

CITY AND COUNTY OF SWANSEA

MINUTES OF THE LOCAL PENSION BOARD

**HELD AT COMMITTEE ROOM 5, GUILDHALL, SWANSEA ON
THURSDAY, 23 MARCH 2017 AT 11.00 AM**

PRESENT: Councillor A Lockyer (Chair) Presided

Employer Representatives:

J Andrew - Director of Finance NPT Homes
Councillor J E C Harris – City & County of Swansea

Local Pension Board Member Representatives:

I Guy

Officer(s)

Mike Hawes	Director of Resources / Section 151 Officer
Jeffrey Dong	Chief Treasury & Technical Officer
Paul Beynon	Chief Auditor
Simon Cockings	Senior Auditor
Jeffrey Dong	Chief Treasury & Technical Officer
Mike Hawes	Director of Resources / Section 151 Officer
Lynne Miller	Pensions Manager
Jeremy Parkhouse	Democratic Services Officer
Stephanie Williams	Principal Lawyer

Apologies for Absence

Independent Member(s): A Chaves and A Thomas

26 DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.

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

Councillor A Lockyer - Agenda as a whole - Member of LGPS.

J Andrew – Personal – Agenda as a whole - Member of LGPS.

I Guy – Personal – Agenda as a whole - Member of LGPS.

27 MINUTES.

RESOLVED that the Minutes of the Local Pension Board meeting held on 14 December 2016 be signed and approved as a correct record.

28 **PENSION FUND INTERNAL AUDIT REPORT 2016/17.**

The Chief Auditor presented the Internal Audit reports for Pension Fund activities in 2016/17.

It was outlined that the Internal Audit Plan included the following audits of the Pension Fund activities:

- Pensions Administration
- Pension Fund Investments
- Pension Fund Other

The Pensions Administration audit largely covered the aspects of pensions operated by the Pensions Section under the Head of Human Resources and Organisational Development e.g. collection of contributions, new pensioners, transfers etc.

The Pension Fund Investments audit covered the investment of fund assets by the Treasury and Technical Section via the various fund managers.

The Pension Fund Other audit was a new audit undertaken for the first time in 2015/16. This audit looked at any aspects not picked up in the other audits e.g. any income or expenditure included in the Pension Fund accounts not audited elsewhere.

It was explained that both the Pensions Administration and Pension Fund Investments audits were considered to be fundamental audits. Fundamental audits were those, which in consultation with the external auditor, were felt to be so significant that any issues with the systems were likely to have a material impact on the achievement of the Council's or Pension Fund's objectives. For this reason, fundamental audits are audited on a more frequent basis than other audits. The Pensions Administration audit was completed annually and the Pension Fund Investments audit was completed every 2 years. The Pension Fund Investments audit was not due for completion in 2016/17.

The level of assurance provided for the Pension Fund audits in 2016/17 was:

- Pensions Administration Substantial
- Pension Fund Other High

A copy of the final report for the Pensions Administration audit was provided at Appendix 1 and the final report for the Pension Fund Other audit was shown provided at Appendix 2.

RESOLVED that the contents of the report be noted.

29 **LOCAL PENSION BOARD WORK PLAN.**

The Chief Treasury and Technical Officer reported for approval a core workplan agenda for the Local Pension Board.

Minutes of the Local Pension Board (23.03.2017)
Cont'd

In line with the Code of Practice issued by the Pensions Regulator, it was proposed to adopt the following main areas contained in the Code as the core agenda items for consideration by the Local Pension Board work agenda:

Governing your scheme - Knowledge and understanding required by pension board members; conflicts of interest; information to be published about schemes.

Managing risks - Internal controls.

Administration - Scheme record-keeping; maintaining contributions; Information to be provided to members.

Resolving issues - Internal dispute resolution; reporting breaches of the law.

It was proposed to report on Scheme Administration and Resolving issues processes and procedures to the next meeting of the Board and it was recognised that the Local Pension Board should include topical and relevant items as appropriate.

Additional items to be included in the Workplan included working in tandem with the Pension Fund Committee on Investment Beliefs Workshop and Carbon Investment Policy.

The Board requested an update regarding attendance at Pension Fund Committee meetings by Board members. The Director of Corporate Services informed the meeting that Board members would be able to attend future Pension Fund Committee meetings if they signed the Code of Conduct and observed the confidential nature of the meetings and papers. An issue was raised by the Board as to whether the whole of the Code of Conduct applied to them and whether they could sign a confidentiality undertaking instead. This was agreed by the Director following advice from the Principal Lawyer.

He added that this was subject to a report being presented to the next Pension Fund Committee.

The Board welcomed the update and recognised the change as a positive step forward.

RESOLVED that: -

- 1) The Local Pension Board Workplan be approved;
- 2) The update regarding attendance at future Pension Fund Committee meetings be noted;
- 3) The Principal Lawyer would circulate a confidentiality undertaking for approval by the Pension Board.

30 **TRIENNIAL VALUATION CERTIFICATION.**

The Chief Treasury and Technical Officer presented a 'for information' report on Triennial Valuation Certification provided at Appendix A, which was considered at the previous Pension Fund Committee on 9 March 2017.

