



City and County of Swansea

Minutes of the Pension Fund Committee

Committee Room 6 - Guildhall, Swansea

Thursday, 13 September 2018 at 10.00 am

Present: Councillor P Downing Presided

Councillor(s)

M B Lewis

Councillor(s)

D G Sullivan

Councillor(s)

W G Thomas

Neath Port Talbot Council Co-opted Member

P Rees

Also Present:

I Guy

W Marshall

N Mills

David Williams

Neath Port Talbot County Borough Council

Advisor - Hymans Robertson

Independent Investment Advisor

Wales Audit Office - Financial Audit Team Leader

Officer(s)

Karen Cobb

Jeffrey Dong

Jeremy Parkhouse

Stephanie Williams

Senior Accountant

Chief Treasury & Technical Officer / Deputy Section 151 Officer

Democratic Services Officer

Principal Lawyer

Apologies for Absence

Councillor(s): J P Curtice, C Lloyd

16 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 P Downing - agenda as a whole - my brother is a member of the Local Government Pension Scheme – personal.

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

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

Councillor D G Sullivan - agenda as a whole – Daughter-In-Law works for the Authority and I am in receipt of a pension administered by Dyfed County Council Pension Scheme - personal.

Councillor W G Thomas - agenda as a whole – member 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.

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

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

17 Minutes.

Resolved that the Minutes of the Pension Fund Committee meeting held on 5 July 2018 be signed and approved as a correct record.

18 ISA 260 Report.

David Williams, Wales Audit Office presented a report that set out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2017/18, which required reporting under ISA 260.

The gross assets controlled by the Pension Fund amounted to £1.9 billion. The quantitative levels at which misstatements were judged to be material for the Pension Fund is £19.1 million. The report provided the matters arising from the audit of the financial statements of the Pension Fund for 2017-18.

The draft financial statements for the year ended 31 March 2018 were received on 25 May 2018, prior to the 30 June 2018 deadline. The Wales Audit Office were reporting the more significant issues arising from the audit, which they believed must be considered prior to approval of the financial statements. These issues had already been discussed with the Section 151 Officer.

It was the Auditor General's intention to issue an unqualified audit report on the financial statements once the Authority had provided a Letter of Representation based on that set out in Appendix 1. The proposed audit report was set out in Appendix 2.

It was outlined that there were no non-trivial misstatements identified in the financial statements which remained uncorrected. There were misstatements which had

been corrected by management but which the auditors felt should be highlighted due to their relevance to the responsibilities of the Authority over the financial reporting process.

These were set out with explanations in Appendix 3. These amendments increased the value of investments in the Net Assets Statement by £2.5 million (it was recognised this arose as a timing difference due to the necessity to use estimated figures in order to meet accounts closure deadlines. There were also a number of other presentational amendments made to the draft financial statements arising from the audit.

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

The Chair expressed his appreciation to the Finance staff for providing the accounts to the Wales Audit Office well before the required deadline.

Resolved that the contents of the report be noted.

19 Annual Report 2017/18.

The Chief Treasury & Technical Officer provided a report that sought to approve the Annual Report for the City & County of Swansea Pension Fund.

It was outlined that the Wales Audit Office had completed their audit of the Pension Fund Draft Statement of Accounts 2017/18 in line with their audit plan. As required by regulation, the fund was also required to produce an annual report, providing some additional information and explanatory notes in relation to the activity of the fund during the year. The financial statements in the Annual Report were adjusted as per audit findings and recommendations by the appointed auditor.

The City & County of Swansea Annual Report 2017/18 was provided at Appendix 1.

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

20 Breaches Report.

The Chief Treasury & Technical Officer presented a 'for information' report, which provided details of breaches that had occurred in the Pension Fund in accordance with the Reporting Breaches Policy.

Appendix A provided the details of breaches that had occurred since the previous Pension Fund Committee in July 2018. The details of the breaches and actions undertaken by the Management were highlighted.

21 Admission Body Application - Freedom Leisure.

The Chief Treasury & Technical Officer provided a report that sought to approve the admission body application for Freedom Leisure.

It was outlined that following a procurement exercise undertaken by scheduled employer, City & County of Swansea, Freedom Leisure were awarded the contract to provide leisure management services to Swansea Council. The company would be responsible for the operation of the leisure facilities and this included the day to day operation, staffing, customer service, health and safety, and marketing of the facilities. They would also be responsible for investment in the refurbishment of the facilities and implementation of effective planned preventive and lifecycle maintenance regimes. The contract included the operation of The LC2; Penlan, Penyrheol, Morryston, and Cefn Hengoed Leisure Centres, Bishopston Sports Centre and Elba Sports Complex. It had been determined that these services satisfied the criteria required for admitted body status under LGPS Regulations.

It was added that Wealden Leisure Limited (trading as Freedom Leisure) were a genuine, not for profit organisation with HMRC approved exempt charity status. They had an objective of providing high quality and affordable health, fitness and leisure activities to the local communities which they served. As a genuine charity there were no shareholders to satisfy, no profit margins sought by venture capital holding companies and no share dividends to be paid to anonymous people. The contract for services was due to commence on the 1st October 2018.

Furthermore, under the contract conditions, it was proposed that the current workforce were transferred under TUPE arrangements from the current employer, the City & County of Swansea, to Freedom Leisure. In order to preserve the pension rights of the transferred staff, it was proposed that Freedom Leisure be granted Admitted Body status to the City & County of Swansea Pension Fund. It was also proposed that the admission agreement be granted on a closed scheme basis, to include only the named staff in schedule 1 of the admission agreement.

The admission agreement required would outline the sponsoring employer guarantee which was secured from the sponsoring employer, the City & County of Swansea. The Administering Authority would also undertake the appropriate risk assessment of the admitted body, Freedom Leisure.

Councillors asked questions regarding the report, which were responded to by the Chief Treasury and Technical Officer.

Resolved that: -

- 1) The Admission Body Application of Freedom Leisure, subject to completion of the satisfactory Admission Agreement, be approved.
- 2) Officers in the Council's legal department be given authority to finalise the Admission Agreement as outlined in the report.

22 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)

23 Wales Pension Partnership Update (Verbal)

The Chief Treasury & Technical Officer provided a verbal update which outlined the progress of the Wales Pension Partnership.

Resolved that the contents of the report be noted.

24 Environmental, Social, Governance (ESG) Policy.

The Chief Treasury & Technical Officer presented the Environmental, Social, Governance (ESG) Policy for adoption.

Resolved that the ESG Policy be adopted.

25 Report of the Investment Consultant.

A 'for information' report presented the quarterly report to summarise the Fund's asset valuations and performance over periods to 30 June 2018.

The quarterly report from Hymans Robertson was attached at Appendix 1. Appendix 2 provided the Investment Vehicles and Appendix 3 the Performance Calculation.

Also provided was a presentation on the City and County of Swansea Pension Fund – Equity Protection Strategies.

Resolved to undertake market testing of equity protection providers with a view to implementing a protection programme as soon as practicably possible.

26 Report of the Independent Advisor.

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

The quarterly report ended 30 June 2018 from the independent investment advisor, Mr Noel Mills was attached at Appendix 1.

The content of the report was noted by the Committee and the independent investment advisor was thanked for his report.

27 Investment Summary.

The Chief Treasury & Technical Officer provided a 'for information' report which presented the investment performance for the quarter, year and 3 years ended 30 June 2018.

The quarterly investment summaries for the Pension Fund for the quarter, year and 3 years ended 30 June 2018 were attached at Appendix 1.

The meeting ended at 12.12 pm

Chair