

## Report of the Section 151 Officer

Pension Fund Committee – 12 March 2015

### CITY & COUNTY OF SWANSEA PENSION FUND BUSINESS PLAN 2015/16

<b>Purpose:</b>	To provide a working framework for the Pension Fund's programme of work for 2015/16
<b>Reason for Decision:</b>	To approve the outlined work programme.
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation:</b>	That The City & County of Swansea Pension Fund Annual Business Plan 2015/16 is noted and approved
<b>Report Author:</b>	Jeffrey Dong
<b>Finance Officer:</b>	Mike Hawes
<b>Legal Officer:</b>	Nigel Havard
<b>Access to Services Officer:</b>	Sherill Hopkins

#### Business Plan 2015/16

##### 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 2015/16 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 2015/16 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 – City and County of Swansea Pension Fund Annual Business Plan 2015/16.

**CITY AND COUNTY OF SWANSEA**

**Pension Fund**

**Annual Business Plan  
2015 16**

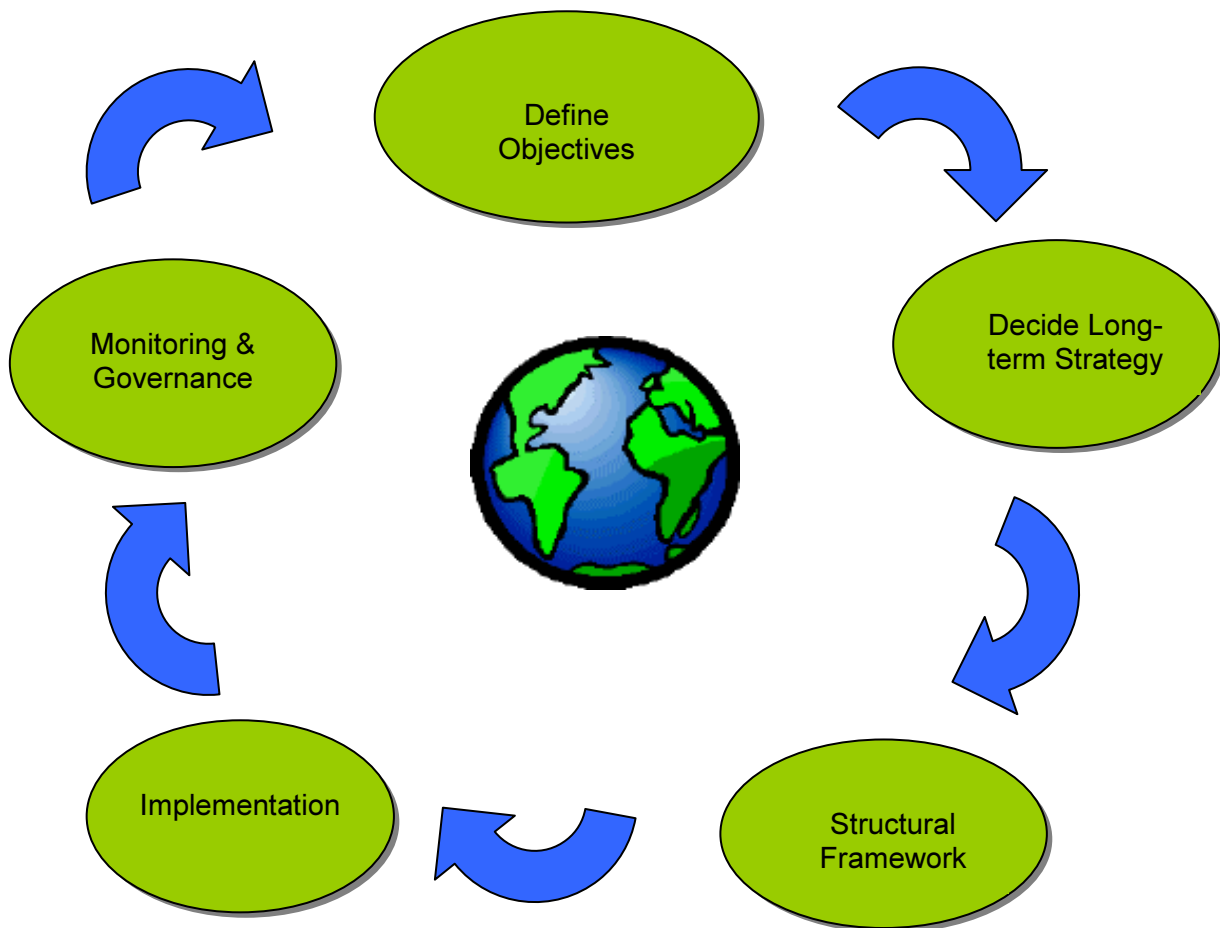


# Local Government Pension Scheme City & County of Swansea

## Investment 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 Panel as advised by the Section 151 Officer and supported by the Chief Treasury Officer and professional external financial advisors. 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 Statement of Investment Principles are:

- Overall investment policy is to maximise the return on investments within the risk parameters set for the Fund.
- Investment policy is guided by an overall objective of achieving over the long term a return on investments to meet all the Fund's liabilities after taking into account employer and employee contributions, which is consistent with the long-term assumptions used by the Actuary and with the Funding Strategy Statement adopted by the committee.
- Over the short-term the objective is to achieve a return in line with the risk parameters of the mandates of the appointed managers.
- Promote Socially Responsible Investment by appointed managers consistent with maximising the return on the Fund.

The fund currently has the following investment fund structure:

TABLE 1

Asset Class	Asset Allocation	Fund Manager		Benchmark	Performance
		Passive	Active		
