



Report of the Section 151 Officer

Local Pension Board – 28 March 2019

City & County of Swansea Pension Fund Business Plan 2019/20

Purpose:	To note the Business Plan as a working framework for the Pension Fund's programme of work for 2019/20.
Consultation:	Legal, Finance and Access to Services.
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For Information	

Business Plan 2019/20

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 2018/19 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 2019/20 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

Appendices

Appendix 1- Business Plan 2019/20

CITY AND COUNTY OF SWANSEA

Pension Fund

**Annual Business Plan
2019 20**

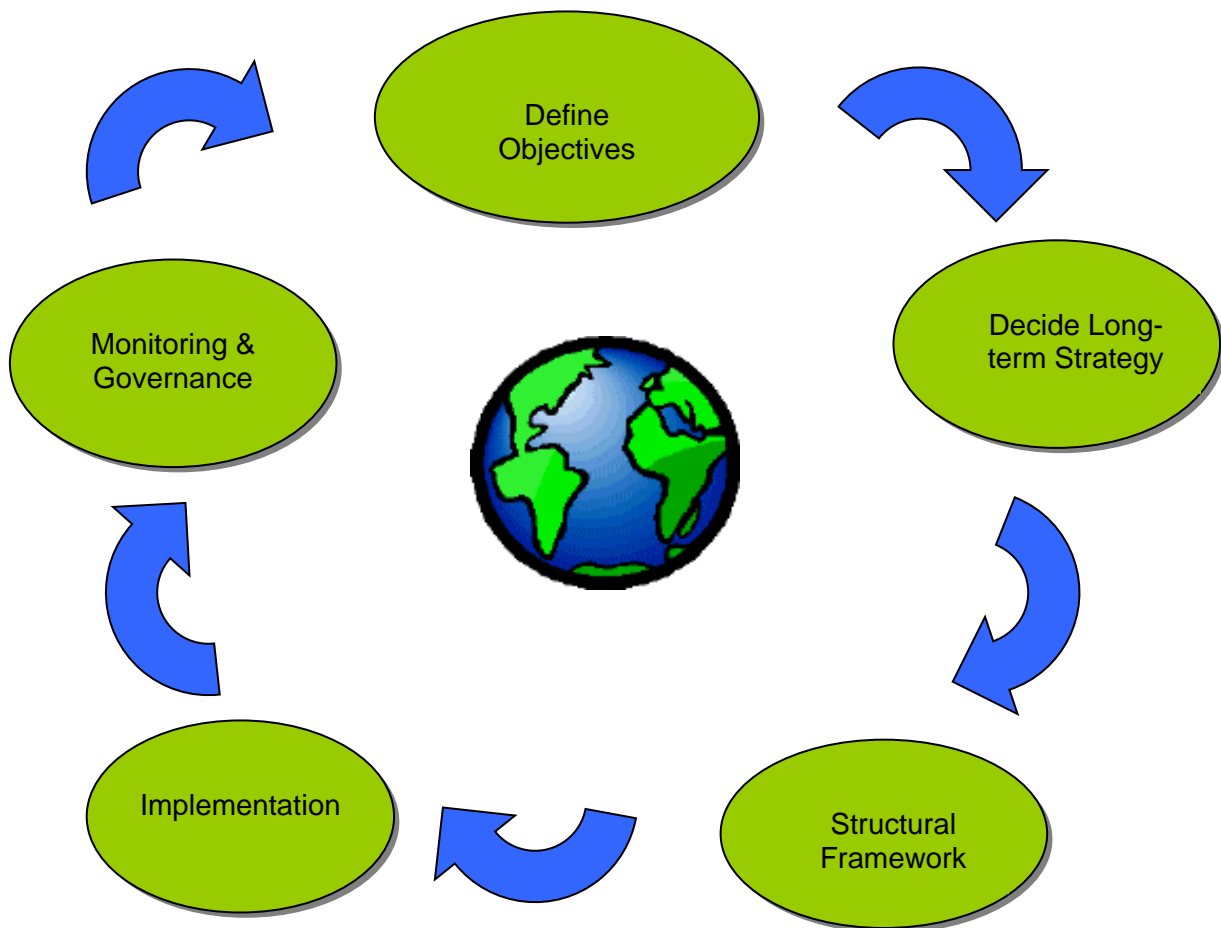


Local Government Pension Scheme City & County of Swansea

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 Deputy S151 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 update on The Investment Strategy paper also on this agenda, 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 and is scheduled to complete in the third quarter of 2019.

d. Implementation

- Produced annual report and statement of accounts 2018/19
- Held Annual General Consultative Meeting
- FRS17 statement included in accounts
- Held employer triennial valuation consultation meetings
- Held employee roadshows
- Initiated consultation on electronic annual benefit statements

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 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 (including auto enrolment) and other changes amongst other administration issues.