It was added that in line with the Local Government Pension Scheme Regulations, the City & County of Swansea Pension Fund undertook a full triennial actuarial valuation as at 31st March 2016, with a view to measuring the pension fund's assets and liabilities and consequently determining appropriate Employer's contribution rates payable for the 3 years commencing 1 April 2017. The actuarial rates and adjustment certificate was provided at Appendix 1. The appointed fund actuary had met and presented to employers his main assumptions and areas of development around the 2016 valuation. Employers had been consulted about indicative draft results and options for ameliorating increased contribution rates.

The Committee noted the significant contribution increases charged to some employer organisations.

31 **FUNDING STRATEGY STATEMENT.**

The Chief Treasury and Technical Officer presented a 'for information' report on the City & County of Swansea Pension Fund Draft Funding Strategy Statement 2017 provided at Appendix A, which was considered at the previous Pension Fund Committee on 9 March 2017.

It was added that in line with the Local Government Pension Scheme Regulations, the City & County of Swansea Pension Fund was required to produce a funding strategy statement in consultation with its scheme employers and appointed actuary and advisors. The main purpose of the Funding Strategy Statement was to set out the processes by which the Administering Authority:

- Established a clear and transparent funding strategy, specific to the Fund, which identified how employer's pension liabilities were best met going forward.
- Supported the regulatory requirement in relation to the desirability of maintaining as nearly constant a primary rate of contributions as possible.
- Ensured that the regulatory requirements to set contributions as to ensure the solvency and long-term cost efficiency of the Fund were met.
- Took a prudent longer-term view of funding the Fund's liabilities.

It was noted that, whilst the funding strategy applicable to individual employers must be reflected in the Funding Strategy Statement / Investment Strategy Statement, its focus should at all times be on those actions which were in the best long term interests of the Fund.

The Board discussed affordability for scheme members / employers and training provided to employers.

32 **BREACHES POLICY.**

The Principal Pensions Manager presented a 'for information' report on the Breaches Policy provided at Appendix A, which was considered at the previous Pension Fund Committee on 9 March 2017.

It was explained that breaches of the law were required to be reported to the Pensions Regulator under paragraphs 241 to 275 of the Pensions Regulator's Code of Practice No. 14 (Governance and administration of public service pension schemes) – "the Code of Practice". It was added that breaches could occur in relation to a wide variety of the tasks normally associated with the administrative function of a pension scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

The report outlined the procedures to be adopted by the City and County of Swansea Pension Fund in respect of the Local Government Pension Scheme (LGPS) managed and administered by the City and County of Swansea, in relation to reporting breaches of the law to the Pensions Regulator (tPR).

Some of the key legal provisions were included at Appendix A, an example of a breach register was included at Appendix B and guidance to traffic light framework were provided at Appendix C. A report recording breaches would be presented to the Pension Board and Pension Fund Committee on a quarterly basis.

The Board requested that an updated version of the Breaches Policy be circulated.

33 **BUSINESS PLAN.**

The Chief Treasury and Technical Officer presented a 'for information' report on the City & County of Swansea Pension Fund Business Plan 2017/18 provided at Appendix A, which was considered at the previous Pension Fund Committee on 9 March 2017. The report sought to provide a working framework for the Pension Fund's programme of work for 2017/18.

The Board asked questions in relation to the risk register, the policy document supporting the risk register and increases to investment / expenses.

34 **WALES INVESTMENT POOL - INTER AUTHORITY AGREEMENT.**

The Chief Treasury and Technical Officer presented a 'for information' report on the Wales Investment Pool – Inter Authority Agreement provided at Appendix A, which was considered at the previous Pension Fund Committee on 9 March 2017.

Appendix 1 provided the Council Report of 23 February 2017, which approved the Inter Authority Agreement, Host Authority and establishment of Joint Governance Committee.

35 **CARBON INVESTMENT STRATEGY - AN UPDATE.**

The Chief Treasury and Technical Officer presented a 'for information' report on Climate Change and a Carbon Investment Policy - an Update provided at Appendix A, which was considered at the previous Pension Fund Committee on 9 March 2017.

The report updated the Committee on the previous recommendation to commission a portfolio analysis with a view to formulating a carbon investment policy.

The Board discussed the information contained within the report and the implications for the Pension Fund going forward.

36 **INVESTMENT STRATEGY STATEMENT.**

The Chief Treasury and Technical Officer presented a 'for information' report on the City & County of Swansea Pension Fund Draft Investment Strategy Statement 2017 provided at Appendix A, which was considered at the previous Pension Fund Committee on 9 March 2017.

The Board asked questions regarding performance targets after fees and costs had been deducted and active / passive strategies.

37 **MINUTES OF THE PENSION FUND COMMITTEE - 9 MARCH 2017. (FOR INFORMATION)**

The Minutes of the Pension Fund Committee meeting held on 9 March 2017 were provided 'for information'.

The meeting ended at 12.25 pm

CHAIR