



## Report of the Section 151 Officer

Local Pension Board - 27 September 2018

### City & County of Swansea Pension Fund Business Plan 2018/19

<b>Purpose:</b>	To provide a working framework for the Pension Fund's programme of work for 2018/19
<b>Reason for Decision:</b>	To approve the outlined work programme.
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Report Author:</b>	Jeffrey Dong
<b>Finance Officer:</b>	Jeffrey Dong
<b>Legal Officer:</b>	Stephanie Williams
<b>Access to Services Officer:</b>	Sherill Hopkins
<b>For Information</b>	

#### **Business Plan 2018/19**

##### **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 2017/18 is attached at Appendix 1

##### **2 Legal Implications**

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

##### **3 Financial Implications**

- 3.1 There are no financial implications arising from this report

##### **4 Equality and Engagement Implications**

- 4.1 There are no equality and engagement implications arising from this report

**Background Papers:** None.

**Appendices:** Appendix 1- Business Plan 2018/19.

**CITY AND COUNTY OF SWANSEA**

**Pension Fund**

**Annual Business Plan  
2018 19**

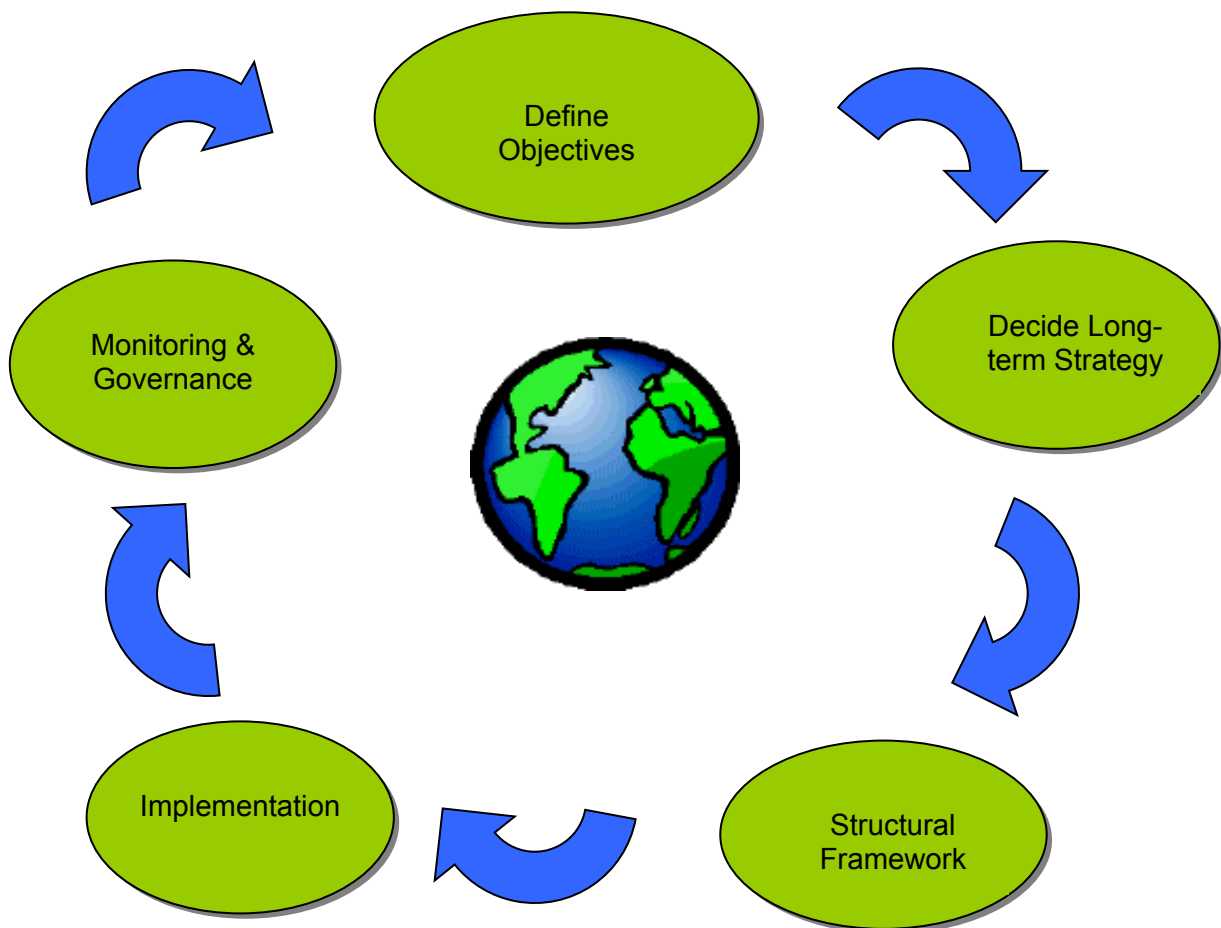


# Local Government Pension Scheme City & County of Swansea

## 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 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 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 either alongside or following actuarial valuations of the Fund.

The Fund's investment strategy was last reviewed during 2017 and 2018. This analysis included both a quantitative (using asset liability modelling) and qualitative analysis. 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 required.

### **3. Issues addressed in year to 31 March 2018**

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 reviewed its investment strategy and asset allocation as outlined in the revised Investment Strategy Statement.

#### *c. Structural Framework*

During the year, The Pension Fund Committee have appointed a new Investment consultant, William Marshall of Hymans Robertson to work alongside its independent investment advisor, Noel Mills.

The Wales Pension Partnership (WPP) successfully appointed the ACS Operator who shall be implementing the FCA approved pooling vehicle through which the WPP constituent Authorities shall invest the majority of their assets more efficiently. The prospectus for the first sub fund of the pool has been submitted for FCA approval. Work continues for the remainder of the liquid assets.

#### *d. Implementation*

- Produced annual report and statement of accounts 2017/18
- 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.

The Local Pension Board has held quarterly meetings

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

A consultation meeting to consider the 2016/17 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 (including auto enrolment) and other changes amongst other administration issues.