The Local Pension Board has met during the year, however member representation issues have to be resolved in respect of the 2 vacant member roles. A new employer representative, Mr Dave MacKerras of Pellena Community Council has been appointed in year, to replace Mr John Andrew of Tai Tarian Housing.

f. Environmental, Social, Governance (ESG)

The Pension Fund Committee approved the first ESG policy for the fund and is in progress to implementing it low carbon passive index transition.

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 has been materially impacted by the establishment of the WPP. The joint governance committee has met 4 times 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.

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 all 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 Chairs Committee of the Wales Pool

An Annual Consultative Meeting will be held to consider the 2018/19 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 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.

5. Business Plan Timetable

The following table in Appendix 1 set out progress against the 2018/19 business plan and sets out the broad Pension Fund Committee business plan over the next twelve months for 2019/20; 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 2017/18 Business Plan Targets to year ended 31st March 2018

Action	Description	Time-scale	Primary Responsibility	Status
1	Formulate Annual Business Plan for 2018/19	Aug 2018	Chief Treasury & Technical Officer	Achieved
2	Implement 2019 Triennial Valuation Planning	Oct 2018	Chief Treasury & Technical Officer	Ongoing
3	Implement Pension Administration Team restructure	Jul 2018	Chief Treasury & Technical Officer	Achieved
4	Undertake formal Review of Investment Strategy Statement pre 2019 triennial valuation	Mar 2019	Chief Treasury & Technical Officer	Achieved
5	Implement revised pension SORP and CIPFA guidance in producing annual report and statement of a/cs	June 2019	Chief Treasury & Technical Officer	Achieved
6	Implement GDPR Compliance	May 2018	Chief Treasury & Technical Officer	Achieved
7	Monitor LGPS Regulation Changes and provide response to consultation where necessary to DCLG	DCLG timetable	Chief Treasury & Technical Officer	Achieved
8	Review Compliance with TPR for investment decision making.	2018/19	Chief Treasury & Technical Officer	Ongoing
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	Achieved & Ongoing
10	Consider and approve Pension Fund Accounts and Annual Report	September 2018	Chief Treasury & Technical Officer	Achieved
11	Review performance of Fund and each individual	July 2018	Chief Treasury &	Ongoing

	Manager, taking into account behaviour of world equity markets	September 2018 Dec 2018 March 2019	Technical Officer	
12	Monitor Socially Responsible/Ethical Investment Policy	2018/19	Chief Treasury & Technical Officer	ongoing
13	Annual consultative meeting with employers re. annual report	November 2018	Chief Treasury & Technical Officer	Achieved Dec 2016
14	Receive presentations from Fund Managers	July 2018 September 2018 December 2018 March 2019	Chief Treasury & Technical Officer	Achieved
15	Implement any amendments as a result of revised regulations	DCLG Timetable	Chief Treasury & Technical Officer	Achieved
16	Review Pension Administration Strategy to ensure compliance with legislation	Nov 2018	Chief Treasury & Technical Officer	Achieved
17	Review Communication Strategy to ensure fit for purpose and compliance with regulations	Nov 2018	Chief Treasury & Technical Officer	Achieved
18	Reconciliation of GMPs for Fund members	Dec 2019	Chief Treasury & Technical Officer	Ongoing
19	Data Quality audit	Dec 2018	Chief Treasury & Technical Officer	Implemented
20	Review employer covenants	Mar 2019	Chief Treasury & Technical Officer	Implemented
21	Transition first WPP assets	Nov 2018	Chief Treasury & Technical Officer	achieved

Business Plan 2019/20 to Year Ending 31 March 2020

Action	Description	Time-scale	Primary Responsibility
1	Formulate Annual Business Plan for 19/20	Aug 2019	Deputy S 151 Officer
2	Continue 2019 Triennial Valuation Planning/implementation	March 2019- November 2020	Deputy S 151 Officer /actuary
3	Review FSS ahead of Triennial valuation	Nov 2020	Deputy S 151 Officer /actuaries
4	Undertake formal Review of Investment Strategy Statement pre 2019 triennial valuation	Mar 2020	Deputy S 151 Officer
5	Implement revised pension SORP and CIPFA guidance in producing annual report and statement of a/cs	June 2019	Deputy S 151 Officer
6	Implement GMP reconciliation	April 2020	Deputy S 151 Officer
7	Monitor LGPS Regulation Changes and provide response to consultation where necessary to DCLG	DCLG timetable	Deputy S 151 Officer
8	Review Compliance with TPR for investment decision making.	2019/20	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 2019	Deputy S 151 Officer
11	Review performance of Fund and each individual Manager, taking into account behaviour of world markets	July 2019 September 2019 Dec 2019 March 2020	Deputy S 151 Officer
12	Continue to implement the fund's ESG Policy in respect of reduced carbon exposure	2019/20	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 2019 September 2019 December 2019 March 2020	Deputy S 151 Officer
15	Implement any amendments as a result of revised regulations	DCLG Timetable	Deputy S 151 Officer
16	Review Pension Administration Strategy to ensure compliance with legislation	Nov 2019	Deputy S 151 Officer
17	Review Communication Strategy to ensure fit for purpose and compliance with regulations	Nov 2019	Deputy S 151 Officer
18	Continuous strategy review	Ongoing	Deputy S 151 Officer /advisors
19	Member self-serve upgrade	Dec 2019	Deputy S 151 Officer
20	Review employer covenants	Mar 2020	Deputy S 151 Officer

