

## CITY AND COUNTY OF SWANSEA

### MINUTES OF THE PENSION FUND COMMITTEE

HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON  
THURSDAY, 15 SEPTEMBER 2016 AT 10.00 AM

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

**Councillor(s)**

C E Lloyd

**Councillor(s)**

D G Sullivan

**Councillor(s)**

M Thomas

**Neath Port Talbot County Borough Council Councillor:**

P A Rees

**Officer(s)**

Jeffrey Dong

Chief Treasury & Technical Officer

Karen Cobb

Accountant

Wendy Parkin

Senior Lawyer

Jeremy Parkhouse

Democratic Services Officer

Wendy Parkin

Senior Lawyer

**ALSO PRESENT:**

N Mills

Independent Investment Advisor

V Furniss

Independent Investment Advisor

G Norman

Wales Audit Office

**Apologies for Absence**

Councillor(s): J Newbury and R C Stewart

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

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

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 to stay and speak and vote on any item relating to general staff Employment, on Budget matters and any other matters that affect Corporate Building Services, other than matters that directly affect his brother with specific reference to his post.

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

Councillor D G Sullivan - agenda as a whole – My daughter-in-law is a contributory member of the Pension Scheme and I am in receipt of a Local Government Pension - administered by Dyfed Pension Scheme - personal.

Councillor M Thomas - agenda as a whole - I and my wife are members of the Local Government Pension Scheme - personal.

**NOTED** that Councillor M Thomas had received dispensation from the Standards Committee to stay and speak but not vote on any item relating to general staff employment, on budget matters and any other matters that directly affect his wife by specific reference to her post.

17 **MINUTES.**

**RESOLVED** that the Minutes of the Pension Fund Committee held on 14 July 2016 be approved as correct record.

18 **ISA 260 REPORT - CITY & COUNTY OF SWANSEA PENSION FUND.**

Geraint Norman, Wales Audit Office presented a report that set out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2015-16 which required reporting under ISA 260.

The Audit Plan for the Pension Fund issued in March 2016 sets out the financial audit risks which were considered to be significant. The auditors had undertaken the audit to assess these risks and also considered any new risks which might have arisen. A summary of the financial audit risks, the audit work undertaken and the conclusion was shown in Exhibit 1.

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

The proposed audit report was set out in Appendix 2. The Pension Fund was included within the Council's main financial statements and therefore the opinion shown was that proposed for the Council's main financial statements incorporating the Pension Fund.

It was outlined that there were no misstatements identified in the financial statements which remained uncorrected. There were a number of misstatements which had been corrected by management but which the auditors felt should be highlighted due to their relevance to the responsibilities of the Authority over the financial reporting process. These were set out with explanations in Appendix 3. These amendments had no impact on the Fund Account but the value of investments in the Net Assets Statement was increased by £1,513,000. There were also a number of other presentational amendments made to the draft financial statements arising from the audit. Other significant issues arising from the audit were also reported.

The key recommendations arising from the financial audit work were set out in Appendix 4. Management had responded to them and progress would be checked

during next year's audit. Where any actions were outstanding, the auditors would continue to monitor progress and include it in the report next year.

The Committee asked questions relating to the summary of corrections made to the draft financial statements and recommendations arising from the 2015-16 financial audit work, particularly the reconciliation of the ALTAIR data base and compliance with the approved Statement of Investment Principles, which were responded to accordingly.

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

19 **STATEMENT OF ACCOUNTS 2015/16.**

The Chief Treasury and Technical Officer presented the City and County of Swansea Pension Fund Statement of Accounts 2015/16. He thanked staff within the Treasury and Technical Team for their work on producing the accounts.

It was stated that the City and County of Swansea Pension Fund Accounts form a distinct and separate component of the Statement of Accounts of the City and County of Swansea as a whole. The Wales Audit Office has audited the Pension Fund Statement of Accounts 2015/16 in line with their audit plan presented to Pension Fund Committee on earlier in the year. This was the first audit under the new external audit arrangements since the departure of PriceWaterhouseCoopers as appointed auditors.

The Pension Fund Statement of Accounts 2015/16 was attached at Appendix 1 of the report.

The Committee asked questions / commented in relation to admitted bodies' status, returns on investments, performance fees and details of other costs listed under Administrative and Investment Management Expenses.

**RESOLVED** that: -

- 1) The City and County of Swansea Pension Fund Statement of Accounts 2015/16 be approved;
- 2) The Chief Treasury and Technical Officer circulates to the Committee a breakdown of other costs listed under Administrative and Investment Management Expenses.

20 **THE IMPACT OF CARBON INVESTMENT.**

The Chief Treasury and Technical Officer presented a report which sought approval to commission a study into the impact of carbon investment / disinvestment on the portfolio.

He thanked the lobbying groups, including Friends of the Earth Cymru, for their interest regarding the investment policy and strategy of the Pension Fund in relation to the climate change debate. It was added that the Pension Fund recognised that climate change was a key risk, which it was working hard to understand and

manage. The fund also continued to make investments in clean tech and renewable energy via its private equity portfolio, where it could find investments that provided appropriate risk adjusted returns net of costs.

It was also highlighted that in exercising their duties, the Pension Fund Committee must remember the first duty is to pay member's pensions when they retired and that disinvestment from carbon assets without alternatives which provide commensurate returns would create economic uncertainty and it would be irresponsible to begin a programme of disinvestment which impacted on the fund's ability to pay people's pensions.

Further information regarding climate change and carbon assets was provided. It was concluded that it should be recognised there was no easy answer to climate change and adopting an appropriate carbon investment policy. Therefore, it was recommended to commission an analysis of the current portfolio's carbon impact with a view to formulating a coherent carbon investment policy.

The committee discussed the need to determine a responsible investment strategy, how pooling will affect the strategy and the need to look at different means of extracting fossil fuels such as fracking.

**RESOLVED** that a former analysis of the impact of carbon investment / disinvestment on the portfolio be commissioned to assist in the formulation of a carbon policy for the City and County of Swansea Pension Fund.

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 **INFRASTRUCTURE ALLOCATION - HASTINGS.**

The Chief Treasury and Technical Officer provided a 'for information' report which presented an update on the infrastructure investment manager's appointment approved by the Pension Fund Committee on 3 December 2014.

23 **INVESTMENT SUMMARY.**

The Chief Treasury Technical Officer provided a "full information" report which presented the investment performance for the quarter year ended 30 June 2016. Attached at Appendix 1 were the quarterly investment summaries for the Pension Fund for the quarter, year out three years ended 30 June 2016.

24 **REPORT(S) OF THE INDEPENDENT ADVISORS.**

The report presented the economic update and market commentary from the perspective of the appointed Independent Advisors. Appendix when provided the investment report for the quarter ended 30 June 2016 together with an update for the period from one July to 2 September 26 from Mr V Furniss. Appendix 2 contained the economic and market note to September 2016 from Mr N Mills.

The content of each report was noted by the committee and the independent advisers were thanked for their reports.

25 **PRESENTATION- FUND MANAGER.**

(1) A joint presentation was made by Jason Smith and Jason Freeman of Goldman Sachs.

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 12.08 pm

**CHAIR**