

## CITY AND COUNTY OF SWANSEA

### MINUTES OF THE PENSION FUND COMMITTEE

HELD AT CHAMBER MEETING ROOM, CIVIC CENTRE, SWANSEA ON  
THURSDAY, 24 SEPTEMBER 2015 AT 10.00 AM

**PRESENT:** Councillor P Downing (Vice Chair) presided

<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
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P Downing	C E Lloyd	
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**Neath Port Talbot County Borough Council Councillor:**

P A Rees

**Officers:**

M Hawes	-	Head of Finance and Delivery
J Dong	-	Chief Treasury and Technical Officer
S Williams	-	Principal Lawyer
J Parkhouse	-	Democratic Services Officer

**ALSO PRESENT:**

N Mills	-	Independent Investment Advisor
V Furniss	-	Independent Investment Advisor
R Nelson	-	Pricewaterhouse Coopers
I Lookey	-	Pricewaterhouse Coopers

13 **APOLOGIES FOR ABSENCE.**

Apologies for absence were received from Councillors J Newbury, R C Stewart, D G Sullivan and M Thomas.

14 **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.**

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

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

**NOTED** that Councillor P Downing had received dispensation from the Standards Committee in this respect.

15 **MINUTES.**

**RESOLVED** that the Minutes of the Pension Fund Committee Meeting held on 2 July 2015 be approved as a correct record.

16 **AUDIT OF FINANCIAL STATEMENTS - ISA 260 REPORT.**

R Nelson and I Lookey, PricewaterhouseCoopers presented the Audit of Financial Statements ISA 260 report. The report set out the matters arising from the audit of the financial statements of the City & County of Swansea Pension Fund, for 2014-15, that required reporting under ISA 260. The External Auditors were therefore reporting the more significant issues arising from the audit, which they believed must be considered prior to the approval of the financial statements.

It was stated that subject to the satisfactory completion of the outstanding audit work, it was the Auditor General's intention to issue an unqualified audit report on the financial statements once the Authority had provided a Letter of Representation based on that set out in Appendix 1. The Review of the City & County of Swansea Pension Fund Annual Report (once it was provided) and subsequent events review further to the provision of the Annual Report were the areas of Audit work to be completed.

It was added that there were no misstatements identified in the financial statements, which remained uncorrected. There was a misstatement that had been corrected by management, but which the External Auditors considered should be drawn to the attention of the Authority due to its relevance to the responsibilities of the Council over the financial reporting process. Details were provided at Appendix 2.

There were no other significant issues arising from the audit and the recommendations arising from the financial audit work were set out at Appendix 3.

Progress was noted regarding the issue identified during the course of the prior year audit in relation to the Powys College Transfer In.

Details of significant issues arising from the audit were provided and included no uncorrected misstatements within the audit, significant risks, including those identified at planning stage, risk of fraud and the auditors not identifying any material weaknesses in the internal controls but providing some recommendations to enhance the control environment.

The Committee asked questions of the PricewaterhouseCoopers representatives who responded accordingly.

**RESOLVED** that the contents of the report be noted.

17 **CITY AND COUNTY OF SWANSEA PENSION FUND - STATEMENT OF ACCOUNTS 2014/15.**

The Section 151 Officer presented the statement of accounts for the City & County of Swansea Pension Fund. The City & County of Swansea Pension Fund Statement of Accounts 2014/15 were attached at Appendix 1.

**RESOLVED** that the City & County of Swansea Pension Fund Statement of Accounts 2014/15 be approved.

18 **ALL WALES COLLABORATION REPORT.**

The Section 151 Officer presented the report by Mercers commissioned by the Society of Welsh Treasurers Sub Group regarding Collaboration in the Welsh LGPS which sought approval to jointly procure a single passive index manager for all 8 Welsh LGPS funds.

It was added that the consensus and the feedback from the Local Government Association was that the government was leaning towards a pooling of investments approach. As such, the Society of Welsh Treasurers Pension Sub Group (SWTPSG) commissioned some work by the consultants Mercers regarding how best to implement this on an All Wales basis.

The final report (May 2015) was attached at Appendix 1.

The key points of the report were outlined as follows: -

- Spend time to develop a share set of principles for collaboration.
- Pursue a more collaborative approach in order to avail the key benefits which included economies of scale and lower costs, increased consistencies, enhanced governance and operational management across the Welsh Funds.
- Select a single provider for passive assets to obtain immediate cost savings. A pooling structure would not be required to achieve these gains.
- Establish a pooling framework to extend on collaboration beyond passive assets.
- Adopt a regulated (pooling) vehicle along with a model that supports leveraging the infrastructure of a third party provider (rather than building such infrastructure internally).
- Consider framing the new collaborative framework as optional for each Welsh Fund but target mandates that were common to all to ensure strong uptake and an engaged and simple approach.
- Consider active equity as the immediate mandate to commence under the new collaborative framework. The analysis conducted highlights that mandates offer the greatest potential for cost savings and improved net

of fees returns.