The Local Pension Board has been established and its first 2 meetings have been held

f. Environmental, Social, Governance (ESG)

The Pension Fund Committee approved the first ESG policy for the fund.

#### **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 at beginning of the planning process for the 2019 triennial valuation

##### *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 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 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 will be materially impacted by the Wales Pool's submission in response to the Government's

pooling criteria and agreed establishment of an Authorised Contractual Scheme ( ACS) for the Wales Pool of 8 LGPS funds.

A joint committee has been established along with a signed Inter Authority Agreement and terms of reference for the committee.

Carmarthenshire County Council has been chosen as the host Authority to undertake secretariat and associated tasks.

#### *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.

#### *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 the Revised Myners' Principles 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 Chairs Committee of the Wales Pool

An Annual Consultative Meeting will be held to consider the 2017/18Annual 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 MHCLG in relation to structural reform of the LGPS.

#### *f. Trustee Training*

The Section 151 Officer and Chief Treasury & Technical 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 table in Appendix 1 set out progress against the 2017/18 business plan and sets out the broad Pension Fund Committee business plan over the next twelve months for 2018/19; 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.



**APPENDIX 1**

**Review of 2017/18 Business Plan Targets to year ended 31<sup>st</sup> March 2018**

<b>Action</b>	<b>Description</b>	<b>Time-scale</b>	<b>Primary Responsibility</b>	<b>Status</b>
1	Formulate Annual Business Plan for 2017/18	Mar 2017	Section 151 Officer, Chief Treasury & Technical Officer	Achieved
2	Implement 2016 Triennial Valuation	April 2017	Section 151 Officer, Chief Treasury & Technical Officer	Ongoing
3	Manage the Infrastructure tender exercise	Feb 2017- April 2017	Section 151 Officer, Chief Treasury & Technical Officer	Achieved
4	Undertake formal Review of Investment Strategy Statement post 2016 triennial valuation	Sep 2017	Section 151 Officer, Chief Treasury & Technical Officer, Principal Pension Officer	Achieved
5	Implement revised pension SORP and CIPFA guidance in producing annual report and statement of a/cs	June 2017	Section 151 Officer, Chief Treasury & Technical Officer, Advisors	Achieved
6	Appoint investment consultancy	May 2017	Section 151 Officer, Chief Treasury & Technical Officer, Advisors,	Achieved
7	Monitor LGPS Regulation Changes and provide response to consultation where necessary to DCLG	DCLG timetable	Section 151 Officer/ Chief Treasury & Technical	Achieved

