



**City and County of Swansea**

**Minutes of the Pension Fund Committee**

**Committee Room 6, Guildhall, Swansea**

**Thursday, 14 September 2017 at 10.00 am**

**Present:** Councillor C E Lloyd (Chair) Presided

**Councillor(s)**

M B Lewis  
M Thomas

**Councillor(s)**

D G Sullivan

**Councillor(s)**

W G Thomas

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

P A Rees

**Officer(s)**

Karen Cobb  
Jeffrey Dong

Senior Accountant  
Chief Treasury & Technical Officer / Deputy Section 151  
Officer

Allison Lowe  
Lynne Miller

Democratic Services Officer  
Principal Pensions Manager

Ben Smith  
Stephanie Williams

Section 151 Officer  
Principal Lawyer

**Apologies for Absence**

Councillor(s): P Downing

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**22 Disclosures of Personal and Prejudicial Interests.**

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

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

Councillor M B Lewis declared a personal interest in the agenda as a whole – member of the Local Government Pension Scheme.

Councillor P Rees declared a personal interest in the agenda as a whole – Daughter-In-Law is a member of the Local Government Pension Scheme.

Councillor D G Sullivan declared a personal interest in the agenda as a whole – in receipt of a Local Government Pension from Dyfed Pension Fund and Daughter-In-Law is a member of the Swansea Local Government Pension Scheme.

Councillor M Thomas declared a personal interest in the agenda as a whole – member of the Local Government Pension Scheme and my wife is in receipt of the Local Government Pension Scheme.

Councillor W G Thomas declared a personal interest in the agenda as a whole – member of the Local Government Pension Scheme.

**23 Minutes.**

**Resolved** that the Minutes of the Pension Fund Committee held on 13 July 2017 be signed and approved as a correct record.

**24 ISA 260 Report.**

David Williams, Financial Team Leader, Wales Audit Office (WAO) presented a report that set out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2016-2017 which required reporting under ISA 260.

It was the Auditor General's intention to issue an unqualified report on the Pension Fund's 2016-17 financial statements once the Authority have provided the Wales Audit Office with a Letter of Representation based on that set out in Appendix 1.

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

It was outlined that there were misstatements that had been corrected by management, but which the WAO considered should be drawn to our attention due to the relevance to our responsibilities over the financial reporting process. They were set out with explanations in Appendix 3. These amendments had no impact on the Fund Account but the value of investments in the Net Assets Statement was increased by £2.3 million. It should be recognised these were not misstatements but valuations included in the financial statements based upon the only available estimated information available at time of compilation. When the subsequent actual valuations became available, during the audit, the financial statements were amended. There were also a number of other presentational amendments made to the draft financial statements arising from the audit.

The recommendations arising from the financial audit work were set out in Appendix 4. Management had responded to them and the WAO would follow up progress during next year's audit. Where any actions were outstanding, they would continue to monitor progress and report it in next year's report.

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

**25 Annual Report 2016/17.**

The Chief Treasury and Technical Officer presented the Annual Report for the City & County of Swansea Pension Fund for 2016/17 for approval.

The Wales Audit Office had audited the Pension Fund Annual Report 2016/17 in line with their audit plan presented to Pension Fund Committee earlier in the year.

The City & County of Swansea Pension Fund Annual Report 2016/17 was located at Appendix 1.

It was noted that there was an error on page 74 of the agenda pack – the wording at the bottom of the page should read “Increase in Fund Value” rather than “Decrease in Fund Value”.

**Resolved** that the City & County of Swansea Pension Fund Annual Report be approved.

**26 Breaches Report.**

The Principal Pensions Manager presented a ‘for information’ report to present any breaches which had occurred in the Pension Fund in accordance with the Reporting Breaches Policy. The Reporting Breaches Policy had been adopted with effect from 9 March 2017.

The Breaches Report was attached at Appendix A. Since the last report on 13 July 2017, 32.71% of retirement lump sums had not been paid within the benchmark; however further investigation had ascertained that all late payments were made as a result of members not returning the appropriate paperwork in order to make payment. Communication sent to members at time of retirement had been reviewed to ensure that the importance of timely return of required documents was highlighted.

The Fund requires that employers pay employee and employer contributions to the Fund on a monthly basis and no later than 19 of the month after which the contributions had been deducted. There had been a number of instances during the reporting period where breaches had occurred. In each case, Treasury Management staff had written to the employers to request payment and provide a reminder of the responsibilities to submit on time.

**27 MIFID II.**

The Chief Treasury and Technical Officer and Investment Consultant presented a ‘for information’ report that informed the Pension Fund Committee on MIFID II and its potential impact on the LGPS nationally and locally.

The potential impact on the LGPS, the proposed assessment required and the way forward were outlined.

