



**Dinas a Sir Abertawe**

**Hysbysiad o Gyfarfod**

Fe'ch gwahoddir i gyfarfod

## **Y Bwrdd Pensiwn Lleol**

**Lleoliad:** O bell drwy Microsoft Teams

**Dyddiad:** Dydd Iau, 2 Rhagfyr 2021

**Amser:** 10.00 am

**Cadeirydd:** Alan Lockyer

**Aelodaeth:**

**Cynrychiolwyr Cyflogwr**

P K Jones a/ac D Mackerras

**Cynrychiolwyr Aelodau'r Bwrdd Pensiwn Lleol**

R Broad a/ac D White

**Gwyllo ar-lein:** <https://bit.ly/3HGj7JJ>

---

### **Agenda**

**Rhif y Dudalen.**

- |          |  |                  |
|----------|--|------------------|
| <b>1</b> | <b>Ymddiheuriadau am absenoldeb.</b>   |                  |
| <b>2</b> | <b>Datgeliadau o fuddiannau personol a rhagfarnol.</b><br><a href="http://www.abertawe.gov.uk/DatgeluCysylltiadau">www.abertawe.gov.uk/DatgeluCysylltiadau</a> |                  |
| <b>3</b> | <b>Cofnodion.</b><br>Cymeradwyo a llofnodi, fel cofnod cywir, gofnodion y cyfarfod blaenorol.  | <b>1 - 6</b>     |
| <b>4</b> | <b>Adroddiad(au) y Swyddog Adran 151.</b>  |                  |
| a        | Adroddiad ISA 260. (Er gwybodaeth)   | <b>7 - 26</b>    |
| b        | Adroddiad am doriadau. (Er gwybodaeth)   | <b>27 - 51</b>   |
| c        | Y Diweddaraf am y Polisi - Gordaliad Pensiwn. (Er gwybodaeth)  | <b>52 - 61</b>   |
| d        | Adroddiad yr Awdurdod Cystadleuaeth a Marchnadoedd. (Er gwybodaeth)  | <b>62 - 75</b>   |
| e        | Diweddariad Gweinyddiaeth Pensiwn. (Er gwybodaeth)   | <b>76 - 111</b>  |
| f        | Adroddiad Sero-ned. (Er gwybodaeth)  | <b>112 - 123</b> |
| <b>5</b> | <b>Gwahardd y cyhoedd.</b>   | <b>124 - 127</b> |

- |          |  |                  |
|----------|--|------------------|
| <b>6</b> | <b>Adroddiad(au) y Swyddog Adran 151.</b>                  |                  |
| a        | Diweddariad am Bartneriaeth Pensiwn Cymru. (Er gwybodaeth) | <b>128 – 210</b> |
| <b>7</b> | <b>Adroddiad(au) Hymans.</b>                               |                  |
| a        | Adroddiad Buddsoddi. (Er gwybodaeth)                       | <b>211 – 229</b> |
| <b>8</b> | <b>Crynodeb Buddsoddi. (Er gwybodaeth)</b>                 | <b>230 - 232</b> |

**Cyfarfod nesaf:** Dydd Mercher, 30 Mawrth 2022 ar 10.00 am

*Huw Evans*

**Huw Evans**

**Pennaeth Gwasanaethau Democrataidd**

**Dydd Mercher, 24 Tachwedd 2021**

---

**Cyswllt: Gwasanaethau Democrataidd: 01792 636923**



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.

**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.

S Williams – Agenda as a whole – Member of Local Government Pension Scheme – personal.

J Parkhouse – Agenda as a whole – Member of Local Government Pension Scheme and Clerk of Llanrhidian Higher Community Council – personal.

**4 Minutes.**

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

**5 Breaches Report. (For Information)**

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 Local Pension Board in March 2021. The details of the breaches and the actions taken by Management were highlighted.

**6 WPP Business Plan. (For Information)**

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which provided a framework for the Wales Pension Partnership programme of work for 2021- 2024.

It was added that in line with best practice, the Wales Pension Partnership produced a business plan to inform its work programme for the forthcoming 12 month period. The business plan for 2021- 2024 was provided at Appendix 1.

It was further added that the Appointment of a Scheme Member Representative to the Joint Governance Committee had received revised inter-Authority agreement and each individual authority must also obtain approval from their Council meeting.

**7 Draft Annual Report and Statement of Accounts 2020-21. (For Information)**

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which provided the Board with a briefing on the draft annual report & statement of accounts for the City & County of Swansea Pension Fund 2020/21.

It was outlined that the City & County of Swansea Pension Fund had always produced separate statement of accounts and annual report in respect of the financial year in question, which were subject to public audit. However, in consultation with Audit Wales, it was determined to consolidate both documents into one and streamline the production/audit process.

It was added that Officers had presented a completed draft annual report & statement of accounts 2020/21 to Audit Wales to commence their audit. Audit Wales had indicated that they would not commence their audit of the Pension Fund Draft Annual Report & Statement of Accounts 2020/21 until September 2021 due to delays in the statutory audits of their other public body clients (including Swansea Council). Their subsequent ISA 260 report with audit opinion and audit findings would be presented to Pension Fund Committee at the conclusion of the audit in November 2021.

The City & County of Swansea Pension Fund Draft Annual Report & Statement of Accounts 2020/21 were attached at Appendix 1.

The Board commented upon the excellent results provided and the staff within Financial Services were thanked and congratulated for their work, commitment and producing the Statement of Accounts on time.

The decarbonisation strategy adopted by the Fund was commented upon positively and the Board discussed the future options available in this respect.

**8 Audit Enquiries to those Charged with Governance. (For Information)**

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which sought to brief the Board on management and those charged with governance responses to audit enquiries 2020/21.

It was explained that in line with statutory requirements, Audit Wales outlined their audit plan to audit the financial statement and associated financial controls in respect of the City & County of Swansea Pension Fund to the Pension Fund Committee in March 2021. Audit Wales had indicated they would commence their audit fieldwork during the week commencing 6 September 2021.

It was added that as part of their preliminary work, Audit Wales made some high level enquiries in respect of the governance and control frameworks in place and operational in the management of the Pension Fund. Appendix 1 provided both the management response and proposed response in respect of those charged with Governance to those audit queries.

**9 Exclusion of the Public.**

The Board were 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)**

**10 Investment Strategy Update. (For Information)**

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which sought to brief the Board on the approved delegated authority for the current asset re-allocation (de-risking) programme from equities into yielding assets noting the excellent investment returns 31% (LGPS average 22%).

It was recognised that the proposed strategy had incumbent relative opportunity risk should equity markets continue to outperform but recognised that it was prudent ahead of the triennial valuation 31/3/22.

**11 Net Zero. (For Information)**

The Deputy Chief Finance Officer / Deputy S151 Officer, Nick Jellema and Andre Ranchin, Investment Consultants presented a 'for information' report which sought to evaluate the implications of achieving a carbon net zero investment portfolio in the City & County of Swansea Pension Fund.

It was outlined that the Pension Fund Committee approved the first iteration of its Responsible Investment Policy in 2017 and subsequent iterations had identified 50% carbon reduction in its listed equity targets by 2022. Progress against this target was reported to the Pension Fund Committee in November 2020.

It was added that the Administering Authority, Swansea Council had approved an ambitious target of being carbon net zero as an organisation by 2030 and also for the City as a whole by 2050.

A joint Pension Fund Committee and Local Pension Board Net Zero Workshop had been agreed for October 2021.

**12 Cash Management. (For Information)**

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which sought to brief the Local Pension Board on the use of money market funds/bond funds in the effective management of the pension fund's working cash flows.

**13 WPP Progress Update. (For Information)**

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

Appendix 1 provided the quarterly progress and update report, plus the annual report provided by Wales Pension Partnership host authority, Carmarthenshire CC and Link the Authorised Contractual Scheme (ACS) Operator. Appendix 2 provided the WPP Private Markets letter to JGC members.

It was noted that Councillor C E Lloyd, Chair of the City & County of Swansea Pension Fund had been appointed as Chair of the Joint Governance Committee (JGC) of WPP.

**14 Custody & Associated Services. (For Information)**

The Deputy Chief Finance Officer / Deputy S151 Officer presented a report which sought to brief the Board on the approach for an appropriate procurement process and subsequent appointment to consolidate custody and associated services for the City & County of Swansea Pension Fund including :

- a) Access of the LGPS Norfolk framework for Custody and associated services.
- b) Calling off the framework with a view to consolidate the custody provider in line with WPP provision.

**15 Report(s) of the Investment Consultant. (For Information)**

The Deputy Chief Finance Officer / Deputy S151 Officer provided a 'for information' report, which presented the Hymans Robertson Quarterly Investment Monitoring Report.

The content of the report was noted by the Committee and various questions were asked, which were responded to accordingly. The Investment Consultants were thanked for the report.

**16 Investment Summary. (For Information)**

The Deputy Chief Finance Officer / Deputy S151 Officer provided a 'for information' report, which presented the investment performance for the quarter, year and 3 years ended 30 June 2021.

Minutes of the Local Pension Board (23.09.2021)  
Cont'd

The quarterly investment summaries for the Pension Fund for the quarter, year and 3 years ended 30 June 2021 were attached at Appendix 1.

The meeting ended at 12.06 pm

**Chair**



## Audit of Accounts Report – City and County of Swansea Pension Fund

Audit year: 2020-21

Date issued: October 2021

Document reference: 2678A2021-22

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some matters to report to you prior to their approval.

## Audit of Accounts Report

Introduction	4
Impact of COVID-19 on this year's audit	4
Proposed audit opinion	6
Significant issues	6

## Appendices

Appendix 1 – Final Letter of Representation	10
Appendix 2 – Proposed audit report	13
Appendix 3 – Summary of Corrections Made	18

# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2020-21 accounts in this report.
- 2 We have already discussed these issues with the Chief Finance Officer (S151 Officer) and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £26.2 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader, and we have set a lower materiality level for these, as follows:
  - Key Management Personnel salaries and post-employment benefits – £1,000
  - Related Parties – £10,000
- 6 Although we have completed the majority of our audit work at the time of drafting this report, we have yet to complete:
  - the final review of our audit file
  - our final review of the revised 2020-21 financial statements; and
  - our final considerations of any post balance sheet events up until the annual report and accounts are approved at the Pension Fund Committee on 17 November 2021 and our audit opinion on 25 November 2021.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You have a statutory requirement to prepare financial statements and it is of testament to the commitment of your accounts team that you have succeeded in doing so this year for a second year, in the face of the challenges posed by COVID-19. We are very grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The draft financial statements were first completed by 30 June, as agreed with the Pension Fund. These were subject to asset valuation adjustments in July on receipt of updated information available from certain fund managers. A subsequent draft of the statements was made available for audit on 29 July.

- 10 This year, the 2020-21 draft Annual Report was completed alongside the draft financial statements. In the past, this has been drafted and subject to audit later in the year and therefore the accounts team should be commended in their efforts to bring forward the completion of this report.
- 11 COVID-19 has continued to affect our audit and we summarise in **Exhibit 1** the main impacts. The exhibit is provided for information purposes only, to help you understand the pandemic’s impact on this year’s audit process.

**Exhibit 1 – impact of COVID-19 on this year’s audit**

<p><b>Timetable</b></p>	<ul style="list-style-type: none"> <li>• The draft accounts were available to audit on 29 July 2021.</li> <li>• The audit commenced in September 2021 as originally planned and was substantially completed by 8 October 2021.</li> <li>• We expect our audit report to be signed on 25 November 2021</li> </ul>
<p><b>Electronic signatures</b></p>	<p>The current plan is for the Pension Fund Committee to approve the 2020-21 financial statements at its virtual meeting on 17 November 2021.</p> <p>The Chief Finance Officer will provide an electronic signature along with a supporting e-mail to confirm that he had certified the statement of accounts. We will continue to accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p>
<p><b>Audit evidence</b></p>	<p>As in previous years, we received the majority of audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• officers provided audit evidence to the audit team via email or the shared folder accessible by auditors through the Council laptops;</li> <li>• officers were available by video conferencing for discussions, and for the sharing of on-screen information/evidence; and</li> <li>• Audit Wales also secured remote read only access to the ledger and Altair system which enabled the audit team to run reports and view evidence and hence reduce the burden on officers to provide this information.</li> </ul>

## Other

- Video conferencing has enabled the audit team to correspond effectively with officers throughout the audit.
- Video-conference-based Pension Fund Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.

- 12 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 13 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 14 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 15 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 16 Our proposed audit report is set out in **Appendix 2**.

## Significant issues

### Uncorrected misstatements

- 17 There are no misstatements identified in the financial statements which remain uncorrected.

### Corrected misstatements

- 18 There were initially misstatements in the accounts that have now been corrected by management. The most significant of these amendments are drawn to your attention in **Appendix 3**.

## Other significant matters encountered and resolved during the audit

- 19 In the course of the audit, we considered a number of matters relating to the accounts. **Exhibit 2** includes commentary on the more significant matters we encountered and worked with management to resolve.

**Exhibit 2 – significant matters encountered and resolved during the 2020-21 audit**

<b>Significant matters encountered and resolved during the 2020-21 audit</b>		
<p><b>Year-end investment valuations</b></p>	<p>Given the ongoing impact of COVID-19, we reviewed all investment valuations to ensure these were based on valuation reports as of 31 March 2021. This allowed us to confirm that the fair value of investment assets in the 2020-21 financial statements was accurate.</p>	<p>No adjustments were required to be made to the 2020-21 financial statements.</p>
<p><b>Impact of McCloud Pension remedy proposals on disclosures in the Actuarial Statement</b></p>	<p>Our audit plan highlighted the impact of the McCloud judgement as a potential audit risk for this year’s audit. We noted that final details of the Government’s proposed remedy were expected to be published during 2021.</p>	<p>An estimate for this potential liability has been compiled and is included within the defined benefit obligation at 31 March 2019. This is disclosed in the Actuarial Statement in the 2020-21 financial statements. In 2019-20, we made enquiries of the actuary and concluded that the assumptions used in their estimate were similar to the subsequently proposed remedy. At present, there have been no further changes to the proposed remedy, and legislation is in the process of being passed, which will formalise the remedy. Therefore, we have been able to conclude that the estimate included in the 2020-21 financial statements disclosures is reasonable.</p>

**Significant matters encountered and resolved during the 2020-21 audit**

<p><b>Wales Pension Partnership Global Opportunities Fund 2019/20 dividend</b></p>	<p>In Note 9 of the draft financial statements, the Authority has disclosed that an income distribution from a Wales Pension Partnership sub-fund in respect of 2019-20 has been included in 2020-21 investment income.</p> <p>This was because the income distribution (in respect of Q4 2019-20) was not finalised until late in 2020 and therefore was not included in the 2019-20 financial statements.</p> <p>The total value of this distribution was £23.2 million.</p>	<p>Although the income should have been accounted for in 2019-20, it is an immaterial prior-period error and therefore the Code does not require restatement of 2019-20 balances. The Authority has treated the distribution as 2020-21 income due to the timing of information becoming available.</p> <p>We have agreed with the Pension Fund that the supporting disclosure is amended to specify the value of the income included in 2020-21 in respect of 2019-20.</p>
--	--	---



**Significant matters encountered and resolved during the 2020-21 audit**

<p><b>Additional Voluntary Contributions (Note 20)</b></p>	<p>The financial information for Note 20 (Additional Voluntary Contributions) was unavailable when the financial statements were drafted. This was due to delays with the Fund's AVC providers.</p>	<p>During the course of the audit, information from the Fund's legacy providers, Aegon and Utmost, became available and has now been included within Note 20.</p> <p>The information from the Fund's main AVC provider, Prudential, is however still not available. This includes the closing value of funds, contributions in and out, sale proceeds and change in market value during the year.</p> <p>The Code requires disclosure of AVCs paid by members during the year and the value at the year-end of separately invested AVCs where these values are material.</p> <p>We have reached the conclusion that the missing Prudential figures are immaterial to the financial statements and the Pension Fund has included additional narrative disclosures to explain the reasons for the omission.</p>
--	---	---

# Appendix 1

## Final letter of representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

17 November 2021

### Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements of City and County of Swansea Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom UK 2020-21; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the Pension Fund and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Pension Fund Committee on 17 November 2021.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Chief Finance Officer (S151 Officer)

Date: 17 November 2021

Signed by:

Chair of the Pension Fund Committee –  
signed on behalf of those charged with  
governance

Date: 17 November 2021

# Appendix 2

## Proposed audit report

### **The independent auditor's report of the Auditor General for Wales to the members of the City and County of Swansea as administering authority for the City and County of Swansea Pension Fund**

#### **Opinion on the financial statements**

I have audited the financial statements of the City and County of Swansea Pension Fund for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004. The City and County of Swansea Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report:

- I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management, the City and County of Swansea's Chief Internal Auditor and those charged with governance, including obtaining and reviewing supporting documentation relating to the City and County of Swansea's Pension Fund policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud;
- obtaining an understanding of the City and County of Swansea Pension Fund's framework of authority as well as other legal and regulatory frameworks that it operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on its operations.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Pension Fund Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the administering authority;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all the audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the City and County of Swansea's Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.



## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of the City and County of Swansea Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton  
Auditor General for Wales  
25 November 2021

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of corrections made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
Various presentational amendments	Various other minor presentational amendments were made to the draft statement of accounts and annual report. There was no overall impact on the net expenditure or net investment assets of the Fund.	To ensure accuracy and completeness of the financial statements.





Audit Wales  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500  
Fax: 029 2032 0600  
Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

# Agenda Item 4b



## Report of the Section 151 Officer

Local Pension Board – 2 December 2021

### Breaches Report

<b>Purpose:</b>	The report presents any breaches which have occurred in the period in accordance with the Reporting Breaches Policy.
<b>Report Author:</b>	Claire Elliott - Pension Manager
<b>Finance Officer:</b>	Jeff Dong - Deputy S 151 Officer
<b>Legal Officer:</b>	Stephanie Williams - Principal Lawyer
<b>Access to Services Officer:</b>	N/A

#### For Information

#### 1. Introduction

- 1.1 The Reporting Breaches policy was adopted with effect from 9 March 2017.
- 1.2 The policy requires a report to be presented to the Pension Board and Pension Fund Committee on a quarterly basis, highlighting any new breaches which have arisen since the previous meeting and setting out:
  - all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates
  - in relation to each breach, details of what action was taken and the result of any action (where not confidential)
  - any future actions for the prevention of the breach in question being repeated
- 1.3 Following the introduction of GDPR requirements and the requirements to report any breaches to the Information Officer and ICO, if required, it has been determined good practice and transparent to also include GDPR breaches also within this report

## **2. Breaches**

- 2.1 Under the policy, breaches of the law are required to be reported to the Pensions Regulator where there is reasonable cause to believe that:
- A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
  - The failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions
- 2.2 The Breaches Report is attached at Appendix A and the following further information is provided.
- 2.3 Under the LGPS regulations, interest is paid on retirement lump sum payments if the payment is made more than one month after retirement and calculated at one per cent above the base rate on a day to day basis from the due date of payment and compounded with three-monthly rests.
- 2.4 Since the last report in August 2021, 14% of retirement lumps sums have not been paid within the benchmark (it should be noted that 100% of payments were made within 1 month when all documentation was received). The % of non-payment of retirement lump sums within the specified benchmark was due to the members not returning completed pension election forms within a timely manner. Communication sent to members at time of retirement has been reviewed to ensure that the importance of timely return of required documents is highlighted and reminder triggers put in place.
- 2.5 The basic objective of the General Data Protection Regulation (GDPR) is to enforce stronger data security and privacy rules among organisations when it comes to protecting an individual's personal data. The UK legislation is the Data Protection Act 2018 and mirrors many key principles of the Data Protection Act 1998. Where a breach of a member's personal data happens (a breach of personal data means that a security breach has taken place leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to personal data, transmitted, stored or otherwise processed. [GDPR Article 4(12)]), the Pension Fund (who complies with Swansea Council GDPR Principles) has an obligation to undertake a full investigation within the initial 72-hours of acknowledging a data breach. When the Fund becomes aware of a breach, the appropriate investigation takes place within the stipulated timeframe and the findings presented to the Data Breach Panel for review. The requirements presented for improved working practices by the Data Breach Panel the Fund has incorporated within the day-to-day working practices. There has been no GDPR breach since last reporting date

- 2.6 The Fund requires that employers pay employee and employer contributions to the Fund on a monthly basis and no later than the 19<sup>th</sup> of the month after which the contributions have been deducted. There have been a single instance during the reporting period where breaches have occurred. In this case, Treasury Management staff have written to the employers to request payment and provide a reminder of the responsibilities to submit on time.
- 2.7 With regards to performance data in respect of processing refunds, in most cases, the sums are quite small and the problem is locating the member/former member to process the refund, quite often they may have moved address or even passed away.

### **3. Equality and Engagement Implications**

- 3.1 N/A

### **4. Legal Implications**

- 4.1 Where breaches have occurred, the legal implications are outlined in Code of Practice no.14 and GDPR legislation.

### **5. Financial Implications**

- 5.1 Minimal loss of investment income and a possible penalty charge from TPR.

**Background papers:** None

**Appendices:**

Appendix A - Breaches Register

**City and County of Swansea Breach Register**

**Appendix A**

Date	Category (e.g. administration, contributions, funding)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	New Breach (since last report)
Dec 2019 – Feb 2020	Administration	1.71% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% due to delay in member returning the election form within a timely manner.		Member informed that the payment of the lump sum had been delayed due to late return of election forms.	
Dec 2019 – Feb 2020	Administration	Frozen refunds unclaimed for this period equates to 64% .... This equates to a monetary value of £3,505.73	Regulations, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there	% has reduced in comparison with the previous quarter however it is still high. This is because the member has not made a positive election to claim refund	Information has been recorded in the breach register	Current procedure is that written communications are issued to the member when they leave providing the appropriate option of a refund or transfer. The member is contacted for a second time 3 months prior to the 5 year anniversary date	



			<p>will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. <b>Going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.</b></p>			of leaving.	
Dec 2019 – Feb 2020	GDPR Breaches	1 breach reported during this quarter. Member coms inadvertently sent to the wrong person as the letter had become caught up with the individuals	Possible reporting of Section to the Independent Commissions Office (ICO).	Staff reminded of the importance of removing all documentation from the printer and to check correspondence to ensure this is going to the correct individual. Encouraging e-	Reported breach to Swansea Council Data Protection Officer and an investigation undertaken.	Further to the investigation, it was deemed not necessary to report the breach to the ICO as adequate prevention measures have been identified and put in place.	

		Pension Options.		coms as a means of communication.			
Dec 2019– Feb 2020	Contributions	3 Employers have not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Mar – May 2020	Administration	11.67% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 99.97% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% due to members failing to return pension election forms in a timely manner/completed in full and late issue of pensionable pay information from the member's employers payroll section, which has led to the late provision of pension options to the member.		Communication to members regarding retirement options are constantly reviewed to ensure the importance of returning completed documents in a timely manner is highlighted. On a monthly basis employers payroll sections are issued with a spreadsheet listing all outstanding termination forms and are reminded of the importance of providing accurate information on a	

<p>Mar - May 2020</p>	<p>Administration</p>	<p>Frozen refunds unclaimed for this period equates to 69% .... This equates to a monetary value of £4,428.25</p>	<p>Regulations, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. <b>Awaiting confirmation of Regulatory change; going forward there</b></p>	<p>High % due to member not making a positive election to claim refund</p>	<p>Information has been recorded within the breach register</p>	<p>timely basis. Member was written to 3 months prior to the date of the 5-year anniversary of date of leaving</p>	
-----------------------	-----------------------	---	---	--	---	--	--

			<b>will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.</b>				
Mar - May 2020	GDPR Breaches	1 breach reported during this quarter. Member coms inadvertently sent to the wrong email address	Possible reporting of the Pension Section to the Independent Commissions Office (ICO).	Staff have been reminded of the importance of checking the email autofill.	Reported breach to Swansea Council Data Protection Officer and an investigation undertaken.	Further to the investigation, it was deemed not necessary to report the breach to the ICO as adequate prevention measures have been identified and put in place.	
Mar – May 2020	Contributions	3 Employers have not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Jun – Aug 2020	Administration	17% of retirement lump sums not paid within 1 month of normal retirement or 2	The administering authority has accrued interest payments on retirement lump	% due to members failing to return pension election forms in a timely manner/completed		Communication to members regarding retirement options are constantly	

		months of early retirement; 100% of member option forms returned were paid within 1 month of date of return	sums, paid more than one month after their due date, under the 2013 LGPS regulations	in full. Late provision of information provided by the members employer payroll sections.		reviewed to ensure the importance of returning completed documents in a timely manner is highlighted. On a monthly basis employers payroll sections are issued with a spreadsheet listing all outstanding termination forms and are reminded of the importance of providing accurate information on a timely basis.	
Jun – Aug 2020	Administration	Frozen refunds unclaimed for this period equates to 70.22% .... (of this 8.51% the Fund is in the process of transferring under the autoagg rules as the member has entered further LGPS	Regulations, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Member was written to 3 months prior to the date of the 5-year anniversary of date of leaving	

		membership) This equates to a monetary value of £8,030.64 (of which £888.39 is subject to transfer)	benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. <b>Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.</b>				
Jun – Aug 2020	GDPR Breaches	No breaches to report during this quarter.					
Jun – Aug	Contributions	2 Employers	Loss of	Employers are		Employers are	

2020		have not paid contributions within required timescale	investment returns	contacted once breach has occurred		contacted as soon as the deadline for submission of contributions has passed	
Sept – Oct 20	Administration	15% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% of member option forms returned were paid within 1 month of date of return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% due to late receipt of confirmation from the members Payroll Section of retirement. Delay in the return of member pension options/completed in full.		Communication to members regarding retirement options are constantly reviewed to ensure the importance of returning completed documents in a timely manner is highlighted. On a monthly basis employers payroll sections are issued with a spreadsheet listing all outstanding termination forms and are reminded of the importance of providing accurate information on a timely basis.	
Sept – Oct	Administration	Frozen refunds	Regulations, no	High % due to	Information has	Member was	

20		<p>unclaimed for this period equates to 64.29% .... This equates to a monetary value of £872.</p>	<p>further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this.  <b>Awaiting confirmation of Regulatory change; going forward there will be no further</b></p>	<p>member not making a positive election to claim refund</p>	<p>been recorded within the breach register</p>	<p>written to 3 months prior to the date of the 5-year anniversary of date of leaving</p>	
----	--	---	---	--	---	---	--



			<b>requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.</b>				
Sept – Oct 20	GDPR Breaches	No breaches to report during this quarter.					
Sept – Oct 20	Contributions	1 Employer has not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Nov 20 – Feb 2021	Administration	19.23% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 96.84% of member option forms returned were paid within 1 month of date of return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations .	% due to members retiring from age 55 but before normal pension age and late return of options confirming early access of retirement benefits. % due to a delay in the return of member pension options/completed		Communication to members regarding retirement options are constantly reviewed to ensure the importance of returning completed documents in a timely manner is highlighted.	

				in full for the month of December.			
Nov 20 – Feb 21	Administration	Frozen refunds unclaimed for this period equates to 86% .... This equates to a monetary value of £7,488.70.	Regulations, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. <b>Awaiting confirmation of Regulatory</b>	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of the 5-year anniversary of date of leaving	

			<b>change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed</b>				
Nov 20 – Feb 21	GDPR Breaches	No breaches to report during this quarter					
Nov 20 – Feb 21	Contributions	1 Employer has not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Mar 2021	Administration	30.55% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 91.89% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	A % of late payments was in main due to the Pru failing to disinvest AVC monies and forward payments in a timely manner. The Pru have migrated to a new system and are experiencing ongoing problems.		The Fund has maintained regular contact with the Pru chasing payments of monies / requesting updates to communicate to members. Communication to members	

				Members failed to return pension election forms in a timely manner/completed in full and late issue of pensionable pay information from the member's employers payroll section, which has led to the late provision of pension options to the member.		regarding retirement options are subject to review on a regular basis. Members are made aware of the importance of returning completed documents in a timely manner. The Pension Section provide member employer payroll sections with a listing of outstanding termination forms and are reminded of the importance of providing accurate information on a timely basis.	
Mar 2021	Administration	Frozen refunds unclaimed for this period equates to 94.3% .... This equates to a monetary value of £3,189	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	

			<p>aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this.</p> <p><b>Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.</b></p>				
--	--	--	--	--	--	--	--

Mar 2021	GDPR Breaches	No breaches to report					
Apr - Jun 2021	Administration	15.91% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 97.78% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	A % of late payments was in main due to the Pru failing to disinvest AVC monies and forward payments in a timely manner. The Pru have migrated to a new system and are experiencing ongoing problems. Members failed to return pension election forms in a timely manner/completed in full and late issue of pensionable pay information from the member's employers payroll section, which has led to the late provision of pension options to the member		The Fund has maintained regular contact with the Pru chasing payments of monies / requesting updates to communicate to members. Communication to members regarding retirement options are subject to review on a regular basis. Members are made aware of the importance of returning completed documents in a timely manner. The Pension Section provide member employer payroll sections with a listing of outstanding termination forms and are reminded of the importance	

						of providing accurate information on a timely basis.	
Apr - Jun 2021	Administration	Frozen refunds unclaimed for this period equates to 84.6% .... This equates to a monetary value of £4,770.17	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. <b>Awaiting</b>	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	✓

			<b>confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.</b>				
Apr - Jun 2021	GDPR Breaches	No breaches to report					
Apr 21 – May 21 Page 46	Contributions	2 Employers have not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
July – August 2021	Administration	7% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS	A % of late payments was in main due to the Pru failing to disinvest AVC monies and forward payments in a timely manner. The Pru have continued to experience		The Fund has maintained regular contact with the Pru chasing payments of monies / requesting updates to communicate to members.	



		member option return	regulations	problems with the new system however going forward it is anticipated that these issues should now be resolved. Members failed to return pension election forms in a timely manner		Communication to members regarding retirement options are subject to review on a regular basis. Members are made aware of the importance of returning completed documents in a timely manner. The Pension Section provide member employer payroll sections with a listing of outstanding termination forms and are reminded of the importance of providing accurate information on a timely basis.	
July – August 2021	Administration	Frozen refunds unclaimed for this period equates to 94% .... This equates to a monetary value of £16,808.32	Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment	High % due to member not making a positive election to claim refund	Information has been recorded within the breach register	Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving	

			<p>membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this.</p> <p><b>Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5 year anniversary ruling will be</b></p>				
--	--	--	--	--	--	--	--

			<b>removed.</b>				
July – August 2021	GDPR Breaches	No breaches to report					
June – July 21	Contributions	1 Employer has not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	
Sept – Oct 2021	Administration	14% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return	The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations	% (3 in total) due to late receipt of confirmation of retirement from the members employer / members failing to return pension options in a timely manner		Member coms highlight the importance of returning the completed forms / certificates in a timely manner. Payroll sections are issued with a monthly spreadsheet listing all outstanding termination forms and are reminded of the importance of providing accurate information on a timely basis.	✓
Sept – Oct 2021	Administration	Frozen refunds unclaimed for	Regulations state, no further	% due to member not making a	Information has been recorded	Members are written to 3	✓

		<p>this period is 80% .... This equates to a monetary value of £4,826.52</p>	<p>interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this.</p> <p><b>Awaiting confirmation of Regulatory change; going forward there will be no further</b></p>	<p>positive election to claim refund</p>	<p>within the breach register</p>	<p>months prior to the date of their 5-year anniversary from date of leaving</p>	
--	--	--	---	--	-----------------------------------	--	--

			<b>requirement to report non-payment of refunds as the 5 year anniversary ruling will be removed.</b>				
Sept – Oct 2021	GDPR breaches	No breaches to report					✓
August – Sept 21	Contributions	3 Employer have not paid contributions within required timescale	Loss of investment returns	Employers are contacted once breach has occurred		Employers are contacted as soon as the deadline for submission of contributions has passed	✓

✓ New breaches since the previous meeting



## Report of the Section 151 Officer

Local Pension Board – 2 December 2021

### Policy Update - Overpayment of Pension

<b>Purpose:</b>	In accordance with statute, to approve an overpayment of pensions policy
<b>Consultation:</b>	Legal and Finance
<b>Report Author:</b>	Claire Elliott, Pension Manager
<b>Finance Officer:</b>	Jeff Dong Deputy S 151 Officer
<b>Legal Officer:</b>	Stephanie Williams
<b>Access to Services Officer:</b>	N/A
<b>For Information</b>	

#### 1. Introduction

1.1 Overpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how overpayments of pension are managed once they are identified

1.2 The policy objectives aim to ensure that the Fund:

- has robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- is managed in a fair and unbiased manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- ensures benefits are paid to, and income collected from, the right people at the right time in the right amount;
- CCSPF will seek to reclaim an overpayment of pension benefits, however it is acknowledged that in some instances this might not be possible due to legal reasons or may not be appropriate for other

circumstances;

- Identifies errors as soon as possible;
- Correct any overpayment of pension benefits with the cooperation of the member / individual;
- Promotes the importance of the checking of payslips / payments for anomalies; and
- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.