			Officer/Principal pensions officer	
8	Review Compliance with Revised Myners Principles for investment decision making.	2017/18	Section 151 Officer, Chief Treasury & Technical Officer	Achieved
9	Support the All Wales Investment Pool project ( procurement, governance & oversight arrangements)	Continuous	Section 151 Officer, Chief Treasury & Technical Officer/Principal Pensions Officer	Achieved & Ongoing
10	Consider and approve Pension Fund Accounts and Annual Report	September 2017	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 2017 September 2017 Dec 2017 March 2018	Section 151 Officer/ Chief Treasury & technical Officer/external advisers	Ongoing
12	Review Socially Responsible/Ethical Investment Policy	November 2017	Section 151 Officer/ external advisers/ Chief Treasury & Technical Officer	ongoing
13	Annual consultative meeting with employers re. annual report	November 2017	Section 151 Officer/ Principal pension Officer/Chief Treasury & Technical Officer	Achieved Dec 2016
14	Receive presentations from Fund Managers	July 2017 September 2017 December 2017	Section 151 Officer/ external adviser/Chief Treasury & Technical Officer	Achieved

		March 2018			
15	Implement any amendments as a result of revised regulations	DCLG Timetable	Principal Officer	Pensions	Achieved
16	Review Pension Administration Strategy to ensure compliance with legislation	June 2017	Principal Officer	Pensions	Achieved
17	Review Communication Strategy to ensure fit for purpose and compliance with regulations	June 2017	Principal Officer	Pensions	Achieved
18	Reconciliation of GMPs for Fund members	Dec 2019	Principal Officer	Pensions	Ongoing

### Business Plan 2018/19 to Year Ending 31 March 2019

Action	Description	Time-scale	Primary Responsibility
1	Formulate Annual Business Plan for 2018/19	Aug 2018	Chief Treasury & Technical Officer
2	Implement 2019 Triennial Valuation Planning	Oct 2018	Chief Treasury & Technical Officer
3	Implement Pension Administration Team restructure	Jul 2018	Chief Treasury & Technical Officer
4	Undertake formal Review of Investment Strategy Statement pre 2019 triennial valuation	Mar 2019	Chief Treasury & Technical Officer
5	Implement revised pension SORP and CIPFA guidance in producing annual report and statement of a/cs	June 2019	Chief Treasury & Technical Officer
6	Implement GDPR Compliance	May 2018	Chief Treasury & Technical

			Officer
7	Monitor LGPS Regulation Changes and provide response to consultation where necessary to DCLG	DCLG timetable	Chief Treasury & Technical Officer
8	Review Compliance with TPR for investment decision making.	2018/19	Chief Treasury & Technical Officer
9	Support the All Wales Investment Pool project ( procurement, governance & oversight arrangements, prospectus design, sub fund design, tax, transition management)	Continuous	Chief Treasury & Technical Officer
10	Consider and approve Pension Fund Accounts and Annual Report	September 2018	Chief Treasury & Technical Officer
11	Review performance of Fund and each individual Manager, taking into account behaviour of world equity markets	July 2018 September 2018 Dec 2018 March 2019	Chief Treasury & Technical Officer
12	Monitor Socially Responsible/Ethical Investment Policy	2018/19	Chief Treasury & Technical Officer
13	Annual consultative meeting with employers re. annual report	November 2018	Chief Treasury & Technical Officer
14	Receive presentations from Fund Managers	July 2018 September 2018 December 2018 March 2019	Chief Treasury & Technical Officer
15	Implement any amendments as a result of revised regulations	DCLG Timetable	Chief Treasury & Technical Officer
16	Review Pension Administration Strategy to ensure compliance with legislation	Nov 2018	Chief Treasury & Technical Officer
17	Review Communication Strategy to ensure fit for purpose and compliance with regulations	Nov 2018	Chief Treasury & Technical Officer
18	Reconciliation of GMPs for Fund members	Dec 2019	Chief Treasury & Technical Officer