**Resolved** that the Pension Fund Committee:

- 1) **Noted** the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018;
- 2) **Approved** the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy;
- 3) In electing for professional client status, the committee **acknowledged and approved** to forgo the protections available to retail clients.
- 4) **Delegated** the Section 151 Officer the appropriate approvals for the purposes of completing the applications and determining the appropriate basis of the application.

## **28 Corporate Actions.**

The Chief Treasury and Technical Officer provided a report to monitor opportunities to recover losses as a result of violation of US Securities laws.

He reported on the background to this item, the differences between Investor Cases in the US, the UK and other countries; current participation in US class actions and outlined a way forward.

**Resolved** that BR&B be engaged as outlined in 4.1 (i) and (ii) of the report.

## **29 GMP Reconciliations.**

The Principal Pensions Manager presented a report on the Fund's current position with regard to GMP reconciliation and approve the procedure required to complete the GMP Reconciliation exercise within the timescale available.

A briefing report had been provided at the last meeting to update the Committee on the current position regarding the GMP Reconciliation exercise, which was included as Appendix A. The original report to the Committee on 12 March 2015 was outlined at Appendix B.

This report requested approval for the conclusions reached as a result of a review of the current position and the consideration of the different options available for successful completion of the exercise within the timescale available.

It was Resolved that the press and public be excluded from the Committee in accordance with Paragraph 16 Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 to enable the Committee to take legal advice.

### **(Closed Session)**

Members discussed the issues relating to the report and its recommendations.

### **(Open Session)**

**Resolved** that:

- 1) Approval be given to outsource the GMP Reconciliation exercise to a third party, specialist pensions data analysis and data management provider;
- 2) The organisation selected via the National LGPS Framework be appointed to complete the GMP Reconciliation exercise.

### **30 Exclusion of the Public.**

The Committee was requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they 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 Committee considered the Public Interest Test in deciding whether to exclude the public from the meeting for the items of business where the Public Interest Test was relevant as set out in the report.

**RESOLVED** that the public be excluded for the following items of business.

**(Closed Session)**

### **31 GMP Reconciliations.**

The Principal Pensions Manager provided a report to approve the appointment of a supplier to complete the GMP Reconciliation exercise within the timescale available.

It was noted that the final sentence in the second paragraph of 5.1 should be amended.

**Resolved** that the company outlined in the recommendation be appointed to complete the GMP Reconciliation exercise.

### **32 Wales Pension Partnership - An Update.**

The Chief Treasury & Technical Officer provided a 'for information' report, which updated the Committee on the progress of the Wales Pension Partnership.

He reported on the background to the item, provided details in relation to the submission in respect of the 8 Welsh Pension Funds and outlined the interim Governance and procurement process that had taken place to date.

An updated timetable and progress update produced by the Wales Pension Partnership's Advisors, Hymans Robertson was outlined in Appendix 1.

**33 Report of the Investment Consultant.**

The 'for information' report presented the quarterly investment and market update of the appointed investment consultant to the fund.

The Pension Fund Committee has determined to augment the advisory services to the Pension Fund Committee with the appointment of the Investment Consultant, Hymans Robertson who along with traditional investment consultancy shall assist in shaping the fund's ESG and responsible investing policies along with assisting in monitoring the performance of the Wales Pension Partnership Investment Pool.

The quarterly report from Hymans Robertson was attached at Appendix 1.

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

**34 Report(s) of the Independent Advisors.**

The 'for information' report presented the economic update and market commentary from the perspective of the appointed independent investment advisors.

Attached at Appendix 1 were the quarterly reports ended 30 June 2017 of the two independent advisors, Mr Noel Mills and Mr Valentine Furniss. Mr Furniss provided an amended update.

The content of each report was **noted** by the Committee and the independent advisors were thanked for their reports.

**35 Investment Summary.**

The Chief Treasury and Technical Officer provided a 'for information' report which presented the investment performance for the quarter, year and 3 years ended 30 June 2017.

Attached at Appendix 1 were the quarterly investment summaries for the Pension Fund for the quarter, year and 3 years ended 30 June 2017.

**36 Fund Manager's Presentation(s):**

A presentation was made by Geoff Day, Client Director and Sue Noffke, UK Equity Fund Manager of Schroders – UK Equities.

Questions in relation to the content of the presentation were asked by the Committee and responses were provided accordingly.

The content of the presentation was noted and the Chair thanked the Fund Manager for attending the meeting.

**37 Retirement - thanks.**

The Chair informed the Committee that the Pensions Manager would be retiring from the Authority after 39 years working in the Pensions section.

He offered his thanks on behalf of the Authority for her work in managing the service in relation to compliance and governance over the past few years.

The meeting ended at 12.46 pm

**Chair**