## **2. Legal Implications**

- 2.1 It is recognised that Section 91 of the Pensions Act 1995, prohibits overpayments on death of a member being automatically recouped from a beneficiary. An overpayment is the debt of the member, so it passes onto the member's estate. It may be recouped from a benefit due to a beneficiary where the beneficiary agrees to this.

## **3. Financial Implications**

- 3.1 There are no direct financial implications arising from this report. There may be opportunity costs arising from the re-allocation of assets to support the transition to low carbon /net zero investments.

## **4. Equality Impact Assessment Implications**

- 4.1 There are no equality implications arising from this report.

**Background Papers:** None

### **Appendices**

Appendix 1 - Overpayment of Pension Policy



## **Overpayment of Pension Policy**



## Contents

Policy Statement	2
Policy Objectives	2
Scope of Policy	3
Accountability & Responsibility	3
Rate and Time Scales for recovering overpayments	4
What deductions may take place?	4
When an overpayment is identified – Responsibilities of the Pension Payroll Section	6
Underpayments	6
Prevention	6
Policy Monitoring	7

### 1. Policy Statement

- 1.1 This policy provides guidance on the course of action the City & County of Swansea Pension Fund (CCSPF), which is managed by Swansea Council (the Administering Authority), will normally consider when an overpayment or underpayment of pension occurs. The Fund is required to recover money, which has been paid incorrectly, regardless of the reason.

CCSPF recognises Section 91 of the Pensions Act 1995, which prohibits overpayments on death of a member being automatically recouped from a beneficiary. An overpayment is the debt of the member, so it passes onto the member's estate. It could be recouped from a benefit due to a beneficiary where the beneficiary agrees to this.

- 1.2 Overpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how overpayments of pension are managed once they are identified.
- 1.3 The City and County of Swansea Pension Fund recognises the need to take a proactive approach to identifying potential fraudulent activity and overpayments.

### 2. Policy objectives

- 2.1 The policy objectives aim to ensure that the Fund:
- Have robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
  - To ensure that the Fund is managed in a fair and unbiased manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.

- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount;
  - CCSPF will seek to reclaim an overpayment of pension benefits, however it is acknowledged that in some instances this might not be possible due to legal reasons or other circumstances;
  - Identifies errors as soon as possible;
  - Correct any overpayment of pension benefits with the cooperation of the member / individual;
  - Promotes the importance of the checking of payslips / payments for anomalies; and
  - Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.
- 2.2 Where errors are discovered by departments other than Pension Payroll it is essential to contact the Pension Payroll section immediately.
- 2.3 If an overpayment is considered fraudulent then it will be investigated in accordance with the Anti-Fraud & Corruption procedures.

### **3. Scope of Policy**

- 3.1 The policy applies to:
- All members and former members, which in this policy includes survivor and pension credit members of the City and County of Swansea Pension Fund who have received one or more payments from that Fund;
  - Executors/appointed Solicitors of the deceased member estate;
  - Beneficiaries of the City and County of Swansea Pension Fund members where those beneficiaries have received one or more payments from that Fund; and
  - Administrators of the scheme.

### **4. Accountability & Responsibilities**

- 4.1 It is the responsibility of members to check their pay slip on receipt for accuracy where possible. The Fund will ensure as much clarity in the data as is possible in order to aid pensioners.
- 4.2 Members are expected to behave with honesty and integrity and with specific regards to overpayments of pensions or lump sums with a view to prevent occurrences of overpayment.

- 4.3 It is expected that the member will report promptly to Pension Payroll any unexpected payment knowingly received, or any payment received to which the individual is not entitled.
- 4.4 Pensions Payroll will endeavour to recover any overpayments promptly and in full once identified in accordance with a repayment plan.
- 4.5 The Pensions Section must fulfil their responsibilities with regard to completion and submission of pension cards and pension termination cards as soon as possible or any other forms which could result in an error in regards to payments.
- 4.6 In the event that the Fund agrees to write-off an overpayment this must be done only in accordance with the Councils Financial Regulations and delegation scheme.

## **5. Rate and Time Scales for recovering overpayments**

- 5.1 It is the right of the Fund to reclaim any overpayment of pension, or any other form of payment, via a deduction from a pension in payment at a reasonable rate.
- 5.2 Any overpayment of pension is recoverable over a reasonable period agreed with the Fund and yourself and would ordinarily be recovered in no less than the period in which the overpayment occurred. Subject to this general principle, any overpayment will **ordinarily** be recovered over the number of months to which the overpayment relates.
- 5.3 No deductions should usually be made which would reduce the pensioner's pay to less than 75% of what it would otherwise have been.
- 5.4 In cases of hardship or difficulty, individual circumstances will be taken into the account and it will be the responsibility of the pensioner and a member of Pension Payroll team to assist in arriving at a compromise arrangement.
- 5.5 The contact number for Pensions Payroll is through the Employee Helpdesk on 01792 636098.

## **6. What deductions may take place?**

- 6.1 Overpayments of pension on the death of a scheme member
  - Notification of a death of a pensioner member does not always happen immediately, it is therefore not always possible to stop payment of the pension after a point in the payroll month, and so an overpayment can occur;
  - In the event of an overpayment of pension because of the death of a scheme member, the Fund will generally seek to recover overpayments that are equal to or greater than £50.00 (net). Lest there are legal reasons and/or other circumstances, which mean that the overpayment may not, in practice, be recovered (in whole or in part). In this instance, a value of less than £50.00 (net) has been deemed by the Fund as uneconomical to pursue. In such circumstances, the Fund's approach will be that the sum is written off and is treated as a liability against the scheme member's former employer;

- All correspondence regarding an overpayment will be handled sensitively in the initial stages due to the circumstances surrounding how the overpayment has occurred;
- The Fund will generate an invoice to recover any pension overpayment, which is equal to, or greater than £50.00 (net) upon the death of a scheme member. The claim will be made against the pensioner members' estate unless there is a survivor's pension to offset the overpayment against;
- The Fund will generally seek to recover overpayments that have been identified within six years from date of death.

## 6.2 Overpayments of children's pensions failing to cease at the appropriate time

- An eligible child as defined by the LGPS Regulations 2013 is entitled to receive a pension until such a time as their circumstances change and they are no longer deemed eligible to receive a pension from the Fund;
- In these cases the individual in receipt of the pension is responsible for informing the Fund of a change in circumstances to ensure the pension is ceased at the appropriate time, failure to do so would result in an overpayment;
- Should an overpayment of pension occur as a result of late notification of change of circumstances, the Fund will generally seek to recover overpayments unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part);
- The Fund will generally seek to recover identified overpayments. An invoice will be issued to the recipient of the pension payment or the individual whose bank account the child's pension was being paid into.

## 6.3 Overpayments of pension following incorrect information supplied by the employer or other administrative errors

- Should an overpayment of pension occur as a result of inaccurate information provided by the scheme member's employer on retirement, the Fund will generally seek to recover monies unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part);
- Overpayments will be recovered through the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken;
- Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment;

- The Fund will generally seek to recover identified overpayments.

**The above list is not exclusive nor exhaustive**

## **7. When an overpayment is identified – Recovery Action**

- 7.1 Where an overpayment has been made to a member, the Pension Payroll Section will send a letter to the member setting out the overpayment and proposed term of recovery.
- 7.2 Where an overpayment of pension to a former member has been paid; for example to a dependent such as a child(ren) who is/are due to a change of personal circumstance meets the Regulatory eligibility criteria to receive a pension. CCSPF will send a letter to the individual setting out the details of the overpayment the letter will explain that an invoice will be sent to the individual in four weeks unless the individual contacts CCSPF regarding the overpayment within two weeks of receipt of the letter.
- 7.3 In the event of any overpayment of pension in respect of a deceased member, CCSPF will write to the appointed executors / solicitor or Next of Kin informing them of this. The letter will notify the individuals that an invoice will follow in due course from Accounts Receivable for the said amount.

## **8. Underpayments**

- 8.1 If you feel that you have been underpaid please telephone Pension Payroll direct.
- 8.2 Should an underpayment to pension occur, any underpayment of pension will be rectified in the next available pay period after underpayment has been identified.
- 8.3 Should an underpayment of pension occur resulting from the death of a scheme member, the Fund will generally repay underpayments that are greater than £5.00 (net) in value. A value of £5.00 or less in the instance of the death of a scheme member has been deemed by the Fund as uneconomical to repay.
- 8.4 Where there is a pension to put into payment, any arrears of pension due in respect of the deceased will be included in the first month's pension payment.

## **9. Prevention**

The Fund has in place processes to minimise the risk of overpayments occurring.

- 9.1 CCSPF partakes in the National Fraud Initiative, which is undertaken every two years. Pensioner member data is compared with the Department for Work and Pensions database of deceased individuals and highlights matches for investigation.
- 9.2 The City and County of Swansea Pension Fund participates in overseas life existence checks to ensure only legitimate pensions are being paid and to reduce the likelihood of fraudulent activity.

- 9.3 A report is run periodically / annually on the pension administration system to identify individuals in receipt of a child's pension; further investigations are then carried out for children that are identified as approaching aged 18 and or those aged 18 to 23 in continuous full-time education at a school / college / university; to ensure they are still entitled to receive a pension.
- 9.4 The City and County of Swansea Pension Fund includes reminders in its correspondence that the Fund must be advised of changes in circumstances or the death of a scheme member. The Fund also investigates any pension payments returned by banks and building societies to ensure the welfare of the scheme member and to protect payment of the Fund's money. The Fund issues a life-certificate document to be completed by the member and signed by an individual witness.
- 9.5 Along with other LGPS Funds in England and Wales; CCSPF has entered into a data sharing agreement; this means that member data is uploaded on a monthly basis to the National LGPS database. This allows Funds to share membership data to prohibit the payment of a refund where previous accrued membership is held with another LGPS Fund and prevents an overpayment of a death grant.
- 9.6 Fund officers have a robust system in place for identifying changes to the payroll that need to be processed for a particular payroll month. The process incorporates payroll deadlines and ensures changes are made in a correct and timely manner. This would be in circumstances such as a change from a short term dependent's pension to a long-term pension.
- 9.7 CCSPF applies the policy of abatement in accordance with its Discretionary powers. Any pensioner member who is re-employed by an employer in England and Wales where they have access to LGPS membership is required to contact the LGPS Fund who they are in receipt of a pension payment from straightaway. Any overpayment of pension resulting from the pensioner member failing to notify the Fund of re-employment will lead to a possible reduction or suspension of pension in payment.

## 10. Policy Monitoring

- 10.1 The Fund will monitor the application of this policy and has discretion to review it at any time through the appropriate consultation mechanisms
- 10.2 Responsibility for the implementation, monitoring and development of this policy lies with the Pensions Manager. Day to day operation of the policy is the responsibility of nominated officers who will ensure that this policy is adhered to.

Version Number	Details of Change	Date
1.0		November 2019

2.0	<p>Para 1.1 – additional text relating to section 91 of the pensions act 1995</p> <p>Para 2.1 – include bullet point that some circumstances payment may not be able to be reclaimed</p> <p>Para 6.2 – remove bullet point regarding reclaiming within six years</p> <p>Para 6.3 – remove six years reclaim limit</p> <p>Para 7.2 – highlights the reclaim process where an overpayment of a dependents benefit has been paid</p> <p>Para 7.3 added</p> <p>Para 8.4 added</p> <p>Para 9.5 added</p> <p>Para 9.7 added</p>	October 2021
-----	---	-----------------



## Report of the Section 151 Officer

Local Pension Board - 2 December 2021

### **Competition and Markets Authority (CMA) – Setting Objectives for Investment Consultants**

<b>Purpose:</b>	To set and monitor measurable objectives for appointed investment consultants as required by CMA requirements
<b>Policy Framework:</b>	To comply with CMA requirements
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Report Author:</b>	Jeff Dong
<b>Finance Officer:</b>	Jeff Dong
<b>Legal Officer:</b>	Stephanie Williams
<b>Access to Services Officer:</b>	R Millar
<b>For Information</b>	

#### **1. Background**

- 1.1 At the end of 2018, the Competition and Markets Authority (“CMA”) published its report following a review of the investment consulting and fiduciary management markets. Earlier this year, following on from this review, the CMA issued an order, setting out requirements for the appointment and governance of fiduciary managers, and for Pension Scheme Trustees (Pension Scheme Trustees means the trustees or managers of Occupational Pension Schemes that have their main administration in the United Kingdom. The CMA requirements extend to both Trust-based schemes, and Local Government Pension Schemes (i.e. Pension Committees) to set objectives for their investment consultants.



## 2. What are the requirements?

2.1 The CMA has stipulated that Pension Scheme Trustees should set objectives for their investment consultants, and that such objectives should be:

- 1 'closely linked' to the pension scheme's strategic objectives
- 2 reviewed at least every three years, and after a significant change to the investment strategy or objectives
- 3 established no later than 10 December 2019 (i.e. 6 months following the date of the final Order published by the CMA) or prior to appointment of a new investment consultant

The CMA has set out specific actions that must be carried out by trustees using fiduciary managers. We can provide separate guidance addressing these requirements should this be relevant for your scheme.

## 3. The Importance Of Objectives

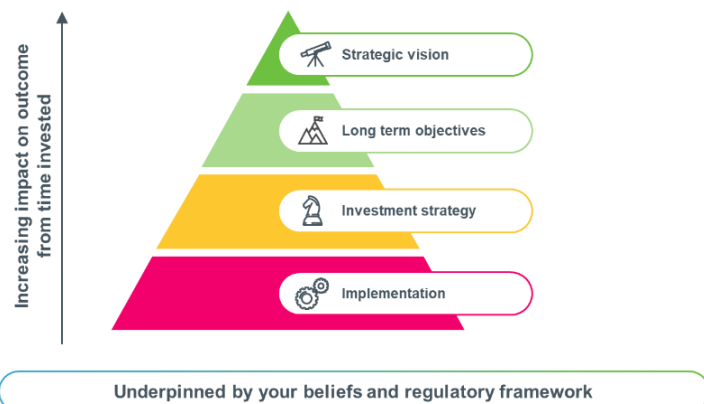
3.1 Establishing long term objectives is part of a well organised and well managed governance approach. Provided that appropriate resources are allocated to support longer term goals, having clear, structured and measurable objectives can greatly enhance the chances of long term success for your scheme.

3.2 The extension to set objectives for investment consultants could be regarded as a natural progression towards all stakeholders being aligned towards a common goal. Indeed, we believe that best practice would be to establish objectives for all key service providers supporting Pension Scheme Trustees in achieving their longer-term goals, not just your investment consultants.

## 4. Establishing Objectives For Consultants

4.1 In their accompanying explanatory, the CMA states that objectives for consultants should include a clear definition of the outcome expected, and timescales for achieving this. In addition, objectives should be measurable thereby supporting reporting to Pension Scheme Trustees.

Your funding and investment objectives will reflect your



strategic vision and specific circumstances.

And so the objectives for your investment consultant should equally be tailored to reflect this.

We envisage that such objectives can be set in the context of the governance model illustrated.

4.2 By way of an example, a pension scheme may have the following long-term investment objective:

- *“Achieve the returns from investments to meet the long-term funding objective whilst keeping risk within acceptable levels to support stable and affordable contributions from the employer”.*

A corresponding objective for investment consultants may be:

- *For DB schemes, to “Provide advice on the investment strategy to deliver a target net return of XX% over gilts on the scheme’s investments with as little risk as possible, in order to support full funding by 20XX and stable and affordable contributions from the employer.”*

4.3 In addition to strategic advice, trustees will typically look for their consultant to provide advice around the implementation of the strategy. This might be captured by objectives around the following:

- Effectiveness of strategy to meet cashflows and liquidity requirements
- Effectiveness and efficiency of implementation of the strategy

Other broad areas that we believe you may wish to capture in the objectives, but which are less directly measurable, include:

- Efficiency in the governance of the strategy
- Provision of regulatory updates and meeting compliance requirements
- Ongoing monitoring of the investment arrangements
- Quality and timeliness of advice to enable timely, informed decision making.