City & County of Swansea Pension Fund Risk Register 2019/20

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	<ul style="list-style-type: none"> Well trained staff CPD Pensions Officer Group Society of Welsh Treasurers Internal/external audit regime 	High	Low	JD	2019/20	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	<ul style="list-style-type: none"> 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 	High	Low	JD	2019/20	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	<ul style="list-style-type: none"> Contribution timetable/monitoring procedure Administering Authority agreement Escalation and fines for non compliance Internal audit 	High	Low	JD	2019/20	Green
CCS PF4 – Failure to keep pension records up to date If pension records are not up to date, a wrong benefit may be	<ul style="list-style-type: none"> Administering Authority agreement with employers to ensure timely passing of information 	High	Medium	JD	2019/20	Amber

calculated and paid	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Compliance with Data Protection Act 1998 • Business Continuity plan • IT Security Policy • Systems and pension payroll audit annually 	High	Low	JD	2019/20	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	<ul style="list-style-type: none"> • Segregation of duties • Clear roles and responsibilities and schemes of delegation • Internal external audit 	High	Low	LM	2019/20	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	<ul style="list-style-type: none"> • 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	2019/20	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	<ul style="list-style-type: none"> • Weekly pension fund cash investments monitoring • SIP allocation to liquid assets 	High	Low	JD	2019/20	Green

CCSPF 9- Volatility in employer contribution rates due to decrease/increase in valuation of assets/liabilities	<ul style="list-style-type: none"> 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	2019/20	Amber
CCSPF10- Prolonged failure of investment managers to achieve their objective returns	<ul style="list-style-type: none"> 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	2019/20	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	<ul style="list-style-type: none"> A comprehensive diversified investment approach is adopted 	High	Low	JD	2019/20	Green
CCSPF 12- Interest rate risk- The risk of exposure to significant interest rate rises	<ul style="list-style-type: none"> A comprehensive diversified investment approach is adopted 	Medium	Low	JD	2019/20	Green
CCSPF 13 Discount Rate Risk- Volatility in the discount rate used inflates the level of liabilities to be paid	<ul style="list-style-type: none"> Engage professionally qualified actuary who can mitigate the effects of abnormal discount rates 	High	Medium	JD	2019/20	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)	<ul style="list-style-type: none"> A comprehensive diversified investment approach is adopted Good cashflow management 	High	Low	JD	2019/20	Green

CCSPF 15 – having suitably trained/experienced staff	<ul style="list-style-type: none"> • Training, development and succession planning 	High	Medium	JD	2019/20	Amber
CCPF 16- Having suitably trained knowledgeable Pension Fund Committee Members/Local Pension Board Members	<ul style="list-style-type: none"> • CIPFA Knowledge and Skills framework • Training Plan • Professional Advisors/Officers advising 	High	Low	JD	2019/20	Green

Pension Fund – Budget 2019/20

	Actual 2017/18	Estimate 2018/19	Estimate 2019/20
Membership Numbers			
Contributors	19,685	20,128	20,200
Pensioners	12,671	11,877	12,100
Deferred	11,535	14,665	15,000
	Actual 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
Income			
Employer Contributions	70,032	72,504	72,692
Employee Contributions	17,666	18,454	18,562
Transfers In	3,191	3,200	3,200
Other Income	180	280	280
Investment Income	30,891	31,000	31,000
	121,960	125,438	125,734
Expenditure			
Pensions Payable	61,207	64,658	66,239
Lump Sum Benefits	16,202	15,000	15,000
Refunds	101	182	180
Transfers Out	4,452	4,800	4,600
	81,962	84,640	86,019
Administrative Expenses			
Support Services	755	755	755
Actuarial Fees	43	60	50
Advisors Fees	46	23	23
Consultancy Service	77	70	70
External Audit Fees	45	45	45
Performance Monitoring Fees	14	14	15
Printing & Publications	18	18	18
Other	254	454	250
Pension Fund Committee (incl. member and officer training)	5	6	10
Pension Board (incl.training)	2	2	5
Wales Pension Partnership Fees	77	178	178
	1,336	1,625	1,419
Investment Expenses			
Management Fees	4,402	4,835	5,356
Performance Fees	1,400	1,354	1,070
Custody Fees	135	125	125
	5,937	6,314	6,551