



City and County of Swansea

Minutes of the Local Pension Board

Committee Room 6, Guildhall, Swansea

Tuesday, 15 October 2019 at 10.00 am

Present: I Guy (Chair) Presided

Employer Representatives

D Mackerras

T M White

A Lockyer

Officer(s)

Jeffrey Dong

Deputy Chief Finance Officer / Deputy Section 151 Officer.

Jeremy Parkhouse

Democratic Services Officer

Carolyn Isaac

Lawyer

Apologies for Absence

None.

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: -

I Guy – Agenda as a whole – Member of Local Government Pension Scheme – personal.

Councillor A Lockyer – Agenda as a whole – Member of Local Government Pension Scheme – personal. My wife and son are also Members of the Local Government Pension Scheme – personal.

D Mackerras – Agenda as a whole - Member of Local Government Pension Scheme – personal.

Councillor T M White – Agenda as a whole – Member of Local Government Pension Scheme and my daughter is a Member of Local Government Pension Scheme – personal.

Officers:

K Cobb - Agenda as a whole – Member of Local Government Pension Scheme – personal.

J Dong – Agenda as a whole – Member of Local Government Pension Scheme – personal.

C Isaac – Agenda as a whole – Member of Local Government Pension Scheme – personal.

J Parkhouse – Agenda as a whole – Member of Local Government Pension Scheme and Minute No.6 – Draft Statement of Accounts 2018/19 – Clerk of Llanrhidian Higher Community Council – personal.

17 Minutes.

Resolved that the Minutes of the Local Pension Board meeting held on 25 July 2019 be signed and approved as a correct record.

Noted – The Chair referred to the recent LAPF Investment Awards where the Pension Fund won the best Local Government Scheme in the UK for Best Approach to Sustainable Investing. The award follows the work to reduce the carbon footprint of the Fund by cutting the amount of cash invested in companies with high carbon intensity.

18 Presentation - Extinction Rebellion.

The Chair explained that the Extinction Rebellion Disinvestment Team were not available for the meeting.

Resolved that the item be deferred to the next scheduled meeting on 12 December 2019.

19 ISA 260 Report.

David Williams, Wales Audit Office (WAO) presented the ISA 260 Report which set out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2018-19 that required reporting under ISA 260.

WAO commended the Authority's Finance Team and received the draft financial statements for the year ended 31 March 2019 on 21 May 2019, which was prior to the agreed deadline of 3 June 2019.

It was added that the Auditor General intended 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 at Appendix 2.

It was explained that there were no misstatements identified in the financial statements, which remained uncorrected. The misstatements corrected by management were attached at Appendix 3. Reference was also made to Note 18 – Statement of the Actuary which had been amended to include disclosures relating to two recent legal judgements.

The Auditors had no concerns about qualitative aspects of accounting practices and financial reporting, did not encounter any significant difficulties during the audit, had no significant matters to report that had been discussed and corresponded upon with

management, had no other matters significant to the oversight of the financial reporting process that required reporting, did not identify any material weaknesses in internal controls and had no other issues to report.

The recommendations arising from the financial audit were provided in Appendix 4. Management had responded to them and progress would be monitored during the 2019-20 audit. They highlighted that controls over the year end reconciliations between pension and payroll systems could be further improved.

The Board discussed scheduled bodies, particularly i-connect member returns, the quality of data, lack of resources of smaller bodies, need to report accurately and the implications of the McCloud / Guaranteed Minimum Pensions (GMP) judgments.

The Chair thanked the WAO Representative for providing the report and thanked the Deputy Chief Finance Officer / Deputy S151 Officer and Senior Accountant for their work and that of the Finance staff on the accounts.

Resolved that the report be noted.

20 City and County of Swansea Pension Fund 2018-19 - Audit Enquiries to Those Charged with Governance and Management.

David Williams, Wales Audit Office (WAO) presented the Audit Enquiries to Those Charged with Governance and Management letter to the Section 151 Officer. The letter requested the views of the Authority on specific areas of governance to assist the WAO in understanding the Pension Fund and its business processes in support of their work in providing an audit opinion on the 2018-19 financial statements.

The responses provided by the Authority for 2017-18 were also provided and an update on the arrangements for 2018-19 requested.

Resolved that the contents of the letter be noted.

21 Statement of Accounts 2018/19 - City and County of Swansea Pension Fund.

The Deputy Chief Finance Officer / Deputy S151 Officer presented 'for information' the Statement of Accounts for the City and County of Swansea Pension Fund 2018/19 which had been approved by the Pension Fund Committee on 12 September 2019.