## **5. Measuring Success in Practice**

5.1 One of the key challenges of measuring success is that many methods and metrics for assessing performance are typically short-term in nature and can be unhelpful for the purpose of measuring ‘success’ of long-term objectives. In some cases, these methods and metrics could lead to counterproductive decisions and hence hinder success when not

considered in the context of what trustees are trying to achieve over the long term.

5.2 Trustees should align the measurement of investment consultants to appropriate time periods. Based on the example above, such measures for DB schemes may include:

- *Strategy*: measure over rolling 5 year periods, the contribution from the investment strategy toward achieving the agreed long term strategic targets, and the extent to which progress has remained within expected tolerances given the agreed risk profile.
- *Implementation*: measure over rolling 3 year periods the return on the Scheme's assets relative to the Scheme's composite benchmark return and target return, net of fees.

## **6. Reporting Compliance**

6.1 As set out in their Order, the CMA has established that those subject to the new requirements should report on their compliance on an annual basis. This covers both the adherence to setting objectives for consultants and assessing the extent to which investment consultants are on track to meet those objectives.

6.2 In addition to this, if applicable, Pension Scheme Trustees will also be required to report on the appointment and governance of fiduciary managers.

6.3 Pension Scheme Trustees will be required to submit their first round of compliance reporting no later than 12 months and 4 weeks after the date that the relevant requirements came into force. This translates into a deadline of early January 2021.

6.4 On 29 July 2019, the Department for Work and Pensions ("DWP") released its consultation to turn the CMA's requirements into legislation. As part of their draft legislation, the DWP has specified that trustees (excluding LGPS) would be expected to report compliance annually via the Pensions Regulator's scheme return. The Pensions Regulator is also consulting on draft guidance, focussing mainly on how trustees should assess the performance of their investment consultants relative to objectives.

6.5 The former Ministry for Housing, Communities and Local Government is clarifying how the requirements will translate to the LGPS.

## **7. Legal Implications**

7.1 There are no direct legal implications arising from this report.

## **8. Financial Implications**

8.1 There are no financial implications arising directly from this report.

## **9. Equality and engagement Implications**

9.1 There are no equality implications arising from this report.

**Background Papers:** None

### **Appendices:**

Appendix 1 - Investment Consultant Performance Objectives

## Investment Consultant Performance Objectives

<b>1</b>		<b>Demonstration of value added advice services</b>
	1.1	Help the trustee to implement an investment strategy which adds value through the integration of ESG (including climate change) and stewardship considerations in their investment manager appointments
	1.2	Enable the Pension Fund Committee to access a wider range of opportunities and portfolios of assets (and/or build portfolios of assets)
	1.3	Assisting the Committee in setting well-defined strategic objectives for the Fund: <ul style="list-style-type: none"> <li>- Achieving full funding with an acceptable degree of risk</li> <li>- Ensuring sufficient liquidity of assets to meet pension cashflows</li> <li>-</li> </ul>
	1.4	Providing strategic advice to ensure a strategy consistent with Fund's objectives
	1.5	Advising on cost-efficient implementation of the investment strategy at all times <ul style="list-style-type: none"> <li>-</li> </ul>
<b>2</b>		<b>Delivery of specialist services</b>
	2.1	Help the Pension Fund Committee to decide on an appropriate risk and performance objectives
	2.2	Help the Pension Fund Committee to decide' in consultation with key stakeholders, to do the following: <ul style="list-style-type: none"> <li>• to help the Pension Fund Committee to develop and define their investment beliefs, ESG Policies, RI Policies, Voting Policies</li> <li>• to help the Pension Fund Committee to review their investment governance arrangements and terms of reference for any subcommittees or delegated authorities</li> </ul>
<b>3</b>		<b>Proactivity of advice</b>
	3.1	Advise the Pension Fund Committee on new investment opportunities or emerging risks
	3.2	Advise the Pension Fund Committee on market pricing opportunities to mitigate or manage risk
	3.3	Deliver training to enable the Pension Fund Committee to engage with new investment opportunities, emerging risks or opportunities to

		manage risk
	3.4	Advise on any changes in the investment governance arrangements or delegated authorities which are necessary to enable the Pension Fund Committee to best access the emerging opportunities
<b>4</b>		<b>Support with member engagement and communication</b>
	4.1	Through the use of communication and behavioural techniques, help the Pension Fund Committee effectively engage with their membership to better understand their needs
<b>5</b>		<b>Support with scheme management and compliance</b>
	5.1	On a regular (quarterly) basis, monitor the performance of the scheme's investment strategies and also the performance of the scheme's investment managers
	5.1	Produce investment reports, briefing papers and investment advice in advance of trustee meetings and on a timely basis
	5.3	Assist the Pension Fund Committee with the review and update as appropriate the scheme's Investment Strategy Statement
	5.4	Provide periodic written advice on any direct investments held
	5.5	Provide trustee training as required
	5.6	Ensure compliance of the scheme's investment arrangements with the regulations
<b>6</b>		<b>Relationship and service standards</b>
	6.1	Agree any changes of (named) investment consultant(s) and meeting covers with the Deputy Chief Finance Officer in advance
	6.2	Maintain fees in line with tender submission
	6.3	Agree fee budget with officers for any significant piece of work
	6.4	Clear understanding of the scheme's goals and objectives
	6.5	Appropriate quality and quantity of resourcing to meet the needs and requirements of the scheme
	6.6	Strong positive working relationship with the Pension Fund Committee
	6.7	Appropriate conflicts of interest or management and mitigation of any conflicts

<b>7</b>		<b>Support with additional matters arising</b>
	7.1	Provide advice and assistance to the Pension Fund Committee on any other investment issues arising (for example following court rulings affecting the scheme)

# Assessing performance against CMA objectives for investment consultants

## Addressee

This note is addressed to the Committee and Officers of the City and County of Swansea Pension Fund (“the Fund”). The purpose of this paper is to set out the next steps in the requirement to set objectives and assess Hymans Robertson, as investment consultant to the Fund, against the objectives following the publication of the Competition and Markets Authority (“CMA”) final order, relating to their review of investment consulting and fiduciary management markets.

This paper should not be disclosed to any third parties without our prior written permission. We accept no liability to any third party relying on the advice or recommendations in this paper.

## Background and scope

In June 2019, the CMA published its final order following a review of the investment consulting and fiduciary management markets. The order made it a regulatory requirement for pension scheme trustees to set objectives for their investment consultants.

We have summarised the key points below:

- Since 10 December 2019 pension schemes **must set strategic objectives for their investment consultants** before they enter into a contract or continue to receive services from them. The Committee and Officers have set and agreed objectives for Hymans Robertson, which are set out in Appendix 1.
- Pension scheme **trustees must submit ‘compliance statements’** stating that they have complied with the above requirement. These need to be submitted **by 7 January 2021 and annually thereafter**. The format of the compliance statement is a short statement which is stipulated in the CMA order, please see Appendix 2 for details. A scanned copy of a signed statement will need to be submitted by email to this address: [RemediesMonitoringTeam@cma.gov.uk](mailto:RemediesMonitoringTeam@cma.gov.uk).
- At some point the Ministry of Housing, Communities and Local Government will amend current legislation so that the CMA requirements become part of pensions law (and will then be overseen by The Pensions Regulator). [The consultation regarding draft regulations](#) closed on 2 September 2019 and an update has been delayed and is not expected until the first half of 2022. Until then the CMA rules apply.
- The CMA order only requires trustees to confirm that they have complied with the requirements over the last 12 months and had objectives in place. However, reviewing our performance against the objectives that the Trustees have set is part of ongoing good governance.
- This is in line with [guidance](#) from The Pensions Regulator (“TPR”) which suggests performance is monitored annually, with a detailed review every three years. TPR also suggests checking that objectives are still appropriate at least every three years.



### Assessing performance against objectives

In this updated paper we have set out the objectives which the Committee agreed last year alongside evidence for discussion against which we can be assessed as your investment consultant.

There is no 'one size fits all' approach to performance assessment and the Committee should consider the format of the assessment that it finds most effective. For example, whether the review takes place as a discussion or as a questionnaire to be completed on an individual basis. Reflecting on other assessments the Committee carries out could help with this.

There is not an obligation to have assessed your consultant's performance against these objectives by that date. We note however that over the course of the year, we have worked with the Officers of the Fund to provide qualitative evidence of how we have complied with the objectives, which has then been considered by the Committee. We have included these objectives in Appendix 1 for completeness.

As part of the ongoing assessment cycle, the output from the performance assessment, any feedback sessions and agreed actions should be well-documented.

### Next steps

- Continue to consider the evidence we provide in our regular self-assessments and share any comments or questions on this;
- Document your review of our performance relative to the agreed objectives; and
- Report your compliance relative to the CMA's requirements to the CMA by 7 January 2022 – see Appendix 2.

Prepared by: -

Nick Jellema, Senior Investment Consultant  
André Ranchin, Associate Consultant  
Tom Prince, Investment Analyst

For and on behalf of Hymans Robertson LLP

November 2021

### General Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

## Appendix 1: CMA objectives – City and County of Swansea Pension Fund

ICS area	Strategic objective
Demonstration of value-added advice services	Help the Committee to implement an investment strategy which adds value through the integration of ESG (including climate change) and stewardship considerations in their investment manager appointments
	Enable the Pension Fund Committee to access a wider range of opportunities and portfolios of assets (and/or build portfolios of assets)
	Assisting the Committee in setting well-defined strategic objectives for the Fund: <ul style="list-style-type: none"> <li data-bbox="981 699 1675 730">– Achieving full funding with an acceptable degree of risk</li> <li data-bbox="981 762 1776 794">– Ensuring sufficient liquidity of assets to meet pension cashflows</li> </ul>
	Providing strategic advice to ensure a strategy consistent with Fund’s objectives
	Advising on cost-efficient implementation of the investment strategy at all times
Delivery of specialist services	Help the Pension Fund Committee to decide on an appropriate risk and performance objectives
	Help the Pension Fund Committee to decide, in consultation with key stakeholders, to do the following: <ul style="list-style-type: none"> <li data-bbox="981 1177 2011 1241">• to help the Pension Fund Committee to develop and define their investment beliefs, ESG Policies, RI Policies, Voting Policies</li> <li data-bbox="981 1281 2029 1345">• to help the Pension Fund Committee to review their investment governance arrangements and terms of reference for any subcommittees or delegated authorities</li> </ul>
Proactivity of advice	Advise the Pension Fund Committee on new investment opportunities or emerging risks

	Advise the Pension Fund Committee on market pricing opportunities to mitigate or manage risk
	Deliver training to enable the Pension Fund Committee to engage with new investment opportunities, emerging risks or opportunities to manage risk
	Advise on any changes in the investment governance arrangements or delegated authorities which are necessary to enable the Pension Fund Committee to best access the emerging opportunities
Support with member engagement and communication	Through the use of communication and behavioural techniques, help the Pension Fund Committee effectively engage with their membership to better understand their needs
Support with scheme management and compliance	On a regular (quarterly) basis, monitor the performance of the scheme's investment strategies and also the performance of the scheme's investment managers
	Produce investment reports, briefing papers and investment advice in advance of Committee meetings and on a timely basis
	Assist the Pension Fund Committee with the review and update as appropriate the scheme's Investment Strategy Statement
	Provide periodic written advice on any direct investments held
	Provide Committee training as required
Relationship and service standards	Ensure compliance of the scheme's investment arrangements with the regulations
	Agree any changes of (named) investment consultant(s) and meeting covers with the Deputy Chief Finance Officer in advance
	Maintain fees in line with tender submission
	Agree fee budget with officers for any significant piece of work

	Clear understanding of the scheme’s goals and objectives
	Appropriate quality and quantity of resourcing to meet the needs and requirements of the scheme
	Strong positive working relationship with the Pension Fund Committee
	Appropriate conflicts of interest or management and mitigation of any conflicts
Support with additional matters arising	Provide advice and assistance to the Pension Fund Committee on any other investment issues arising (for example following court rulings affecting the scheme)

## Appendix 2 – CMA compliance statements – the details

### Background

- The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 requires pension schemes to set strategic objectives for their investment consultants before they enter into a contract or continue to receive services from them.
- Part 7 of the Order sets out this requirement. Specifically, stating:  
*“Pension Scheme Trustees must not enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider.”*
- The Committee and Officers must submit statements to confirm that they have complied with the above requirement.
- **Completing the statement below and submitting it to the CMA before 7 January annually will fulfil the requirement to report back to the CMA.**
- We have drafted the compliance statement for the Fund below. You can print and sign this whole page (including this background wording). A scanned copy of a signed statement should be submitted by email to this address: [RemediesMonitoringTeam@cma.gov.uk](mailto:RemediesMonitoringTeam@cma.gov.uk).
- This must be signed by the Chairman of the Committee.

### City and County of Swansea Pension Fund

#### Investment Consultancy and Fiduciary Management Market Investigation Remedy Compliance Statement for the Committee of the City and County of Swansea Pension Fund

I, Clive Lloyd, confirm on behalf of the Committee of the City and County of Swansea Pension Fund that during the period commencing on 10 December 2020 and ending on 9 December 2021, the Committee of the City and County of Swansea Pension Fund has complied with Part 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

#### Additional Compliance Reporting

- (a) this Compliance Statement has been prepared in accordance with the requirements of the Order; and
- (b) for the period to which the Compliance Statement relates, the Committee of the City and County of Swansea Pension Fund has complied in all material aspects with the requirements of the Order and reasonably expect to continue to do so.

FOR AND ON BEHALF OF THE COMMITTEE of the City and County of Swansea Pension Fund

Signature: .....

Name: .....

Title: .....



## Report of the Section 151 Officer

Local Pension Board – 2 December 2021

### Pension Admin Update

<b>Purpose:</b>	In accordance with statute, to update Applicable Administering Authority Discretions Policy and Pensions Administration Policy
<b>Consultation:</b>	Legal, and Finance
<b>Report Author:</b>	Claire Elliott
<b>Finance Officer:</b>	Jeff Dong
<b>Legal Officer:</b>	Stephanie Williams
<b>Access to Services Officer:</b>	N/A
<b>For Information</b>	

#### 1. Introduction

- 1.1 An Administration Authority has the right to implement a number of discretions in line with LGPS Regulations. The Administration Authority is required to disclose its policy in respect of the discretions available to it.
- 1.2 The objective of An Administration Strategy is to formulate administrative arrangements between the City and County of Swansea Pension Fund and its participating employers to ensure that a high quality service is provided to meet the needs of a diverse membership. The aim is to ensure that each employer is fully aware of its roles and responsibilities and that the flow of data is enhanced by endorsing a clear means of communication as outlined in LGPS provisions in order to provide a cost effective and high quality pension administration service delivered through efficient/effective working practices. It is good practice to update the strategy periodically.

## **2 Legal Implications**

- 2.1 It is recognised that Section 91 of the Pensions Act 1995, prohibits overpayments on death of a member being automatically recouped from a beneficiary. An overpayment is the debt of the member, so it passes onto the member's estate. It may be recouped from a benefit due to a beneficiary where the beneficiary agrees to this.

## **3. Financial Implications**

- 3.1 There are no direct financial implications arising from this report.