- Agree a set of next steps to take forward the project, including a workshop / training session and development of a project plan, including the potential tender process to assess suitable partners / providers to support the new collaborative framework.

It was recommended in the Mercer report and agreed by the SWTPSG to jointly procure a passive index manager for all 8 Welsh funds which would result in fee savings for all 8 Welsh funds.

A report outlining the approach to be adopted and agreed by all 8 Welsh funds was attached at Appendix 2. This report would be presented at all 8 Welsh pension fund decision making bodies for approval.

The Committee considered the information provided within the report.

**RESOLVED** that: -

- 1) The report by Mercers in Appendix 1 be noted;
- 2) The joint procurement exercise outlined in Appendix 2 to collaboratively procure a single passive index manager on behalf of all 8 Welsh LGPS be approved.

19 **RENEWAL OF 'ADMITTED BODY' STATUS OF CELTIC COMMUNITY LEISURE (BY NEATH PORT TALBOT COUNTY BOROUGH COUNCIL) TO THE CITY & COUNTY OF SWANSEA PENSION FUND.**

The Chief Treasury Officer presented a report which requested approval to renew Celtic Community Leisure as an Admitted Body in the City & County of Swansea Pension Fund. This was to ensure compliance with the Local Government Pension Scheme Regulations 2013 (as amended).

It was outlined that negotiations between Neath Port Talbot County Borough Council and Celtic Community Leisure had been finalised with a new 10 year contract due to commence with effect from 1 October 2015, with the option to extend for a further 5 years.

Neath Port Talbot County Borough Council had therefore requested that the Admitted Body status be renewed for 10 years from the commencement of the contract, with the option to extend for a further 5 years subject to completion of an admission agreement.

It was added that Celtic Community Leisure intended to close the scheme to new members.

**RESOLVED** that the application of Neath Port Talbot County Borough Council to renew the Admitted Body status of Celtic Community Leisure, subject to completing an agreed Admission Agreement, be approved.

20 **APPLICATION FOR 'ADMITTED BODY' STATUS OF RATHBONE TRAINING LTD TO THE CITY & COUNTY OF SWANSEA PENSION FUND.**

The Chief Treasury Officer presented a report which requested approval, in principle, to admit Rathbone Training Ltd. as an Admitted Body in the City & County of Swansea Pension Fund. This was to ensure compliance with the Local Government Pension Scheme Regulations 2013 (as amended).

It was outlined that Rathbone Training Ltd was awarded a contract for the Government's Work Based Learning 4 in Wales from Gower College on 1<sup>st</sup> April 2015, resulting in 8 staff TUPE transferring to Rathbone Training Ltd with effect from 1<sup>st</sup> April 2015.

Rathbone Training Ltd. had subsequently applied for admitted body status as a closed scheme employer in the City and County of Swansea Pension Fund.

**RESOLVED** that the application of Rathbone Training Ltd., as an admitted body to the City and County of Swansea Pension Fund, subject to Actuarial risk assessment and completion of admission agreement, be approved in principle.

21 **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 involve(s) 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)**

22 **TO COMMISSION AN INVESTMENT STRATEGY REVIEW- AWARD.**

The Chief Treasury Officer presented a 'for information' report that informed the Committee of the successful tenderer to commission an investment strategy review.

23 **TO DIRECT CURRENT FOREIGN EXCHANGE (FX) TRADES THROUGH THE LGPS FX PLATFORM.**

The Chief Treasury Officer which sought approval of the implementation of foreign exchange Trades through the Fund appointed custodian's LGPS fx trading platform, saving on transaction costs.

**RESOLVED** that the appointed fund custodian, HSBC implements foreign exchange trades via the LGPS platform for appropriate foreign exchange transactions for the City & County of Swansea Pension Fund.

24 **REPORTS OF THE INDEPENDENT CO- ADVISORS.**

The report presented the economic update and market commentary from the perspective of the appointed Independent Investment Advisors. Mr N Mills provided an economic and market update and Mr V Furniss provided an investment report for the quarter ended 30 June 2015.

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

25 **PRESENTATION OF FUND MANAGERS.**

- 1) A joint presentation was provided by Emma Dean and Jason Smith on behalf of Goldman Sachs.

Questions in relation to the content of the presentation were asked at the end of each presentation by the Committee and responses were provided by the respective Fund Managers.

The contents of the presentations were noted and the Chair thanked each of the Fund Managers for attending the meeting.

26 **INVESTMENT SUMMARY.**

The Chief Treasury and Technical Officer provided a “for information” report which presented the investment performance for the quarter year ended 30 June 2015. Attached at Appendix A of the report were the Quarterly Investment Summaries for the Pension Fund for the quarter ended 30 June 2015.

The meeting ended at 12.07 pm

**CHAIR**