UK Equities	34% +/-5%	14% +/-5%	20% Schroders	FTSE allshare	+3% p.a. over rolling 3year
Overseas Equities	34% +/-5%	13% +/-5% (L&G)	21% JP Morgan and Aberdeen	FTSE World all share (ex UK)	+3% p.a. over rolling 3year
Global Fixed Interest	15% +/-5%	6% +/-5% (L&G)	9% Goldman Sachs	3m Libor	3m Libor +3%
Property	5% +/-5%	-	5% Schroders and Partners and direct investment in Invesco property fund	IPD UK	+ 1% p.a. over rolling 3 year
Hedge Funds	5% +/-5%	-	5% Blackrock and Fauchier	LIBOR	+4%
Private Equity	3% +/-5%	-	3% Harbourvest	FTSE allshare	+3% p.a. over 3 year rolling
Global Tactical Asset Allocation	2% +/-5%	-	2% Blackrock	LIBOR	+4% over 3 year rolling
Cash	2% +/-5%	-	2% in house and cash flows of fund managers	7day LIBID	=
<b>TOTAL</b>	<b>100%</b>	<b>33%</b>	<b>67%</b>		

The Pension Fund Committee approved an allocation of 2% of the fund's assets to be invested in core infrastructure investment whilst also approving a discretionary investment ( up to 2% of the assets ) in the asset class which has local economic/growth

benefits whilst providing a commercial return to the pension fund also. Following a rigorous search and selection process, the pension Committee appointed Hastings Investment management to manage the core infrastructure portfolio- this will be funded via the redemption of the GTAA portfolio in Q1 2015/16. Consideration of the discretionary allocation will be considered as and when appropriate investment opportunities arise.

Performance of the investment managers is measured by The WM Company, 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 required.

### **3. Issues addressed in year to 31 March 2015**

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

#### *a. Objectives*

- No changes were made in the Fund's overall objectives, as stated in the Statement of Investment Principles.

#### *b. Investment Strategy*

The Pension Fund Committee approved a 2% allocation to be invested in core infrastructure investments with an up to 2% further discretionary investment in national/local economic growth driving infrastructure investment projects. Following a rigorous search and selection process, the pension Committee appointed Hastings Investment management to manage the core infrastructure portfolio- this will be funded via the redemption of the GTAA portfolio.