## **4. Equality Impact Assessment Implications**

- 4.1 There are no equality implications arising from this report

**Background Papers:** None

**Appendices:**

Appendix 1 - Pension Administration Strategy

**Appendix 1**



**Pension Fund**  
**Administration Strategy**



**IF YOU REQUIRE THIS INFORMATION IN AN ALTERNATIVE  
FORMAT PLEASE CONTACT THE PENSION SECTION ON  
01792 636655**

**October 2021**



## Contents

	<b>Page No.</b>
1 Introduction .....	3
2 Regulatory Background .....	3
3 Implementation .....	4
4 Liaison and communication arrangements .....	5
5 Responsibilities .....	6
5.1 Administering Authority Responsibilities .....	6
5.2 Employing Authority Responsibilities .....	7
6 Levels of Performance .....	9
6.1 City and County of Swansea Pension Fund Targets .....	9
6.2 Employer Targets .....	14
7 Compliance .....	16
8 Adjustments to improve communication and administrative procedures .....	16
9 Procedures for improving employer performance (where necessary) .....	16
10 Cost Recovery .....	16
11 Review .....	17

## Appendices

Appendix 1 – LGPS (Administration) Regulations 2008  
Pension Administration Strategy

Appendix 2 – LGPS (Administration) Regulations 2008  
Additional costs arising from employing authority's level of performance

Appendix 3 – LGPS (Administration) Regulations 2013 - Statements of policy  
about exercise of discretionary functions

Appendix 4 – LGPS (Administration) Regulations 2013 - Statements of policy  
concerning communications with members and Scheme Employers

Appendix 5 - LGPS (Administration) Regulations 2013 - Pension fund annual  
report

Appendix 6 - LGPS (Administration) Regulations 2013 – Funding Strategy  
Statement

Appendix 7 – List of Employers in CCS Pension Fund

Appendix 8 – Pension Liaison Officer Responsibilities

Appendix 9 – Sample of Pension Contributions – Information Request Form

## 1. Introduction

The Local Government Pension Scheme (LGPS) is a national scheme, which comprises of 99 Administering Authorities each of which are responsible for the investment and the administration of a Pension Fund in the LGPS. Each Pension Fund comprises participating employers and much of the success in promoting the Scheme to its members and the delivery of high quality service depends upon the working relationship between the Administering Authority and the Scheme employers.

The City and County of Swansea as an Administering Authority comprises of an accountancy team (Treasury Management) who are responsible for accounting for the income and expenditure of the Pension Fund and the investment of surplus monies and an administration team who are responsible for the day-to-day administration associated with a pension scheme. The Authority has dual responsibility, as it is also a participating employer.

The objective of this Strategy is to formulate administrative arrangements between the City and County of Swansea Pension Fund and its participating employers to ensure that a high quality service is provided to meet the needs of a diverse membership. The aim is to ensure that each employer is fully aware of its roles and responsibilities and that the flow of data is enhanced by endorsing a clear means of communication as outlined in LGPS provisions in order to provide a cost effective and high quality pension administration service delivered through efficient/effective working practices. The primary method of employer communication is via the employer portal i-Connect.

The performance targets, which the participating employers and the Pension Fund are assessed against, are outlined in Section 6 of this Strategy. It also provides details on how the performance levels are monitored and what action might be taken where performance standards consistently fall below the performance targets.

The Pension Administration Strategy was introduced in April 2015 with revisions since that date captured within this document. The Fund will continue to keep the strategy and other policy documents under review and update accordingly to reflect and Scheme Regulations and working practices. The Strategy should be used in conjunction with the Employer's Guide, which is provided as reference for administrative procedures with regard to the LGPS.

## 2. Regulatory Background

Regulation 59 of the Local Government Pension Scheme Regulations 2013 enables a LGPS Administering Authority to prepare and maintain a Pension Administration Strategy (refer to Appendix 1).

Current related legislation includes:

- The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991;
- The Pensions Act 1995;
- The Occupational Pension Schemes (Scheme Administration) Regulations 1996;
- The LGPS Regulations 1997;
- The Data Protection Act 1998;

- Freedom of Information Act 2000;
- Local Government Pension Scheme (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000;
- Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007;
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008;
- Occupational & Personal Pension Schemes (Disclosure of Information) Regulations 2013 & 2015 (“the Disclosure Regulations”);
- The LGPS (Transitional Provisions, Savings & Amendments) Regulations 2014;
- The Pensions Act 2004, 2008 and 2011 and associated disclosure legislation;
- Regulation 70 of the Local Government Pension Scheme Regulations 2013 (refer to Appendix 2) ;
- Finance Act 2004 and 2013;
- The Automatic Enrolment (Miscellaneous Amendment) Regulations 2013 including amendments to any of these Regulations;
- The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 including amendments to any of these Regulations;
- The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015;
- General Data Protection Regulations 2018 (GDPR);
- HMRC Legislation and Current GAD Guidance;
- The Public Service Pensions Act 2013 and associated record keeping legislation;

The Public Service Pensions Act 2013 endorsed The Pensions Regulator with the responsibility of overseeing a number of elements of governance and administration with the Public Sector pension schemes. The Regulator has the capacity of issuing fines and restrictions to Public Sector Pension Schemes including the LGPS for failing to meet / adhere to the statutory obligations in place.

### **Data Protection Act 2018**

In accordance with the Data Protection Act 2018; the City & County of Swansea Pension Fund is regarded as a Data Controller and as such incorporates the directive of General Data Protection Regulation (GDPR). To allow for a complete administration service to be provided to our members personal data is stored, held and managed in accordance with statutory requirements. To fulfil our statutory obligations the Fund is required on occasion to share information with certain third party organisations. For comprehensive information about how data is held and with whom

we share this with please refer to the published Privacy Notice, which is available to view on [www.swanseapensionfund.org.uk](http://www.swanseapensionfund.org.uk)

Employers who participate in the LGPS as administered by the City & County of Swansea Pension Fund have been issued with a Memorandum of Understanding (MOU). The MOU outlines what data can be shared with the Fund to allow for statutory obligations to be met as both are deemed as data controllers. A copy of the MOU is available to view under the Privacy Notice link on the [www.swanseapensionfund.org.uk](http://www.swanseapensionfund.org.uk)

### **Data Transfer**

Member's personal data is transferred from one party to the other by an agreed method specified by the Fund as listed below:

- i-Connect data transfer service (internet based application)
- Secure email
- Password protected emails containing member data
- Third party portal access

### **3. Implementation**

This Strategy has been presented, considered and ratified by the City and County of Swansea Investment Panel and is effective immediately.

The Scheme employers who currently participate in the City and County of Swansea Pension Fund are listed in Appendix 3.

This Strategy would also apply to any new employers who become a participating employer after

Any enquiries in relation to this Pension Administration Strategy should be directed to:

Claire Elliott  
Pension Manager  
City and County of Swansea Pension Fund  
Civic Centre  
Swansea  
SA1 3SN

Telephone: 01792 636448      E-mail: [Claire.elliott@swansea.gov.uk](mailto:Claire.elliott@swansea.gov.uk)

#### 4. Liaison and communication arrangements

The City and County of Swansea Pension Fund is committed to delivering the best possible service to our participating employers, members and prospective members of the scheme by:

Developing and reviewing a comprehensive communication programme to meet the diverse needs of our customers

To provide support to staff and employers on an ongoing basis to ensure future development and sustained working relationships

Promote excellent customer service by being customer focused, professional and trustworthy

The delivery of this depends on the mutual co-operation of the administering authority and the Fund's employers.

To achieve these aims, each employing authority will designate a named individual to act as a Pensions Liaison Officer, as the main contact with regard to any aspect of administering the Local Government Pension Scheme (LGPS).

The Pensions Liaison Officer's responsibilities are listed in Appendix 8.

The various channels of communication employed by the Fund include:

- Annual employer meeting; to review any administrative issues that the City and County of Swansea Pension Fund has experienced during the preceding 12-months and look forward at the objectives for the next 12-months.
- Annual Consultative Meeting: held to present the Pension Fund Annual Report and Statement of Accounts, review the investment issues that the City and County of Swansea Pension Fund has experienced during the preceding 12-months and look forward to the next 12-months.
- Employer seminars and training sessions; held when required, to inform and train in new Scheme developments or to resolve any specific training needs that have been identified or that employers may request. Due to the pandemic, these undertakings have been undertaken by virtual means.
- Pre-Retirement workshops; undertaken upon request to communicate what the retirement process is to the attendees and what their responsibility is concerning the completion and timely return of documents.
- Pension Surgeries; held for Scheme members upon employer request to resolve individual or collective issues that members may have or to promote the Scheme.
- Employer Procedure Manual; to provide the Fund's employers with an outline of their administrative responsibilities and explain the various procedures, which should be followed.
- Email updates; sent directly to employer representatives to provide notification of new or updated scheme and administration developments and maintain the contact details of key personnel

- Pension Fund Annual Report provides information on the management and administration of the Pension Fund during the year and illustrate the extent to which levels of performance established in this Strategy have been achieved.
- The City and County of Swansea Pension Fund Website; to provide a dedicated website for Pension Fund's members and employers. Employers are able to view and download documents via a secure login.
- Member Self-Service a facility that allows the Fund to send/receive member communications via a secure portal. Members are able to view and update basic personal information, amend their death grant nomination record and calculate pension benefit estimates based on voluntary retirement.

## **Responsibilities**

### **5.1 Administering Authority Responsibilities**

A summary of the main duties of The City and County of Swansea Pension Fund, as an Administering Authority, as set out in the regulations are:

- To accept the Employer's decision regarding the appropriate rate of contribution based on a members actual pensionable pay as published by the Ministry of Housing, Communities and Local Government (MHCLG) contribution bands.
- To decide how any previous service or employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.
- Request members to provide a statement listing all previous periods of membership built up in any other LGPS Fund, public service pension scheme and/or alternative accrued pension rights. Upon receipt of the information to provide the member with details regarding the counting of service towards pension benefits and/or career average revaluation earnings pension credit bought by transferring in any previous occupational, personal or stakeholder pension.
- To set up and maintain a record for each member which contains all the information necessary to produce an accurate benefit calculation where the Employer has provided useable and accurate year-end financial data.
- To calculate and pay the appropriate benefits, based on membership details held and termination date and pensionable pay details provided by the Employer when an employee ceases employment, or membership of the Scheme for whatever reason.
- To calculate and pay any contribution refund, deferred benefit or provide a cash equivalent transfer value to members who terminate employment and are not of retirement age.
- To make sure that upon receipt of a positive election from a member to transfer their LGPS benefits out to an alternative pension arrangement, that all due diligence checks have been undertaken when processing the request before presenting the case to the Pension Transfer-out Panel.

- Administrative services are developed and delivered utilising appropriate technology to obtain value for money
- To determine benefits following the death of a deferred beneficiary or pensioner. To provide beneficiaries with details of their entitlements including the method of calculation.
- To set up and maintain a record for each pensioner member.
- To increase pensions periodically in accordance with the provisions of Pensions Increase Acts and Treasury Revaluation Order.
- To pay benefits to appropriate beneficiaries only and to take steps to reduce the possibility of fraud taking place.
- Notify scheme employers and scheme members of any changes to the Scheme Regulations
- To ensure that sufficient information is communicated in the form of newsletters, booklets and other communication materials in a bilingual format, to satisfy the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996. This will include the annual production of a:

Pension Fund Report

Pensioners Newsletter

Annual Benefit Statement – to be issued to deferred members by 31<sup>st</sup> May and active members by 31<sup>st</sup> August

- Provide information and support on the scheme and its administration. Provide an open invitation subject to notification, for Scheme Employers to visit the Section to discuss any aspect of positive ongoing co-operation.
- To produce posting queries for employers within 1 month of the receipt of a complete and correct end of year return.
- To appoint all necessary advisors to enable the appointed person to perform the duties required by the Scheme Internal Dispute Resolution Procedure. To maintain an appointed person for the purposes of the Scheme Internal Dispute Resolution Procedure.
- To provide notification to members of any employer decisions made that may affect their rights to membership or an entitlement to benefits.
- To appoint an actuary for the purposes of the triennial valuation of the Pension Fund and provide periodical actuarial advice when required.
- To arrange for the triennial valuation of the City and County of Swansea Pension Fund and provide data to the Fund Actuary and Government Actuary's Department to allow for the accurate determination of employer contributions. Forward to employers a copy of the valuation report and contributions certificate



- To undertake an annual allowance check for all members. In the event of an individual exceeding/breaching their Annual Allowance to provide the member with a Pension Savings Statement.
- To calculate and provide notification to members if they are close to breaching / breached their Life Time Allowance.
- To exercise its discretionary powers in relation to the published Administering Authority Discretions.
- To ensure compliance with Data Protection Act 1998, the City and County of Swansea Pension Fund will protect from improper disclosure of information. The Pension Fund in administering the scheme will use information held.
- Regularly review the Fund's published policies and identify possible opportunities of collaborative working with other administering authorities to reduce costs, time and effort with the aim of improving the quality of information.
- Monitor the Fund's costs and service performance by means of benchmarking against other administering authorities. Information pertinent to the overall administration costs and performance standards are available to view in the published Annual Report.

## **5.2 Employing Authority Responsibilities**

### Disclosure and the Pension Regulator Compliance

The Pension Regulator sets out specific requirements for all Public Sector Pension Schemes; please refer to "Code of Practice Number 14" and in particular, the notes referring to the employer requirements to understand and comply with the processes of the Scheme to ensure that all statutory requirements and timescales are met at all times.

A summary of the main duties of the Employer as set out in the regulations are:

- Under the Occupational Pension Schemes (Disclosure of Information) Regulations 2013, ensure that new employees eligible to join the LGPS receive the appropriate information about the pension scheme during the induction process.
- To decide conditions of service and whether that person is employed in a full time, part time, variable time or casual capacity. If the employee is part-time, the Employing Authority must also determine the proportion, which the employees' contractual hours bear to the hours of a comparable full-time employee.
- To determine an employee's pay for the purposes of calculating pension contributions and confirm any additional payments in case the member exceeds HMRC Annual Allowance. Where there is more than one contract of employment in existence to maintain separate records
- To confirm actual pensionable pay for the purposes of calculating CARE benefits and final salary as defined under the 2008 Scheme Regulations as being pensionable pay and to include any assumed pensionable pay for the purpose of calculating death in service and ill health benefits

- To issue a notification to any employee who is not eligible to become members of the Scheme explaining the reason(s) why.
- Where, after reasonable efforts, an employee fails to provide information relating to previous service, provide basic information to the Pension Fund in an agreeable format
- At cessation of membership of the Scheme, to determine the reason for leaving and entitlement to benefit and notify the Pension Fund and the Scheme member of the decision.
- To supply timely and accurate information to the Pension Fund, to ensure that the benefits payable are correct and to record periods of absence calculating the assumed pensionable pay during periods of reduced/nil pay periods
- To deduct Additional Voluntary Contributions (AVCs) from a member's pay and pay over to the In House AVC provider within the statutory deadlines indicated in Section 6.2.
- To deduct Additional Pension Contributions (APC's) from a members pay in regards to the purchase of additional pension to increase benefits at time of retirement or to buy back a period of lost pension.
- To ensure that any Shared Cost APC arrangement entered into by the employer is paid in full at the relevant date.
- To be responsible for exercising the discretionary powers given to Employing Authorities by the regulations. The regulations also require the employer to publish its policy in respect of these key discretions and provide a copy of these to the Fund.
- To provide a notice, drawing the employee's attention to their right of appeal under the LGPS, with any statement issued to an employee relating to any decision made about the Scheme including a change to the member's contribution bands.
- To use an Independent Registered Medical Practitioner qualified in Occupational Health medicine that has been approved by the Pension Fund in determining ill-health retirement and notify the Fund of any subsequent change.
- To repay to the Scheme member any incorrectly deducted employee's contributions including, where more than one month has elapsed between the date the incorrect contributions were deducted and the date they were returned, interest on any such contributions which had not by then been paid over to the Pension Fund.
- To refund member contributions to any member who 'opts out' of the LGPS within the initial three months of joining. It is advisable that the employer checks with the Pension Fund before carrying out the process to ensure that the refund process can be carried out.

To provide the Pension Fund with:

- \* Year-end information inclusive of Final Salary (if applicable) and Career Average Revalued Earnings (CARE) in an approved format to 31 March each year. Such information should be accompanied by a final statement, duly signed by an

authorised officer, balancing the amounts paid over during the year with the totals on the year-end return certifying that the amounts paid reflect the contributions deducted from employees during the year.

- \* An audited copy of the final statement, which shall also contain the name and pensionable pay of each employee who is an active member, the amounts which represent pension deductions from pay for each of those employees and the periods covered by the deductions and any other information requested. The information should also distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.

To be responsible for deducting and paying National Insurance contributions at the contracted out rate for Scheme members.

To be responsible for complying with the requirements for funding early retirement as set out in the rates and adjustments certificate issued by the Actuary following the triennial valuation of the fund. Where such requirements are not complied with, the Pension Fund will not pay any benefits to the member concerned until such a time as, they are complied with.

Pay the Pension Fund, on receipt of an invoice, interest on payments due from the Employer, which is overdue by more than one month.