19	Data Quality audit	Dec 2018	Chief Treasury & Technical Officer
20	Review employer covenants	Mar 2019	Chief Treasury & Technical Officer
21	Transition first WPP assets	Nov 2018	Chief Treasury & Technical Officer

## City &amp; County of Swansea Pension Fund Risk Register 2018/19

Risk	Existing control measures /new control measures	Impact	Likelihood	Assigned	Date	Risk status
<p><b>CCSPF1- Failure to comply with LGPS Regulation</b></p> <p><b>If there is failure to comply with regulation, there would be adverse audit opinion and loss of trust from employers within scheme</b></p>	<ul style="list-style-type: none"> <li>Well trained staff</li> <li>CPD</li> <li>Pensions Officer Group</li> <li>Society of Welsh Treasurers</li> <li>Internal/external audit regime</li> </ul>	High	Low	JD	2018/19	Green
<p><b>CCSPF2 – Failure to process accurate pension benefits in a timely manner</b></p> <p><b>If a pension benefit is paid incorrectly there could be a cost to the fund or penalty imposed for lateness of payment</b></p>	<ul style="list-style-type: none"> <li>Well trained staff</li> <li>Established procedure with imbedded checks and segregation of duties in place</li> <li>Regular KPI monitoring</li> <li>Use of market leading software Altair</li> <li>NFI checks</li> <li>Atmos checks</li> </ul>	High	Low	JD	2018/19	Green
<p><b>CCS PF3- Failure to collect and account for full receipt of contributions from employers and employees on time</b></p> <p><b>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</b></p>	<ul style="list-style-type: none"> <li>Contribution timetable/monitoring procedure</li> <li>Administering Authority agreement</li> <li>Escalation and fines for non compliance</li> <li>Internal audit</li> </ul>	High	Low	JD	2018/19	Green
<p><b>CCS PF4 – Failure to keep pension records up to date</b></p> <p><b>If pension records are not up to date, a wrong benefit may be</b></p>	<ul style="list-style-type: none"> <li>Administering Authority agreement with employers to ensure timely passing of information</li> </ul>	High	Medium	JD	2018/19	Amber

calculated and paid	<ul style="list-style-type: none"> <li>• Data accuracy checks undertaken</li> <li>• Data validation on Altair system</li> <li>• Periodic data validation by scheme actuary/NFI</li> <li>•</li> </ul>					
<b>CCSPF 5 Failure to hold personal data securely</b>  <b>If there is breach of data there is a risk to the individual's details and loss of trust in the Authority</b>	<ul style="list-style-type: none"> <li>• Compliance with Data Protection Act 1998</li> <li>• Business Continuity plan</li> <li>• IT Security Policy</li> <li>• Systems and pension payroll audit annually</li> </ul>	High	Low	JD	2018/19	Green
<b>CCSPF6 Loss of funds through fraud or misappropriation by Administrative staff</b>  <b>If funds are lost through fraud or misappropriation by Administrative staff could lead to increase in employer contributions</b>	<ul style="list-style-type: none"> <li>• Segregation of duties</li> <li>• Clear roles and responsibilities and schemes of delegation</li> <li>• Internal external audit</li> </ul>	High	Low	LM	2018/19	Green
<b>CCSPF7 – Loss funds through fraud or misappropriation in investment related functions</b>  <b>If funds are lost through fraud or misappropriation in investment related functions could lead to increase in employer contributions</b>	<ul style="list-style-type: none"> <li>• Segregation of duties</li> <li>• Clear roles and responsibilities and schemes of delegation</li> <li>• Internal/external audit</li> <li>• Regulatory control reports by external fund managers, custodians, fund administrators</li> <li>• FCA registration</li> <li>• Due diligence upon appointment</li> </ul>	High	Low	JD	2018/19	Green
<b>CCSPF8- Liquidity/cashflow risks – insufficient liquid assets with which to meet liabilities as they fall due</b>  <b>If levels of liquidity are insufficient then pension payments may not be able to be met</b>	<ul style="list-style-type: none"> <li>• Weekly pension fund cash investments monitoring</li> <li>• SIP allocation to liquid assets</li> </ul>	High	Low	JD	2018/19	Green