#### *c. Structural Framework*

The fund retains the services of ten fund managers who manage the assets of the fund as outlined in Table 1:

#### *d. Implementation*

- Produce annual report and statement of accounts 2013/14
- Held Annual General Consultative Meeting
- FRS17 statement included in accounts
- Held employer triennial valuation consultation meetings
- Held employee roadshows
- Implemented new Administration IT system 'Altair'

#### *e. Monitoring & Governance*

During the year, the Pension Fund Committee has held quarterly monitoring meetings.

A consultation meeting to consider the 2013/14 Annual Report and Statement of Accounts was held, to which all employing bodies and trade unions were invited.

Meetings have also been held with major employers to discuss the provisional results of the 2013 valuation prior to final certification

The Principal Pensions Officer held several open meetings for employers and members in order to explain the implementation of new regulations (including auto enrolment) and other changes amongst other administration issues.

#### **4. The Business Plan**

##### *a. Objectives*

The Investment Objectives, Strategy and Risk Profile will be considered when reviewing the Statement of Investment Principles and when considering the revision of the funding strategy statement

##### *b. Investment Strategy*

The solvency level of the Fund continues to be carefully monitored. The recent financial crisis and continuing troubles in the Eurozone emphasises the importance for Pension Fund Committee members of continually reviewing the funding level. The strategy will be regularly reviewed to seek to increase returns in line with responsible risk parameters.

Particular areas to be addressed are as follows:

- Review the effectiveness of the implemented structure of the fund
- Review asset allocation and new asset classes
- Review risk parameters
- 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 will be markedly revised moving to specialist fund management arrangements with exposure to additional asset classes as identified in Table 1 above.

##### *d. Implementation*

The Panel will implement decisions taken in respect of the strategy described above.

The revised investment arrangements have been implemented

#### *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.

Proposals for the initiation of the City & County of Swansea Pension Fund Local Pension Board go to Council on March 3<sup>rd</sup> 2015

The Pension Fund Committee will continue to consider issues arising from the Revised Myners' Principles for investment decision making and further improve compliance where required .

An Annual Consultative Meeting will be held to consider the 2014/15 Annual Report.

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

#### *f. Trustee Training*

The Chief Treasury & Technical Officer and Section 151 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, 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.

### **5. Business Plan Timetable**

The following tables set out progress against the 2014/15 business plan and sets out the broad Pension Fund Committee business plan over the next twelve months for 2015/16; the document is a dynamic document which may be subject to review during the year.

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



## Review of 2014/15 Business Plan Targets to year ended 31<sup>st</sup> March 2015

Action	Description	Time-scale	Primary Responsibility	Status
1	Formulate Annual Business Plan for 2015/16	Mar 2015	Section 151 Officer, Chief Treasury & Technical Officer	Achieved
2	Implement 2013 Triennial Valuation Certificate Results	Mar 2014	Section 151 Officer, Chief Treasury & Technical Officer	Achieved
3	Identify and procurement appropriate infrastructure investment	Sep 2014	Investment Sub Group	Achieved
4	Review Statement of Investment Principles in line with Revised Regulations	June 2014	Section 151 Officer, Chief Treasury & Technical Officer, Principal Pension Officer	Achieved
5	Implement revised pension SORP in producing annual report and statement of a/cs	June 2014	Section 151 Officer, Chief Treasury & Technical Officer, Advisors	Achieved
6	Review scheme specific benchmark	Continuous	Section 151 Officer, Chief Treasury & Technical Officer, Advisors, Actuary	Achieved
7	Monitor LGPS Regulation Changes and provide response to consultation where necessary to DCLG	DCLG timetable	Section 151 Officer/ Chief Treasury & Technical Officer/Principal pensions officer	Achieved

8	Review Compliance with Revised Myners Principles for investment decision making.	2014/15	Section 151 Officer, Chief Treasury & Technical Officer	Achieved
9	Benchmark and report the impact of additional resourcing in Pension Admin team	Nov 2014	Principal Pensions Officer	Achieved
10	Consider and approve Pension Fund Accounts and Annual Report	September 2014	Section 151 Officer, Chief Treasury & Technical Officer	Achieved
11	Review performance of Fund and each individual Manager, taking into account behaviour of world equity markets	July 2014 September 2014 November 2014 March 2015	Section 151 Officer/ external advisers	Ongoing
12	Review Socially Responsible/Ethical Investment Policy	November 2014	Section 151 Officer/ external advisers/ Chief Treasury & Technical Officer	ongoing
13	Annual consultative meeting with employers re. annual report	November 2014	Section 151 Officer/ Principal pension Officer/Chief Treasury & Technical Officer	Achieved Dec 2015
14	Receive presentations from Fund Managers	July 2014 September 2014 November 2014 March 2015	Section 151 Officer/ external adviser/Chief Treasury & Technical Officer	Achieved

15	Implement Fund Manager Fee Review	Sep 2014	Section 151 Officer/ external adviser/Chief Treasury & Technical Officer	Achieved

### Business Plan 2015/16 to Year Ending 31 March 2016

Action	Description	Time-scale	Primary Responsibility
1	Formulate Annual Business Plan for 2015/16	Mar 2015	Section 151 Officer, Chief Treasury & Technical Officer
2	Monitor 2013 Triennial Valuation Contributions – actual v certificated	March 2015 Sep 2015-03-03 March 2016	Section 151 Officer, Chief Treasury & Technical Officer
3	Implement the infrastructure investment	April 2015	Section 151 Officer, Chief Treasury & Technical Officer
4	Review Statement of Investment Principles in line with Revised Regulations	June 2015	Section 151 Officer, Chief Treasury & Technical Officer, Principal Pension Officer
5	Implement revised pension SORP and CIPFA guidance in producing annual report and statement of a/cs	June 2015	Section 151 Officer, Chief Treasury & Technical Officer, Advisors
6	Review scheme specific benchmark	Continuous	Section 151 Officer, Chief Treasury & Technical Officer, Advisors, Actuary
7	Monitor LGPS Regulation Changes and provide response to consultation where necessary to DCLG	DCLG timetable	Section 151 Officer/ Chief Treasury & Technical Officer/Principal pensions officer

8	Review Compliance with Revised Myners Principles for investment decision making.	2015/16	Section 151 Officer, Chief Treasury & Technical Officer
9	Support the Welsh Pension Funds Collaborative Working Programme	Continuous	Section 151 Officer, Chief Treasury & Technical Officer/Principal Pensions Officer
10	Consider and approve Pension Fund Accounts and Annual Report	September 2015	Section 151 Officer, Chief Treasury & Technical Officer
11	Review performance of Fund and each individual Manager, taking into account behaviour of world equity markets	July 2015 September 2015 November 2015 March 2016	Section 151 Officer/ Chief Treasury & technical Officer/external advisers
12	Review Socially Responsible/Ethical Investment Policy	November 2015	Section 151 Officer/ external advisers/ Chief Treasury & Technical Officer
13	Annual consultative meeting with employers re. annual report	November 2015	Section 151 Officer/ Principal pension Officer/Chief Treasury & Technical Officer
14	Receive presentations from Fund Managers	July 2015 September 2015 November 2015 March 2016	Section 151 Officer/ external adviser/Chief Treasury & Technical Officer
15	Implement Fund Manager Fee Review	April 2015	Section 151 Officer/ external adviser/Chief Treasury & Technical Officer
16	Implement Local Pension Board	June 2015	Section 151 Officer
17	Implement any amendments as a result of revised regulations	DCLG Timetable	Principal Pensions Officer

18	Review Pension Administration Strategy to ensure compliance with legislation	June 2015	Principal Pensions Officer
19	Review Communication Strategy to ensure fit for purpose and compliance with regulations	June 2015	Principal Pensions Officer
20	Develop Pension Administration System to improve data gathering and efficiency (i-Connect)	CCS and NPTCBC live by June 2015	Principal Pensions Officer
21	Implement Member Self Service	April 2015	Principal Pensions Officer
22	Reconciliation of GMPs for Fund members	April 2018	Principal Pensions Officer