It is NOT the responsibility of the Fund to verify information provided by the employer, any inaccurate benefits calculated as a result of incorrect information being provided by the employer, will result in the employer recovering any overpayments.

Where a member leaves the Scheme and full contributions have not been deducted for whatever reason; make immediate payment of outstanding member and employer's contributions to the Pension Fund.

To ensure compliance with Data Protection Act 1998.

### 5.3 Events for notification

Employers should provide information in respect of its members in line with the Employer Targets set out in section 6.2 (below).

Employers should also provide information on any circumstances, which might affect their future participation in the Fund or their ability to contribute to the Fund "notifiable events". These include the following:

- **A decision which will restrict the employer's active membership in the Fund in future**

Examples include ceasing to admit new members under an admission agreement; ceasing to designate a material proportion of posts for membership; setting up a wholly owned company whose staff will not all be eligible for Fund membership; outsourcing a service which will lead to a transfer of staff

- **Any restructuring or other event which could materially affect the employer's membership**

Examples include: the employer merging with another employer (regardless of whether or not that employer participates in the Fund), a material redundancy exercise, significant salary awards being granted, a material number of ill health

retirements, large number of employees leaving voluntarily before retirement or the loss of a significant contract or income stream

- **A change in the employer's legal status or constitution which may jeopardise its participation in the Fund**

Examples include the employer ceasing business (whether on insolvency, winding up, receivership or liquidation), loss of charitable status, loss of contracts or other change which means the employer no longer qualifies as an employer in the Fund

- If the employer has been judged to have been involved in wrongful trading
- If any senior personnel, e.g. directors, owners or senior officers have been convicted for an offence involving dishonesty, particularly where related to the employer's business
- Where the employer has, or expects to be, in breach of its banking covenant
- Details of any improvement notice (or equivalent) served by the appropriate regulator, e.g. Higher Education Funding Council for Wales, Charity Commission, Welsh Government etc, or S114 notice for local authorities

Employers should provide this information in advance of the event occurring (where possible) and as soon as practicable thereafter.

Employers are responsible for keeping the Administering Authority informed of all events or decisions, which might affect their participation in the Scheme, including the “notifiable events” as, set out above. In such circumstances, the Administering Authority may increase an employer's contributions as set out in the Funding Strategy Statement. Any increase may be backdated where the employer has failed to provide information to the Administering Authority in a timely manner.

## 6. Levels of Performance

The use of performance indicators are vital to ensure that the mutual goal of a high level and cost effective service delivery is met.

Consultation has been carried out internally and with the Fund's employers to ensure that the targets strike an acceptable balance between allowing for each employers' other work pressures and the minimum turnaround times required by the Pension Fund.

All measurements will be in 'working days' from the start or leaver date or the date of change, unless otherwise stated.

### 6.1 City and County of Swansea Pension Fund Targets

Target Time commences from the date all information necessary to carry out the procedure has been received in full by the Pension Fund.

	Target Time
<b>Starters &amp; Transfers In</b>	
Issue a Statutory Notification to a new member inclusive of details of the transfer in process and member aggregation options if applicable	Within 2 months of joining
i-Connect upload will pull through new starters from employer payrolls	
Upon receipt of a CETV from a member considering transferring in a previous pension right issue a quotation, confirming the amount of earned additional pension the value of the CETV will buy.	Within 15 working days of receipt of transfer value from the member
Upon receipt of a positive election to transfer in request monies from previous pension provider	Within 5 working days of receipt of a positive election
<b>Early leavers &amp; Transfers out</b>	
Accurately record and update member record on the pension administration system	Within 5 working days of receipt of confirmation of termination
Send options to Early Leaver	Within 10 working days of receipt of termination form
Issue a statement of Deferred Benefits	Within 2 months of date of termination
Pay refund of contributions	Within 10 working days of receipt of election forms
Provide details of CETV for transfer out to alternative pension arrangement	Within 20 working days of

	<b>Target Time</b>
	the request
Provide payment of transfer value to alternative pension provider	Within 10 days of receiving a positive election to transfer out.

	<b>Target Time</b>
<b>Payment of Retirement Benefits</b>	
If member has AVC's send out AVC option form requesting member to confirm option choice.	Within 5 working days of receiving information.
To accurately record and update member records on the pension administration system	Within 5 working days from receipt of the relevant information from the employer
Send benefit options to member together with relevant forms required for payment of retirement benefits	Within 5 working days of receiving information
Send notification of Benefits to member and instruct payment of Lump Sum payment which will include any Additional Voluntary Contribution (AVC's) lump sum	Within 1 month following date becomes payable or within 10-15 working days of receiving all required information
Forward notification to Pension Payroll of pensioner joiner; confirming annual and monthly pension payments.	Within 5 working days of receipt of completed documents and relevant certificates
Ill health Tier 3 cases; send notification to a member previous employer to schedule an 18-month review.	3 months prior to scheduled review date
<b>Death Benefits</b>	
Write to NoK or other contact requesting information following the death of a scheme member.	Within 5 working days of receiving notification of death
Calculate and notify dependant(s) of the value of the survivor benefits to be paid.	within 7 - 10 working days of receiving all required information or authorisation by Pension Panel
Forward case details to the Pension Panel for consideration of award of payment of any death grant.	Within 5 working days of receipt of completion of the breakdown of events to allow for informed decision making
<b>Deferred Benefits into payment</b>	
<b>Target Time</b>	

	<b>Target Time</b>
Send benefit options to member together with relevant forms required for payment	Within 5 working days of receiving information
Notification of Benefits	Within 1 month following date becomes payable or within 5 working days of receiving all required information
Payment of Lump Sum	Within 1 month following date becomes payable or within 10-15 working days of receiving all required information
<b>Estimate Requests</b>	
Provide an estimate of pension benefits upon request from the Member (includes estimate request for divorce purpose)	Within 10 - 15 working days
Provide an estimate of pension benefits upon request from an Employer If request for 10+ members, timescale increases to a minimum of 10 working days (depending on numbers)	Within 7 working days
Provide a deferred member with a provisional retirement statement of benefits	1-month before retirement date
<b>APC/AVC contributions</b>	
Send letter re cost and benefits of APC / AVC to member	Within 10 working days of request
AVC amendments noted on Altair	10 working days from receipt of change
<b>Miscellaneous</b>	
Acknowledge Death Grant Expression of Wish	Within 10 working days of receipt of notification
Update any change in personal details/membership and issue a statutory notice	Within 10 working days of receipt of information
Letters/emails from members (member reps) answered / acknowledged	5 working days of the request
Provide a Cash Equivalent value of the member's pension rights for the Divorce purposes	Within 10 working days of the request
Send Annual Benefit Statements to active members and deferred members (where address is known)	By 31 August – active members / 31 May deferred



	<b>Target Time</b>
	pensioner members
Issue of Pension Saving Statements	By 06 <sup>th</sup> October to active members

	<b>Target Time</b>
<b>Accounts (including End of Year and Valuation)</b>	
Complete end of year returns as at 31 March each year	By 31 July each year
To complete Pension Accounts	By 31 July each year
Submit data to Government Actuary Department	By 31 August each triennial (or as required)
Submit FRS17 information	Within the timeframe stated in the 'terms of engagement' letter issued following a request for FRS17 report
Submit valuation data to Actuary	By 31 July each triennial (or as stipulated by Actuary)
Issue formal valuation results	Within 10 working days of receipt of final results from Actuary
Carry out a cessation valuation exercise on cessation of admission agreements	Within 3 months of receiving all the required information from the ceasing employer

## 6.2 Employer Targets

<b>New Starters/Optants Out</b>		<b>Target Time</b>
To ensure that pensions information is included a part of any induction process		Within 1 month of joining
To notify the Pension Section that an employee has joined the scheme.  i-Connect automatically confirms new starters		Within 1 month of joining
To notify the Pension Section if an employee opts out of the LGPS within three months of appointment		Within 10 working days from date of receiving opt out
Decide and ensure the correct employee contribution rate is applied		Date of joining
<b>Existing Members</b>		<b>Target Time</b>
To notify the Pension Section when a member undergoes a material change (e.g. change in contractual hours, commencement of a period of unpaid leave) in their employment;  i-Connect automatically updates member record(s)		Within 15 days of the date the change takes effect
Reassess employee contribution rates in line with employers policy  i-Connect automatically updates member record(s)		As per policy
<b>Early Leavers</b>		<b>Target Time</b>
To provide the Pension Section with all the necessary information required, where a member leaves and has no immediate payment of LGPS benefits and has a right to a refund of contributions or deferred benefit		Within 1 month of the member's last day of service
Refund any employee contributions deducted in error or where the member provides a written request to opt out of the Scheme within the initial 3-months. To qualify for a refund the member must not have any previous LGPS membership with any LGPS Fund.		Month following the month of election
<b>Death in Service</b>		
To notify Pension Section when an active member dies		Within 3 working days from date of death
<b>Retirements</b>		<b>Target Time</b>
To provide the Pension Section with all the necessary information required when a member retires with immediate payment of benefits and supporting documentation where the member retires on the grounds of Flexible, ill health or redundancy/business efficiency		No later than 2 weeks after date of retirement; Disclosure Regs apply
Appoint a qualified Independent Medical Practitioner in order to consider all ill health retirement applications.		Within one month of becoming an employer within the Fund

To maintain a record of all Tier 3 ill health cases with the aim of reviewing these cases at 18-months.	
Provide written confirmation to the Fund of the determination of any Tier 3 reviews with confirmation of action taken	5 working days of results of review
Provide written confirmation to the scheme member following the Tier 3 review	5 working days of results of review
<b>Estimate Requests</b>	<b>Target Time</b>
To provide the information requested where a member has made a personal request for an estimate of pension benefits to the Pension Section	Within 1 week of receipt of request from Pension Section
<b>Normal, ARC, APC and AVC contributions</b>	<b>Target Time</b>
To ensure AVCs payments are paid to the relevant AVC provider together with the required remittance and forward a copy of that remittance to the Pension Section	By 19 <sup>th</sup> calendar day of the following month in which the contributions were deducted
To ensure regular employee and employer contributions are remitted to the Administering Authority together with the following information for reconciliation purposes: <ul style="list-style-type: none"> <li>• Pensionable pay of employees</li> <li>• Employee contribution rate applied</li> <li>• Full time equivalent pay upon which employee rate is based</li> <li>• Employee contribution paid</li> <li>• Any additional contribution paid</li> <li>• Employer contribution paid</li> <li>• Total contribution paid</li> </ul> <p>A sample proforma of the minimum information required from employers on a monthly bases is attached at Appendix 5</p>	By 19 <sup>th</sup> calendar day of the following month in which the contributions were deducted
<b>End of Year Accounts</b>	<b>Target Time</b>
Complete end of year returns and forward to Pension Section	By 30 April of each year
To pay additional fund payments in relation to early payment of benefits from flexible retirement, redundancy, business efficiency retirement or any other payment due	To be received within 30 days of receipt of invoice or within timescales specified in each case
<b>Miscellaneous</b>	<b>Target Time</b>

Formulate and publish policies regarding all discretions that the employer may exercise, and provide a copy to the Fund	Within 2-months of joining and also provided to administering authority whenever amended
Respond to enquiries from the Fund	10 working days
Notify the Fund if the employer intends to outsource services that will involve TUPE transfers of staff and work with the Fund to ensure an admission agreement is in place and complied with or a bulk transfer arranged.	Initial notification immediately upon becoming aware of potential outsourcing and at least 3-months prior to the start of the contract
Distribute any information provided by the Fund to members/potential members	5 working days of receipt of the communication
Put into place a Stage 1 Internal Dispute Resolution Procedure	Within 1-month of joining and before the effective date of any change to the existing procedure (e.g. an appointed person leaving)

## 7. Compliance

Ensuring compliance with all statutory requirements is the responsibility of the Administering Authority and the Scheme employers.

Various means will be employed in order to ensure such compliance and service improvement. This will include a statutory annual audit of the processes and internal controls of the City and County of Swansea Pension Fund. Both the Fund and its participating employers will be expected to comply fully with any requests for information from both internal and approved external auditors. Any recommendations as a result of the audit will be considered by the Pension Fund and, where appropriate, implemented following discussions with the Scheme employers as necessary.

## 8. Adjustments to communication and administration procedures

The City and County of Swansea Pension Fund will continue to review and adjust its administrative procedures as areas for improvement are identified or because of new or amended legislation.

The Pension Fund is committed to continuing to improve its communication methods with employers and will proactively work closely with them to ensure they are aware of and understand their responsibilities.

An employer may request to meet with the Pension Fund at any time to discuss any element of pension procedures that they wish.

## **9. Procedures for improving employer performance (where necessary)**

Where an area of poor performance is identified, the Pension Fund will work closely with the employer to provide the necessary training to put in place appropriate processes to improve the level of service delivery in the future.

However, where persistent and ongoing failure occurs and no improvement is demonstrated or an employer shows unwillingness to resolve the identified issue, the Pension Fund will take the following steps:

- Meet with the employer to discuss the area(s) of poor performance and how they can be addressed.
- If there is no improvement or the employer fails to take the agreed action, the Pension Fund will issue a formal written notice to the employer, setting out the area(s) of poor performance identified, the steps taken to resolve the issues and give notice that any additional costs incurred may now be reclaimed.

## **10. Cost recovery**

Where additional costs have been incurred by the Pension Fund as a direct result of an employer's poor performance they will be recovered from the Employing Authority, giving the reasons for doing so in accordance with the regulations.

These circumstances are:

- Persistent failure to provide relevant information to the Administering Authority, Scheme Member or other interested party in accordance with service standards and key performance measures.
- Failure to deduct and make payments within a timely manner to the Pension Fund on behalf of the employee and employer.
- Instances where the performance of the Employing Authority has resulted in fines being levied against the Administering Authority by the Pension Regulator, Pensions Ombudsman, HMRC or other regulatory body.
- Additional cost incurred in providing specialist third party advice in administering the Scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.
- Persistent failure to resolve individual issues satisfactorily.

The Pension Fund will set out the calculations of any loss or additional cost incurred, in writing, stating the reason for the cost(s); the basis for the calculation and the relevant provision(s) within this Strategy under which the additional costs have arisen.

The Secretary of State will decide any disagreement regarding the amount of additional cost being recovered.

Where an employer authority is late making payments Scheme Regulations state that interest is to be charged on any overdue amount based on 1% above the interest base rate on a daily basis from the due date where this period attains one month; this is compounded with three monthly rests.

## 11. Review

In preparing this Strategy, the Pension Fund has consulted with its participating employing authorities and other persons considered appropriate.

A copy of the Strategy will be issued to each Employing Authority and the Secretary of State and published on the City and County of Swansea Pension Fund website (when available).

The City and County of Swansea Pension Fund will review this Strategy periodically to ensure that it remains relevant and complies with the necessary regulatory requirements.

Employers are welcome to discuss any aspect of the Pension Administration Strategy and provide suggestions for improvement for consideration at any time.

Where it is necessary to revise the Pension Administration Strategy, the Pension Fund will notify the changes to the relevant employing authorities, in writing, and advise where a copy of the revised strategy can be obtained.

Signed: ..... Date: .....

On behalf of the City and County of Swansea Pension Fund

Signed: ..... Date: .....

Position: .....

Signed: ..... Date: .....

Position: .....

## Appendix 1

### Pension administration strategy

Please click [here](#) for a list of the Statutory Instruments, which have amended this regulation since its introduction.

**59.** — (1) An **administering authority** may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

- (a) procedures for liaison and communication with Scheme employers in relation to which it is the **administering authority** ("its Scheme employers");
- (b) the establishment of levels of performance which the **administering authority** and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
  - (i) the setting of performance targets,
  - (ii) the making of agreements about levels of performance and associated matters, or
  - (iii) such other means as the **administering authority** considers appropriate;
- (c) procedures which aim to secure that the **administering authority** and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- (d) procedures for improving the communication by the **administering authority** and its Scheme employers to each other of information relating to those functions;
- (e) the circumstances in which the **administering authority** may consider giving written notice to any of its Scheme employers under **regulation 70 (additional costs arising from Scheme employer's level of performance)** on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- (f) the publication by the **administering authority** of annual reports dealing with—
  - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
  - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
- (g) such other matters as appear to the **administering authority** after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An **administering authority** must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and revising its pension administration strategy, an **administering authority** must consult its Scheme employers and such other persons, as it considers appropriate.