It was added that the Pension Fund Committee had been given delegated authority to approve the Pension Fund Statement of Accounts and the Local Pension Board had previously received and discussed the Draft Statement of Accounts.

The Wales Audit Office (WAO) had completed their audit of the Pension Fund Statement of Accounts 2018/19 in line with their audit plan presented to the Local Pension Board earlier in the year. The Pension Fund Statement of Accounts 2018/19 were provided at Appendix 1.

22 AVC's Equitable Life Buyout.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which informed the Board on the pending transfer of legacy AVC assets managed by Equitable Life to Utmost Life and Pension (formerly Reliance Life) and ongoing communication with affected members.

It was explained that Equitable Life were appointed AVC providers from 1992-2001 and there were currently 78 (active and deferred) City and County of Swansea Pension Fund members with policies totalling £238,000 as at 31 March 2019. 19 pensioners currently had policies in payment. Equitable Life was transferring of all its remaining business to Utmost Life and Pension (formerly Reliance Life).

Affected members had been contacted by Equitable Life directly and The Administering Authority also wrote out to affected members outlining the proposals and highlighting some of the risks, decisions and considerations. This was provided at Appendix 1.

Administering Authorities, as scheme policy holders, had also been asked to approve the 'Scheme' and to 'Change the Articles' to make Utmost Life and Pension (formerly Reliance Life) the sole Member of Equitable and were able to object to the transfer of Equitable Life's business to Utmost Life and Pensions.

The Board discussed the potentially very attractive uplift, the correspondence sent to members advising them fully on the implications of the change, the decision-making process and responses received from members.

23 Competition and Markets Authority Reporting.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which updated the Board on pending requirements to set measurable objectives for appointed investment consultants.

The report provided the requirements, the importance of objectives, establishing objectives for consultants, measuring success in practice and reporting compliance.

It was added that the Pension Scheme Trustees should establish objectives for their consultants no later than 10 December 2019. The Deputy Chief Finance Officer / Deputy S151 Officer would develop draft objectives for the appointed investment consultants and report these to the Pension Fund Committee meeting in November.

The Chair commented that the idea was excellent and he awaited a further update to the Board.

24 Altair Administration System.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which noted the transition of the Aquila Heywood Altair Pension Administration system from a server based system to a cloud based hosted system.

It was outlined that Aquila Heywood's Altair LGPS Software system had been used by The City & County of Swansea Pension Fund since 2010. The Altair LGPS software system was used by over 90% LGPS funds in the UK. Currently there are 2 other known suppliers with only a handful of clients each.

The current adopted use of the software package was via a traditional physical load of the software and data on physical servers located on a Swansea Council site. It was the responsibility of the administration authority (Swansea Council) to maintain and ensure operation of the system and test and implement all new upgrades/patches as required.

The current version of Altair required an upgrade in the next 6 months, which would require the upgrade and transfer to a new server and Wales Audit Office had identified the need for server upgrade as a systemic risk. Swansea Council was also currently undertaking a corporate review of how it delivered its major ICT services to its clients and was due to receive a report in September 2019 recommending its Oracle system be migrated from the current server based model to a hosted cloud based solution.

Aquila Heywood had submitted a business case proposal and migration plan, provided at Appendix 1, to migrate the current server based software to a fully cloud based hosted system of the software, incorporating the new v10 upgrade. The benefits and potential costs of migrating were fully outlined.

The Board requested further details of the additional technical advice provided to the Pension Fund Committee in this respect.

Resolved that further details of the technical advice provided be circulated to the Board.

25 Breaches Report.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which presented any breaches which had occurred in the period in accordance with the Reporting Breaches Policy.

Appendix A provided the details of breaches that had occurred since the previous Pension Fund Committee in July 2019. The details of the breaches and the actions taken by Management were highlighted.

26 Exclusion of the Public.

The Board 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 involved 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 Board 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)

27 Wales Pension Partnership - Update.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which updated the Board on the progress of the Wales Pension Partnership (WPP) asset pooling.

Appendix 1 provided the progress and update report provided by the ACS Operator Link Asset Services.

Referenced within the update was the projected transition of the tranche 3 fixed income fund by the FCA in Q4 2019. In addition, the Officer Working Group had formed a sub-group made up of practitioners to progress tranche 4 – private markets.

The Board discussed future training requirements and the transfer of assets into the WPP.

28 Report of the Investment Consultant.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report on behalf of Hymans Robertson, which presented the Quarter 2 2019 Investment Monitoring Report.

The content of the report was noted by the Board and various questions were asked, which were responded to accordingly.

The meeting ended at 11.40 am

Chair