Investment Summit
5. Communications training

6. LAPFF AGM
7. CIPFA Local Pension Board training

In 2019/20, the following training has been identified as appropriate training to be undertaken by members of the Committee and Local Pension Board along with any appropriate training opportunities which present themselves during the year to be agreed by the Section 151 Officer:

8. WPP ACS training
9. WPP Private markets training
10. LGE (Local Government Employers) Trustee Fundamentals day 1, 2 & 3
11. PLSA Local Authority Seminar
12. LAPFF AGM
13. Asset class training
14. CIPFA trustee and Local Pension Board training

3.9 The determination of the training requirements for officers shall be delegated to the Deputy Section 151 Officer.

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 previously approved and outlined in the business plan.

5 Legal Implications

5.1 The underlying legal framework is set out in the Report.

6 Equality Impact Assessment Implications

6.1 An EIA Screening has been undertaken and no E& EI's have been identified.

Background Papers: None.

Appendices: None.

Cyngor Abertawe
Swansea Council

Report of the Chief Legal Officer

Pension Fund Committee – 13 March 2020

Exclusion of the Public

Purpose:	To consider whether the Public should be excluded from the following items of business.	
Policy Framework:	None.	
Consultation:	Legal.	
Recommendation(s):	It is recommended that:	
1)	The public be excluded from the meeting during consideration of the following item(s) of business on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Paragraphs listed below of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 subject to the Public Interest Test (where appropriate) being applied.	
	Item No's.	**Relevant Paragraphs in Schedule 12A**
	7-11	14
Report Author:	Democratic Services	
Finance Officer:	Not Applicable	
Legal Officer:	Tracey Meredith – Chief Legal Officer (Monitoring Officer)	

1. Introduction

1.1 Section 100A (4) of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, allows a Principal Council to pass a resolution excluding the public from a meeting during an item of business.

1.2 Such a resolution is dependant on whether it is likely, in view of the nature of the business to be transacted or the nature of the proceedings that if members of the public were present during that item there would be disclosure to them of exempt information, as defined in section 100I of the Local Government Act 1972.

2. Exclusion of the Public / Public Interest Test

2.1 In order to comply with the above mentioned legislation, Cabinet will be requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Exclusion Paragraphs of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

2.2 Information which falls within paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended is exempt information if and so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2.3 The specific Exclusion Paragraphs and the Public Interest Tests to be applied are listed in **Appendix A**.

2.4 Where paragraph 16 of the Schedule 12A applies there is no public interest test. Councillors are able to consider whether they wish to waive their legal privilege in the information, however, given that this may place the Council in a position of risk, it is not something that should be done as a matter of routine.

3. Financial Implications

3.1 There are no financial implications associated with this report.

4. Legal Implications

4.1 The legislative provisions are set out in the report.

4.2 Councillors must consider with regard to each item of business set out in paragraph 2 of this report the following matters:

4.2.1 Whether in relation to that item of business the information is capable of being exempt information, because it falls into one of the paragraphs set out in Schedule 12A of the Local Government Act 1972 as amended and reproduced in Appendix A to this report.

4.2.2 If the information does fall within one or more of paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended, the public interest test as set out in paragraph 2.2 of this report.

4.2.3 If the information falls within paragraph 16 of Schedule 12A of the Local Government Act 1972 in considering whether to exclude the public members are not required to apply the public interest test but must consider whether they wish to waive their privilege in relation to that item for any reason.

Background Papers: None.
Appendices: Appendix A – Public Interest Test.

Appendix A

Public Interest Test

No.	Relevant Paragraphs in Schedule 12A
12	**Information relating to a particular individual.**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 12 should apply. Their view on the public interest test was that to make this information public would disclose personal data relating to an individual in contravention of the principles of the Data Protection Act. Because of this and since there did not appear to be an overwhelming public interest in requiring the disclosure of personal data they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.
13	**Information which is likely to reveal the identity of an individual.**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 13 should apply. Their view on the public interest test was that the individual involved was entitled to privacy and that there was no overriding public interest which required the disclosure of the individual's identity. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.
14	**Information relating to the financial or business affairs of any particular person (including the authority holding that information).**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 14 should apply. Their view on the public interest test was that: **a)** Whilst they were mindful of the need to ensure the transparency and accountability of public authority for decisions taken by them in relation to the spending of public money, the right of a third party to the privacy of their financial / business affairs outweighed the need for that information to be made public; or **b)** Disclosure of the information would give an unfair advantage to tenderers for commercial contracts. This information is not affected by any other statutory provision which requires the information to be publicly registered. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

No.	Relevant Paragraphs in Schedule 12A
15	**Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 15 should apply. Their view on the public interest test was that whilst they are mindful of the need to ensure that transparency and accountability of public authority for decisions taken by them they were satisfied that in this case disclosure of the information would prejudice the discussion in relation to labour relations to the disadvantage of the authority and inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.
16	**Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.**
	No public interest test.
17	**Information which reveals that the authority proposes:** **(a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or** **(b) To make an order or direction under any enactment.**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 17 should apply. Their view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by the public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.
18	**Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime**
	The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 18 should apply. Their view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

Agenda Item 7a

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
of the Local Government Act 1972
as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

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Agenda Item 8

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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Information) (Variation) (Wales) Order 2007.

Agenda Item 10

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