- (5) An **administering authority** must publish—
- (a) its pension administration strategy; and
  - (b) where revisions are made to it, the strategy as revised.
- (6) Where an **administering authority** publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.
- (7) An **administering authority** and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.
- (8) In this regulation references to the functions of an **administering authority** include, where applicable, its functions as a Scheme employer.

## Appendix 2

### Additional costs arising from Scheme employer's level of performance

Please click [here](#) for a list of the Statutory Instruments, which have amended this regulation since its introduction.

**70.** — (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
- (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

## Appendix 3

### Statements of policy about exercise of discretionary functions

**60.** —(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations—

- (a) 16(2)(e) and 16(4)(d) (funding of additional pension);
- (b) 30(6) (flexible retirement);
- (c) 30(8) (waiving of actuarial reduction); and
- (d) 31 (award of additional pension),

and an administering authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a Scheme employer.

(2) Each Scheme employer must send a copy of its statement to each relevant administering authority before 1st July 2014 and must publish its statement.

(3) A body required to prepare a statement under paragraph (1) must—

- (a) keep its statement under review; and
- (b) make such revisions as are appropriate following a change in its policy.

(4) Before the expiry of a month beginning with the date any such revisions are made, each Scheme employer must send a copy of its revised statement to each relevant administering authority, and must publish its statement as revised.

(5) In preparing, or reviewing and making revisions to its statement, a body required to prepare a statement under paragraph (1) must have regard to the extent to which the exercise of the functions mentioned in paragraph (1) in accordance with its policy could lead to a serious loss of confidence in the public service.

(6) In this regulation a relevant administering authority in relation to a Scheme employer, is any authority which is an appropriate administering authority for that employer's employees.

## Appendix 4

### Statements of policy concerning communications with members and Scheme Employers

**61.** —(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on—

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

## Appendix 5

### Pension fund annual report

**57.** —(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains—

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- (b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
- (e) the current version of the statement under regulation 55 (governance compliance statement);
- (f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
- (g) an annual report dealing with—
  - (i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and
  - (ii) such other matters arising from a pension administration strategy as it considers appropriate;
- (h) the current version of the statement referred to in regulation 58 (funding strategy statement);
  - (i) the current version of the statement under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (statement of investment principles)
- (j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
- (k) any other material which the authority considers appropriate.

## Appendix 6

### Funding Strategy Statement

**58.** -(1) An **administering authority** must, after consultation with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.

(2) The statement must be published no later than 31st March 2015.

(3) The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

(4) In preparing, maintaining and reviewing the statement, the **administering authority** must have regard to-

- (a) the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called "Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012(42); and
- (b) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

## **Appendix 7**

### **List of Employers in the City and County of Swansea Pension Fund as at 01 December 2017**

#### **Scheduled Bodies**

Swansea Council  
Neath Port Talbot County Borough Council.  
Briton Ferry Town Council  
Cilybebyll Community Council  
Clydach Community Council  
Coedffranc Community Council  
Gower College Swansea  
Margam Joint Cremation Committee  
NPTC Group  
Neath Town Council  
Pelenna Community Council  
Pontardawe Town Council  
Swansea Bay Port Health Authority  
Swansea City Waste Disposal Company  
Grwp Gwalia  
Llanrhidian Higher Community Council  
Ystalyfera Community Council

#### **Admitted Bodies**

Celtic Leisure  
Colin Laver Heating Limited  
Swansea Bay Racial Equality Council  
Wales National Pool  
Capgemini  
The Hill Community Development Trust (Phoenix Trust)  
Tai Tarian  
University of Wales Trinity St Davids  
Rathbone Training Limited (City and County of Swansea)  
Rathbone Training Limited (Gower College Swansea)  
Freedom Leisure  
The Wallich

## Appendix 8

### Pension Liaison Officer Responsibilities

Key responsibilities of a Pension Liaison Officer include:

- To act as the primary contact in communicating LGPS information to appropriate staff within the employing authority, this includes:
  - \* Human Resources
  - \* Payroll
  - \* Finance
  - \* Scheme members (where appropriate)
- To ensure timely and accurate submission of data to the Pension Fund as laid down in this document and Employer Notes of Guidance. This may include:
  - \* Start & leaving dates
  - \* Reason for leaving
  - \* Benefit entitlement
  - \* Calculation of Final Pay
  - \* Appropriate contribution rate based on earnings
  - \* Material changes (hours changes, service breaks, maternity etc)
  - \* End of Year data submission
- To act as the primary contact for the Internal Resolution Disputes Procedure (IDRP)
- Ensure that standards of service are maintained;
- To identify any pension training needs and to liaise with the Pension Fund's Communication & Training Officer on meeting these needs.
- To notify the Fund immediately if there are material changes to authorised signatories or other key contacts within the employing authority;
- Discharge the employing authority's duties and responsibilities in relation to the existing governance arrangements and the regulatory framework and other relevant legislation. This includes employer policies and discretionary decisions.
- To assist and liaise with the Fund on promoting the benefits of Scheme membership to new and existing members. This may include;
  - \* Induction Workshops
  - \* Mid Life Planning
  - \* Pre-retirement
  - \* Promotion of In House Additional Voluntary Contributions (AVC)







## Report of the Section 151 Officer

Local Pension Board – 2 December 2021

### Net Zero Carbon Investment Strategy

<b>Purpose:</b>	To consider the implications and identify an appropriate target date and methodology to achieve a carbon net zero investment portfolio in the City & County of Swansea Pension Fund
<b>Consultation:</b>	Legal, and Finance
<b>For information :</b>	The Pension Fund Committee approved the following on the 17 <sup>th</sup> November 2021 :
A)	A commitment to achieve a net zero carbon position in its investment portfolio by 2037
B)	The adoption of the Fund's Responsible Investment Beliefs as outlined in Appendix 1, will underpin the Fund's actions on climate risk.
C)	The climate actions of the Fund are developed across three key areas ('3-dimensions') to give greater balance between:  <ol style="list-style-type: none"><li>1. Carbon and other ESG metrics (both backward and forward looking)</li><li>2. Opportunities that will benefit from the transition to a lower carbon economy</li><li>3. Engagement activities focussed on climate, and encouraging best practice amongst fund managers, investee companies and other investors.</li></ol>
<b>Report Author:</b>	Jeff Dong
<b>Finance Officer:</b>	Jeff Dong
<b>Legal Officer:</b>	Stephanie Williams
<b>Access to Services Officer:</b>	N/A

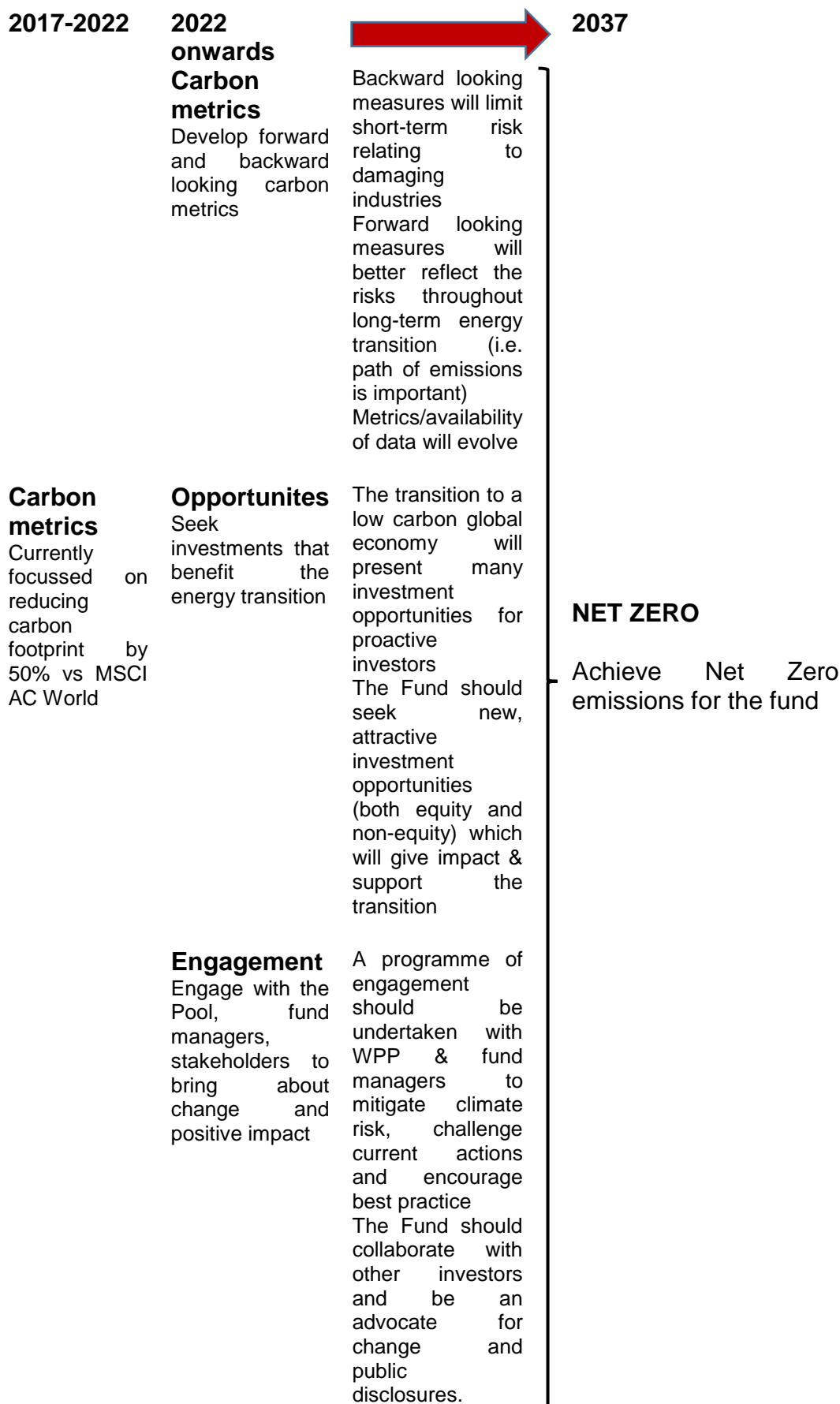
## **1. Introduction**

- 1.1 The Pension Fund Committee approved the first iteration of its Responsible Investment Policy in 2017 and have identified 50% carbon reduction in its listed equity targets by 2022. Progress against this target is reported to The Pension Fund Committee periodically, with the latest position as having achieved a 58% reduction by Sep 2021.
- 1.2 Separately, The Administering Authority, Swansea Council has approved an ambitious target of being carbon net zero as an organisation by 2030 and also has ambitions for the City as a whole by 2050.

## **2. Net Zero Targets for the City & County of Swansea Pension Fund**

- 2.1 As the necessity to address climate change and the risks it poses financially grows across the globe, many large asset owners and fund managers have made or have stated net zero targets or ambitions, including many of our strategic investment partners, Blackrock and Russell Investments.
- 2.2 As fund managers and investee companies realise the importance of being carbon/resource aware, the opportunities to invest in carbon responsible way have increased, though it is still a long way from being a 'free lunch'. However it is a quickly evolving space as asset managers look to meet increasing asset owners' demands in this regard.
- 2.3 The Deputy S 151 Officer in consultation with the Chairman of the Pension Fund Committee has commissioned Hymans Robertson, the fund's appointed investment consultants to assess the implications and feasibility of the Pension Fund considering and then implementing a Net Zero ambition/target, with a view to formulating a plan to achieve the same.
- 2.4 Further to the scoping and evaluation of the appropriate pathway to achieve Net Zero, a comprehensive workshop was facilitated, attended and participated in by 5 members of The Pension Fund Committee and 4 members of The Local Pension Board. The workshop comprised :
  - Whether or not an explicit net-zero objective is set
  - Consider appropriate scope and timescales for achieving net-zero (including target date and 3-5y checkpoints)
  - Assess net-zero alignment across entire portfolio and consider how emissions information can be sourced for non-equity assets
  - Review entire portfolio for climate tilted assets and consider actions for each asset class
  - Following next actuarial valuation and investment strategy review, assess how underlying assumptions take account of climate risks
  - Refine ESG objectives and investment beliefs to include net-zero and consider alignment with TCFD disclosure requirements
  - Agree methodology to adopt to identify the roadmap

## 2.5 The Roadmap to Net Zero



### **3. Legal Implications**

- 3.1 The current legislative framework for the pension fund investments carried out by Administering Authorities is set by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The law governing pensions is a complex and specialist area. National Government guidance indicates that the pooling of LGPS assets is permissible under current law.
- 3.2 The Inter-Authority Agreement has been approved and signed by all 8 Local Authorities.
- 3.3 The Pension Fund Committee Terms of Reference and Scheme of Delegation sets out the Committees responsibility for the strategic governance of the Pension Fund.

### **4. Financial Implications**

- 4.1 There are no direct financial implications arising from this report. There may be opportunity costs arising from the re-allocation of assets to support the transition to low carbon /net zero investments.

### **5. Equality Impact Assessment Implications**

- 5.1 There are no equality implications arising from this report.

**Background Papers:** None

#### **Appendices:**

Appendix 1

- Hymans Paper- Net Zero
- Hymans Paper – Responsible Investment Beliefs

## Net Zero ambition

### Introduction

This paper is addressed to the Pension Fund Committee (“the Committee”) of the City and County of Swansea Pension Fund (“the Fund”). It discusses the Fund’s Net Zero aspirations and next steps following previous advice and discussions with the Committee and Pensions Board at the Net Zero workshop on 26 October 2021.

This paper should be read in conjunction with our previous papers on Net Zero, including:

- “Swansea- Net Zero Roadmap”, dated August 2021;
- “Swansea- Net Zero Next Steps”, dated October 2021; and
- “Swansea- Responsible Investment Beliefs”, dated November 2021.

This paper should not be disclosed to any third parties without our prior written permission and then only in full. We accept no liability to third parties unless expressly accepted in writing.

### Background

Over the past few years, the Committee and Officers have made significant progress in understanding the impact of Environmental Social and Governance (“ESG”) issues and taking steps towards improving the Fund’s credentials in this area. In 2017, the Committee set out a set of investment beliefs for the Fund and we started working with the Officers on an ESG policy which was completed in 2018. In September 2019, the Committee formally set out a Statement of Responsible Investment, including specific ESG statements and objectives for the Fund. In particular, the Committee made an ambitious commitment to significantly reduce the Fund’s listed equity portfolio’s carbon exposure (to below 50% of the global stock market benchmark by 2022).

In March 2021, the Committee carried out a full review of the Fund’s carbon exposure which found that the 2022 objective had successfully been achieved a year ahead of schedule, with the Fund’s listed equity portfolio having a ‘carbon footprint’ broadly equivalent to 42% of the MSCI World Index as at March 2021.

The success in reaching this climate objective set the stage for further work on Responsible Investment, including a project to understand the potential implications for the Fund of setting a formal Net Zero objective. Following a conversation on Net Zero in September, the Committee and Board attended a Net Zero workshop on 26 October 2021 to discuss next steps for the Fund. This paper sets out a summary of decisions and next steps following the workshop, including the implementation of a Net Zero greenhouse gas emissions target of 2037.

### Net Zero ambitions

Following the Net Zero workshop in October, the Committee and Officers have suggested adopting a **Net Zero target date of 2037**. The rationale for the 2037 target is for the Fund to be an early adopter, lining up with 3 electoral cycles whilst fitting in with Swansea counties’ wider aim of achieving Net Zero by 2040. The date situates Swansea as a leader both relative to LGPS funds and the wider finance universe, and leaves the Fund well placed to capitalise on climate opportunities with first mover advantage.

Alongside the Net Zero target date, the Committee is in the process of agreeing a set of Responsible Investment beliefs (set out in a separate paper) which reflect its views on climate risk and the implications for the Fund’s investment strategy.

The following sets out proposed next steps and a framework to help the Fund achieve its Net Zero ambitions. These are based on our ‘3-dimensional’ approach to Net Zero, which covers climate metrics, climate opportunities and engagement.

### Reporting: Climate Metrics and Targets

The Fund has made strong progress to date in reducing its carbon footprint. However, the Fund's approach to climate monitoring has focused upon backward-looking carbon metrics (i.e. carbon emissions and intensity). In order to achieve its wider climate related ambitions, a more rounded reporting approach will be needed. Forward-looking metrics which cover, for example, projected emissions, impact of future emissions, and temperature implications should be incorporated into the Fund's climate reporting.