<b>CCSPF 9- Volatility in employer contribution rates due to decrease/increase in valuation of assets/liabilities</b>	<ul style="list-style-type: none"> <li>Engage with expert actuary to make appropriate assumptions and employ suitable mechanisms to mitigate unaffordable rises</li> <li>Regular monitoring of investment manager performance</li> <li>Diversified investment asset allocation</li> </ul>	High	Medium	JD	2018/19	Amber
<b>CCSPF10- Prolonged failure of investment managers to achieve their objective returns</b>	<ul style="list-style-type: none"> <li>Regular investment monitoring by officers</li> <li>Regular presentation to pension fund committee</li> <li>Ability to sack managers</li> <li>Diversified investment strategy with a number of different managers</li> </ul>	Medium	Medium	JD	2018/19	Green/Amber
<b>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</b>	<ul style="list-style-type: none"> <li>A comprehensive diversified investment approach is adopted</li> </ul>	High	Low	JD	2018/19	Green
<b>CCSPF 12- Interest rate risk- The risk of exposure to significant interest rate rises</b>	<ul style="list-style-type: none"> <li>A comprehensive diversified investment approach is adopted</li> </ul>	Medium	Low	JD	2018/19	Green
<b>CCSPF 13 Discount Rate Risk- Volatility in the discount rate used inflates the level of liabilities to be paid</b>	<ul style="list-style-type: none"> <li>Engage professionally qualified actuary who can mitigate the effects of abnormal discount rates</li> </ul>	High	Medium	JD	2018/19	Amber
<b>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)</b>	<ul style="list-style-type: none"> <li>A comprehensive diversified investment approach is adopted</li> <li>Good cashflow management</li> </ul>	High	Low	JD	2018/19	Green



<b>CCSPF 15 – having suitably trained/experienced staff</b>	<ul style="list-style-type: none"> <li>• Training, development and succession planning</li> </ul>	High	Medium	JD	2018/19	Amber
<b>CCPF 16- Having suitably trained knowledgeable Pension Fund Committee Members/Local Pension Board Members</b>	<ul style="list-style-type: none"> <li>• CIPFA Knowledge and Skills framework</li> <li>• Training Plan</li> <li>• Professional Advisors/Officers advising</li> </ul>	High	Low	JD	2018/19	Green

## Pension Fund – Budget 2018/19

	Actual 2016/17	Actual 2017/18	Estimate 2018/19
<b>Membership Numbers</b>			
Contributors	17,903	19,685	20,000
Pensioners	12,200	12,671	12,800
Deferred	11,583	11,535	11,550
	Actual 2016/17 £'000	Actual 2017/18 £'000	Estimate 2018/19 £'000
<b>Income</b>			
Employer Contributions	64,818	70,032	72,147
Employee Contributions	16,903	17,666	18,308
Transfers In	3,841	3,191	3,400
Other Income	194	180	185
Investment Income	29,838	30,891	32,000
	<b>115,594</b>	<b>121,960</b>	<b>126,040</b>
<b>Expenditure</b>			
Pensions Payable	58,454	61,207	63,043
Lump Sum Benefits	17,779	16,202	16,500
Refunds	120	101	110
Transfers Out	4,750	4,452	4,500
	<b>81,103</b>	<b>81,962</b>	<b>84,153</b>
<b>Administrative Expenses</b>			
Support Services	690	755	755
Actuarial Fees	55	43	70
Advisors Fees	45	46	23
Consultancy Service	0	77	95
External Audit Fees	50	50	50
Performance Monitoring Fees	10	14	15
Printing & Publications	18	18	18
Other	169	305	460
Pension Fund Committee	6	5	10
Pension Board	1	2	5
Wales Pension Partnership Fees	97	77	510
	<b>1,141</b>	<b>1,392</b>	<b>2,011</b>
<b>Investment Expenses</b>			
Management Fees	4,894	4,402	5,000
Performance Fees	494	1,400	1,000
Custody Fees	124	135	135
	<b>5,512</b>	<b>5,937</b>	<b>6,135</b>