The following table sets out a range of proposed climate targets for the Fund as part of the journey to Net Zero.

Metric	Current position	Proposed 2030 Objective
Average Warming Potential and/or Implied Temperature Rise	c3.5°	1.5°
Portfolio emissions intensity, tCO <sub>2</sub> e/\$m revenue	c50% reduction vs index, mainly from using derivatives	Maintain c50% reduction relative to market at it evolves (reduces) using physical assets (rather than current carbon overlay)
Emissions budget	c150 ktCO <sub>2</sub> p.a.	Total emissions from 31 March 2022 onwards consistent with 'fair share' of global emissions for a c2/3rds chance of 1.5° temperature rise
Proportion of portfolio with a specific ESG / climate related focus	c25%	At least 55% by 2024
Proportion of portfolio invested into 'impact' investments <sup>1</sup>	Tbc, but very low	c15% by 2024
Average portfolio exposure to green/transition supporting revenues and activities	c18%	At least 30%
Proportion of the portfolio with fossil fuel ties	c9%	0%
Proportion of investments in <b>material sectors</b> aligned with relevant transition pathway	Currently unknown	75%
Proportion of investments in <b>material sectors</b> that are subject to engagement action	Currently unknown	100%

<sup>1</sup>Investments made with the intention of generating positive, measurable environmental and social impact alongside a financial return

Proportion of investments assessed and included in carbon reporting	c73% (listed equity only)	100%
Data quality - proportion of investments where carbon metrics are measured not estimated	c90% public markets  c50% private markets	100%

Adopting additional climate metrics will position the Fund well for future TCFD reporting once this becomes a statutory requirement for LGPS funds (likely in 2023/24). In addition, climate risk reporting should expand to incorporate alternative asset classes beyond listed equities, subject to availability of information.

We also recommend increasing the monitoring frequency, so the Committee receives 6 monthly reporting against objectives as well as an annual report on engagement and voting activity. We suggest that each report provide a deeper dive review of 2 or 3 of the target metrics to provide the Committee with greater insight into their key drivers and considerations to help facilitate future decision making and the evolution of the portfolio.

#### Implementation: Opportunities

Most of the short-term progress towards Net Zero will be made through the implementation of new investments that reduce carbon emissions and help the climate transition. As set out in the table above, we propose that the Fund adjust its investment strategy over the next few years and invest c30% more of the portfolio into ESG-linked investments with a focus on climate-related solutions. We further propose that at least 15% of the portfolio should be invested in a way which directly supports the transition to a low carbon economy (e.g. via investments which provide alternatives to the use of fossil fuels and other carbon intensive activities). In doing so, we suggest a balanced approach is taken between supporting the transition to Net Zero and lowering the Fund's carbon emissions. Since the Fund's emissions have already be materially reduced, the priority for next year will be to identify appropriate 'impact' investments.

The Fund is currently looking at alternative asset classes which could provide a source of net-negative carbon exposure. As a first step, the Committee and Officers are looking to make a meaningful (up to 5%) commitment to Timberland and sustainable agriculture. Included within the Timber asset class is the potential for investing in a Carbon Offset fund which would provide the Fund with Carbon Credits, the primary means by which companies and schemes can offset emissions. Other opportunities for ESG linked investments will be considered over the coming months, such as impact ESG equity/credit and renewable infrastructure.

#### Engagement:

Engagement includes both communications with managers/WPP and wider industry level engagement. As such, the Fund should challenge actions and encourage best practice, referencing the Fund's beliefs and climate ambitions.

The following figure sets out the proposed approach for enhanced engagement in a bit more detail.





**Step 1** – The Net Zero workshop identified **Climate Change** (SDG 13), **Decent Work and Economic Growth** (SDG 8) and **Responsible Consumption and Production** (SDG 12) as initial priorities.

**Step 2** – Hymans will work with the officers to identify appropriate holdings and prepare a questionnaire for Robeco, WPP and other managers to complete [by end December 2021]

**Step 3** – Hymans and officers (and/or Robeco where there is no conflict of interest) will review the responses and prepare an initial report for the Committee commenting on the key findings and the extent to which there is sufficient evidence of the following [March 2022]:

- the relevant party giving appropriate weight (consistent with the Committee’s beliefs) to ESG factors, and in particular climate change considerations, as part of their investment and decision making processes;
- engagement with underlying companies and appropriate challenge of their activities and plans in a way which demonstrably adds value; and
- voting which is aligned with the relevant party’s policies, their engagement activity, and the Committee’s beliefs.

**Step 4** – Hymans and officers will review the Fund’s policies and manager guidelines in light of the findings and the Committee’s views on these, and make any recommendations to the Committee on how these can be enhanced to make the engagement process more effective and transparent [June 2022].

We look forward to discussing this paper with you at the November Committee meeting.

Prepared by: -

David Morton, Partner

André Ranchin, Associate Investment Consultant

Tom Prince, Investment Analyst

For and on behalf of Hymans Robertson LLP

### General Risk Warning

Please note that the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether directly held or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

## Investment Beliefs

### Introduction

This paper is addressed to the Pension Fund Committee (“the Committee”) of the City and County of Swansea Pension Fund (“the Fund”). It sets out an updated version of the Fund’s Responsible Investment beliefs, originally set out in November 2017, following training and discussions with the Committee and Board at the Net Zero workshop on 26 October 2021. Our intention is that the Officers and Committee will review the draft beliefs so that these will subsequently form the basis for an updated Responsible Investment Policy that will be formally adopted by the Fund.

This paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We cannot be held liable for any loss incurred by a third party relying on this paper without such permission.

### Background

#### Environmental Social and Governance (“ESG”) policy

The Committee has taken steps to understand the impact of ESG issues on the Fund. In September 2019, the Committee formally set out a Statement of Responsible Investment and ESG policy. In March 2021, the Committee carried out a full review of the Fund’s carbon exposure as part of its commitment to reduce the Fund’s listed equity portfolio’s carbon exposure to 50% of the exposure of the global stock market by 2022. This was successfully achieved a year ahead of schedule, with the Fund’s listed equity portfolio having a ‘carbon footprint’ broadly equivalent to 42% of the MSCI AC World Index as at March 2021.

The success of the Committee in reaching its goals set the stage for further discussion on ESG and Responsible investment and the Committee and Board attending a Net Zero workshop on 26 October 2021 to discuss next steps for the Fund. Following this workshop, this paper sets out a revised set of investment beliefs which have been distilled from the discussions and decisions at the 26 October workshop.

#### Responsible Investment beliefs

Having a well-defined set of investment beliefs offers a number of advantages, including:

1. **Clarity on why each mandate is held and the role it performs in the Fund’s arrangements** – this clarity is of benefit to the committee and the underlying members. It also offers a basis for framing communication on investment strategy which is particularly relevant where decisions are subject to public scrutiny.
2. **Prioritisation** - having identified which investment decisions are most important, advice can be sought and meetings scheduled around these key priorities.
3. **Long-term thinking** - having a set of stated beliefs, means that the committee is better able to avoid being unduly influenced by short-term market noise and in-vogue investment ideas.
4. **Consistency, both of advice and decision-making** – i.e. all decisions are reached using the same consistent framework.
5. **Continuity of understanding in decision-making** – having a decision-making framework based on a set of beliefs allows decisions to be contextualised, which is particularly valuable if there is turnover of committee members, i.e. the current committee may not “own” the decision on a certain element of the investment strategy, but as they own the framework, they can better understand why the decision was taken.

The Fund’s beliefs should be revisited on a regular basis to ensure they remain appropriate. It is also important that these beliefs are reflected in the underlying portfolio of assets and in the fund’s ways of working.

### Fund specific beliefs

At the October 2021 Net Zero training day, a set of potential beliefs were proposed following a questionnaire exercise completed by the Committee and Officers. Reflecting the Committee's comments and discussions from that meeting, as well as the completed questionnaires, we have prepared a draft set of updated responsible investment beliefs. These are set out below:

#### Draft RI beliefs for consideration

##### Overarching ESG beliefs

**Belief 1:** Environmental, social and corporate governance ('ESG') issues are likely to be one of the biggest drivers of long-term performance. Part of the Committee's fiduciary duty is to ensure that the Fund is positioned to protect against related risks and seek to capture related opportunities.

**Belief 2:** Responsible investing is a relevant consideration and, where practical, should be assessed, monitored, and reported on, for all of the asset classes the Fund invests in.

##### Climate and carbon related beliefs

**Belief 2:** A carbon budget should be set and monitored with the aim of aligning the Fund's emissions with an Average Warming Potential and/or Implied Temperature Rise of 1.5°, and the Fund should commit to reaching Net Zero greenhouse gas emissions by 2037. The Fund's listed equity portfolio's carbon exposure should be at most 50% that of the global stock market (based on the MSCI AC World index, measured in terms of carbon emissions per \$m invested).

**Belief 3:** Companies and other investments which actively participate in and support the climate transition are likely to do better than equivalent investments which do not. Therefore, the Fund should invest a further c30% of the portfolio (a total of c55%) in ESG-linked investments. These investments should be invested across a balanced range of climate-related solutions with a bias towards generating a positive, measurable environmental and social impact alongside a financial return. At least 15% of the portfolio should be invested in a way which directly supports the transition to a low carbon economy (e.g. by investing in companies and investments which provide alternatives to the use of fossil fuels, and/or other carbon intensive activities).

**Belief 4:** For some investments, the aim of reducing carbon emissions and supporting the transition to a low carbon economy may conflict with the Fund's objectives in relation to financial performance. An appropriate balance will be required between meeting the Fund's financial and climate related objectives.

**Belief 5:** Average portfolio exposure to green/transition supporting revenues should be at least 30% across the portfolio by 2030. This may include investing in companies whose revenues are derived from the following environmental impact themes: alternative energy, energy efficiency, green building, pollution prevention, sustainable water or sustainable agriculture.

##### Engagement and stewardship beliefs

**Belief 6:** Engagement with managers, and through them with investee companies, is important and can have a material impact on progress towards the chosen goals as well as on investment performance. The Fund should engage proactively with managers with the aim of ensuring that their approach is appropriate and effective.

**Belief 7:** The UN Sustainable Development goals provide a useful framework for thinking about engagement topics. The Fund's engagement activities should have a particular focus (at least initially) on: Climate Change (SDG 13), Decent Work and Economic Growth (SDG 8) and Responsible Consumption and Production (SDG 12).

## Summary

This paper sets out a draft of enhanced responsible investment beliefs for the Fund. It is intended as a discussion document, to be amended / added to as the Committee sees fit. We will be happy to work with the Officers to update this draft, in light of the Committee's feedback, to prepare a finalised set of beliefs for the Fund.

We look forward to discussing this paper with the Committee at their forthcoming meeting.

Prepared by:-

David Morton, Partner  
Nick Jellema, Senior Investment Consultant  
Andre Ranchin, Associate Investment Consultant  
Tom Prince, Investment Analyst

November 2021

For and on behalf of Hymans Robertson LLP

### **General Risk Warning**

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

# Agenda Item 5



## Report of the Chief Legal Officer

Local Pension Board – 2 December 2021

### Exclusion of the Public

<b>Purpose:</b>	To consider whether the Public should be excluded from the following items of business.	
<b>Policy Framework:</b>	None.	
<b>Consultation:</b>	Legal.	
<b>Recommendation(s):</b>	It is recommended that:	
<b>1)</b>	The public be excluded from the meeting during consideration of the following item(s) of business on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Paragraphs listed below of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 subject to the Public Interest Test (where appropriate) being applied.	
	<b>Item No's.</b>	<b>Relevant Paragraphs in Schedule 12A</b>
	6-8	14
<b>Report Author:</b>	Democratic Services	
<b>Finance Officer:</b>	Not Applicable	
<b>Legal Officer:</b>	Tracey Meredith – Chief Legal Officer (Monitoring Officer)	

#### 1. Introduction

- 1.1 Section 100A (4) of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, allows a Principal Council to pass a resolution excluding the public from a meeting during an item of business.
- 1.2 Such a resolution is dependant on whether it is likely, in view of the nature of the business to be transacted or the nature of the proceedings that if members of the public were present during that item there would be disclosure to them of exempt information, as defined in section 100I of the Local Government Act 1972.

## **2. Exclusion of the Public / Public Interest Test**

- 2.1 In order to comply with the above mentioned legislation, Cabinet will be 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 Paragraphs of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.
- 2.2 Information which falls within paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended is exempt information if and so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- 2.3 The specific Exclusion Paragraphs and the Public Interest Tests to be applied are listed in **Appendix A**.
- 2.4 Where paragraph 16 of the Schedule 12A applies there is no public interest test. Councillors are able to consider whether they wish to waive their legal privilege in the information, however, given that this may place the Council in a position of risk, it is not something that should be done as a matter of routine.

## **3. Financial Implications**

- 3.1 There are no financial implications associated with this report.

## **4. Legal Implications**

- 4.1 The legislative provisions are set out in the report.
- 4.2 Councillors must consider with regard to each item of business set out in paragraph 2 of this report the following matters:
  - 4.2.1 Whether in relation to that item of business the information is capable of being exempt information, because it falls into one of the paragraphs set out in Schedule 12A of the Local Government Act 1972 as amended and reproduced in Appendix A to this report.
  - 4.2.2 If the information does fall within one or more of paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended, the public interest test as set out in paragraph 2.2 of this report.
  - 4.2.3 If the information falls within paragraph 16 of Schedule 12A of the Local Government Act 1972 in considering whether to exclude the public members are not required to apply the public interest test but must consider whether they wish to waive their privilege in relation to that item for any reason.

**Background Papers:** None.

**Appendices:** Appendix A – Public Interest Test.

## Public Interest Test

No.	Relevant Paragraphs in Schedule 12A
<b>12</b>	<b>Information relating to a particular individual.</b>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 12 should apply. Their view on the public interest test was that to make this information public would disclose personal data relating to an individual in contravention of the principles of the Data Protection Act. Because of this and since there did not appear to be an overwhelming public interest in requiring the disclosure of personal data they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
<b>13</b>	<b>Information which is likely to reveal the identity of an individual.</b>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 13 should apply. Their view on the public interest test was that the individual involved was entitled to privacy and that there was no overriding public interest which required the disclosure of the individual's identity. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
<b>14</b>	<b>Information relating to the financial or business affairs of any particular person (including the authority holding that information).</b>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 14 should apply. Their view on the public interest test was that:</p> <ul style="list-style-type: none"> <li data-bbox="272 1339 1401 1518"><b>a)</b> Whilst they were mindful of the need to ensure the transparency and accountability of public authority for decisions taken by them in relation to the spending of public money, the right of a third party to the privacy of their financial / business affairs outweighed the need for that information to be made public; or</li> <li data-bbox="272 1563 1401 1630"><b>b)</b> Disclosure of the information would give an unfair advantage to tenderers for commercial contracts.</li> </ul> <p>This information is not affected by any other statutory provision which requires the information to be publicly registered.</p> <p>On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>



No.	Relevant Paragraphs in Schedule 12A
15	<p><b>Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.</b></p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 15 should apply. Their view on the public interest test was that whilst they are mindful of the need to ensure that transparency and accountability of public authority for decisions taken by them they were satisfied that in this case disclosure of the information would prejudice the discussion in relation to labour relations to the disadvantage of the authority and inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
16	<p><b>Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.</b></p>
	<p>No public interest test.</p>
17	<p><b>Information which reveals that the authority proposes:</b>  <b>(a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or</b>  <b>(b) To make an order or direction under any enactment.</b></p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 17 should apply. Their view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by the public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
18	<p><b>Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime</b></p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 18 should apply. Their view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis they felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>

# Agenda Item 6a

Yn rhinwedd paragraff(au) 14 Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972  
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at  
Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted

Yn rhinwedd paragraff(au) 14 Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972  
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at  
Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted

Yn rhinwedd paragraff(au) 14 Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972  
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at  
Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted

Yn rhinwedd paragraff(au) 14 Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972  
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at  
Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted

Yn rhinwedd paragraff(au) 14 Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972  
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at  
Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted

# Agenda Item 7a

Yn rhinwedd paragraff(au) 14 Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972  
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at  
Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted

Yn rhinwedd paragraff(au) 14 Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972  
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at  
Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted



# Agenda Item 8

Yn rhinwedd paragraff(au) 14 Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972  
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at  
Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted

Yn rhinwedd paragraff(au) 14 Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972  
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at  
Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted