

CITY & COUNTY OF SWANSEA PENSION FUND

1. Introduction


The City & County of Swansea Pension Fund is administered by the City & County of Swansea. However it is a separate statutory fund and its assets and liabilities, income and expenditure are not consolidated into the accounts of the Authority. That is, the Pensions Fund's assets and liabilities are distinct.

The summarised accounts of the Pension Fund shown here comprise three main elements:-

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31st March 2019.
- The Notes to The Financial Statements which are designed to provide further explanation of some of the figures in the statement and to give a further understanding of the nature of the fund.

2 Summary of transactions for the year

Where the money comes from:-		And where it goes.....	
	£'000		£'000
Contributions and transfers in	98,437	Pensions Payable	65,016
Other	374	Lump sum benefits	17,063
		Refunds and transfers out	6,319
		Management Expenses	11,759
	98,811		100,157



	£'000
Net new money into the Fund	-1,346
Net return on investments	128,874
Increase in Fund value	127,528

CITY & COUNTY OF SWANSEA PENSION FUND

Chief Financial Officers Certificate and Statement of Responsibilities for the Financial Statements of the City and County of Swansea Pension Fund.

I hereby certify that the Financial Statements presents a true and fair view of the financial position of the City and County of Swansea Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2019.

Ben Smith
Chief Financial Officer

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of the City and County of Swansea Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Chief Financial Officer
- Manage the affairs of the City and County of Swansea Pension Fund to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Financial Statements.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the City and County of Swansea Pension Fund's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

In preparing these financial statements, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent
- Complied with the local authority code.

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Date of Authorisation for Issue

The 2018/19 Financial Statements were authorised for issue on 12th September 2019 by Ben Smith, Chief Financial Officer who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2018/19 Financial Statements were formally approved by Pension Fund Committee on 12th September 2019.

Clive Lloyd
Chairman

The Report of the Auditor General for Wales to the members of the City and County of Swansea as administering authority for City and County of Swansea Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of City and County of Swansea Pension Fund for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004. The City & 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

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 2019, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The responsible financial officer is responsible for the other information in the City & County of Swansea Pension Fund 2018-19 Financial Statements. The other information comprises the information included in the Introduction and Appendices 1 to 5 of the financial statements. 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.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- for information contained in the Introduction and Appendices 1-5 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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;
- 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.

Certificate of completion of audit

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

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.

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. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales

24 Cathedral Road
Cardiff
CF11 9LJ

CITY & COUNTY OF SWANSEA PENSION FUND

Fund Account For The Year Ended 31st March

2017/18		2018/19	
£'000 Contributions and benefits	Notes	£'000	£'000
Contributions receivable :			
70,032 Employers contribution	3	74,944	
17,666 Members contribution	3	18,456	93,400
3,191 Transfers in	4		5,037
180 Other income	5		374
91,069			98,811
Benefits payable :			
-61,207 Pensions payable	6	-65,016	
-16,202 Lump sum benefits	6	-17,063	-82,079
Payments to and on account of leavers :			
-101 Refunds of contributions	7	-183	
-4,452 Transfers out	7	-6,136	-6,319
-7,324 Management Expenses	8		-11,759
1,783			-1,346
Returns on Investments			
30,891 Investment income	9		31,229
27,954 Change in market value of investments	12		97,645
58,845			128,874
60,628			127,528
1,855,882 Opening Net Assets of the Fund			1,916,510
1,916,510 Closing Net Assets of the Fund			2,044,038

CITY & COUNTY OF SWANSEA PENSION FUND

Net Assets Statement As At 31 March

31st March 2018		31st March 2019
£'000	Notes	£'000
Investments at market value:		
1,831,794 Investment Assets	11	1,976,028
761 Cash Funds	12	767
77,046 Cash Deposits	12	65,017
3,672 Other Investment Balances - Dividends Due	12	0
1,913,273 Sub Total		2,041,812
7,499 Current Assets	16	6,806
-4,262 Current Liabilities	16	-4,580
1,916,510 Net assets of the Scheme available to fund benefits at the period end		2,044,038

The financial statements on pages 1 to 52 summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee. The financial statements do not take account of liabilities and other benefits which fall due after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Note 18 of this statement, and these accounts should be read in conjunction with this information.

Notes to the Financial Statements

1. Basis of preparation

The financial statements summarise the fund's transactions for the 2018/19 financial year and its position at year-end 31 March 2019. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements do not take account of liabilities and other benefits which fall due after the period end.

2. Accounting Policies

The following principal accounting policies, which have been applied consistently (except as noted below), have been adopted in the preparation of the financial statements:

(a) Contributions

Normal contributions, both from the employees and from the employer, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Early Access contributions from the employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received. Under current rules, employers can exercise discretion to give access to a person's pension rights early (other than for ill health). Where this is done, the additional pension costs arising are recharged to the relevant employer and do not fall as a cost to the fund. Under local agreements some Employers have exercised the right to make these repayments over three years incurring the relevant interest costs. As a result total income is recognised in the Fund Account with amounts outstanding from Employers within debtors.

Other Contributions relate to additional pension contributions paid in order to purchase additional pension benefits.

(b) Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the fund as appropriate.

(c) Transfers to and from other Schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the fund. They are accounted for on a cash basis, or where Trustees have agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

A bulk transfer involves a group of employees changing to a new employer in a different Fund or moving along with their existing employer to a new Fund. It is usually triggered by a contract being transferred, a service being restructured or a merger or acquisition involving an LGPS employer. They are accounted for on a cash basis, or on an accrual basis where the liability hasn't been settled before the date of agreement.

2. Accounting Policies (continued)

(d) Investments

i) The net assets statement includes all assets and liabilities of the fund at the 31st March.

ii) Listed investments are included at the quoted bid price as at 31st March.

iii) Investments held in pooled investment vehicles are valued at the closing bid price at 31st March if both bid and offer price are published; or, if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

iv) Unquoted securities are valued by the relevant investment managers based on the Fund's share of the net assets or a single price advised by the Fund Manager, in accordance with generally accepted guidelines.

v) Unit trusts are valued at the Managers' bid prices at 31st March.

vi) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.

vii) Investment management fees are accounted for on an accrual basis.

viii) Transaction costs are disclosed in Note 8 - Administrative and Investment Management Expenses.

ix) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.

x) Property Funds/Unit Trusts are valued at the bid market price, which is based upon regular independent valuation of the underlying property holdings of the Fund/Unit Trust.

e) Financial Instruments

Pension Fund assets have been assessed as fair value through profit and loss in line with IAS19.

f) Management Expenses

The fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the fund on an accrual basis.

CITY & COUNTY OF SWANSEA PENSION FUND

2. Accounting Policies (continued)

g) Cash and Cash Funds

Cash comprises cash in hand and cash deposits. Cash funds are highly liquid investments held with Investment Managers.

h) Investment Income

Investment income and interest received are accounted for on an accruals basis. When an investment is valued ex dividend, the dividend is included in the Fund account. Distributions from pooled investment vehicles are automatically reinvested in the relevant fund. Additional information regarding this is provided in Note 9.

i) Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net asset statement as 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

- Actuarial present value of promised retirement benefits

j) Critical Judgements In applying accounting policies

The funds liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary. The estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted private equity investments - these are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Guidelines (IPEVCG) outside the US. The value of the unquoted private equities at at 31st March 2019 was £86.62 million (£67.53 million as at 31st March 2018).

k) Other

Other expenses, assets and liabilities are accounted for on an accruals basis.

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Contributions

Total Contributions		Total Contributions
2017/18 £'000		2018/19 £'000
<u>Administering Authority</u>		
50,268	City & County of Swansea	51,971
<u>Admitted Bodies</u>		
412	Celtic Community Leisure	397
11	Swansea Bay Racial Equality Council	5
118	Wales National Pool	131
2,511	Tai Tarian	2,525
553	Pobl Group	590
5	Rathbone Training Ltd (CCS)	5
31	Rathbone Training Ltd (Gower College)	28
3	Llanrhidian Higher Community Council	3
3	Ysalyfera Community Council	3
0	Wealdon Leisure	273
0	Parkwood Leisure	8
3,647	Total Admitted Bodies	3,968
<u>Scheduled Bodies</u>		
9	Cilybebyll Community Council	11
40	Coedffranc Community Council	51
2,246	Gower College Swansea	2,611
2,022	NPTC Group	2,183
64	Neath Town Council	69
27,662	Neath Port Talbot County Borough Council	30,802
38	Margam Joint Crematorium Committee	50
7	Pelenna Community Council	7
19	Pontardawe Town Council	18
16	Swansea Bay Port Health Authority	29
1,655	University of Wales Trinity St Davids	1,624
5	Briton Ferry Town Council	6
33,783	Total Scheduled Bodies	37,461
87,698	Total Contributions Receivable	93,400

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

2017/18		2018/19
£'000		£'000
66,390	Employers	
0	Normal	71,444
3,642	Deficit recovery contributions	976
<u>70,032</u>	Early Access	<u>2,524</u>
	Total	<u>74,944</u>
	Employees	
17,627	Normal	18,418
39	Other	38
<u>17,666</u>	Total	<u>18,456</u>
<u>87,698</u>	Total Contributions Receivable	<u>93,400</u>

CITY & COUNTY OF SWANSEA PENSION FUND

4. Transfers In

Transfers in comprise of:

2017/18		2018/19
£'000		£'000
0	Group transfers from other schemes	0
3,191	Individual transfers from other schemes	5,037
<u>3,191</u>	Total	<u>5,037</u>

5. Other Income

Other income comprise of:

2017/18		2018/19
£'000		£'000
180	Interest on Cash Deposits	374
0	Early Access - Interest	0
<u>180</u>	Total	<u>374</u>

6. Benefits Payable

By category

2017/18		2018/19
£'000		£'000
61,207	Pensions	65,016
14,888	Commutation and lump sum retirement benefits	15,271
1,314	Lump sum death benefits	1,792
<u>77,409</u>	Total	<u>82,079</u>

7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2017/18		2018/19
£'000		£'000
101	Refunds to members leaving service	183
0	Bulk Transfer	905
4,452	Individual transfers to other schemes	5,231
<u>4,553</u>	Total	<u>6,319</u>

During 2018/19, a bulk transfer payment was made to the Principal Civil Service Pension Scheme (PCSPS) in respect of 7 members.

CITY & COUNTY OF SWANSEA PENSION FUND

8. Administrative and Investment Management Expenses

All administrative and investment management expenses are borne by the Fund:

2017/18 £'000		2018/19 £'000
	Administrative Expenses	
755	Support Services (SLA) & Employee Costs	757
18	Printing & Publications	15
305	Other	625
1,078		1,397
	Oversight & Governance	
43	Actuarial Fees	36
123	Advisors Fees	103
45	External Audit Fees	43
14	Performance Monitoring Service	14
5	Pension Fund Committee	6
2	Pension Board	0
77	Wales Pension Partnership	118
309		320
1,387		1,717
	Investment Management Expenses	
4,402	Management Fees	4,491
1,400	Performance Fees	668
135	Custody Fees	167
0	Transaction Costs	4,716
5,937		10,042
7,324	Total	11,759

Transaction costs are being reported for the first time in 2018/19, a charge of £842k was incurred in transaction costs for 2017/18, however, this was disclosed in the accounts but not actually charged to the accounts in 2017/18.

Costs have been incurred as a result of moving investments from segregated equity managers into WPP during January 2019. The transition costs amounted to £4,462k, this figure is included in Transaction costs.

The above represents direct fees payable to the appointed fund managers. However, the following investments are appointed via a fund of fund/manager of managers approach which have their own underlying manager fees.

CITY & COUNTY OF SWANSEA PENSION FUND

8. Administrative and Investment Management Expenses Cont'd

The table below represents the expenses payable in respect of these underlying manager fees. The returns for these mandates are net of the underlying manager costs, this is reflected in Note 12 within the Change in Market Value. For additional transparency the fees incurred were :

2017/18	2018/19
£'000	£'000
997 Partners Group	96
972 Blackrock	331
1,420 Schrodgers Property Fund	671
633 EnTrustPermal	1,224
678 HarbourVest	943
4,700	3,265

9. Investment Income

2017/18	2018/19
£'000	£'000
16,349 U.K. Equities	15,414
10,020 Overseas Equities	10,165
3,102 Managed Fund - Fixed Interest	3,818
1,483 Pooled Investment vehicles - Property Fund	1,845
-63 Interest and other Income	-13
30,891 Total	31,229

The assets under management by Blackrock and Wales Pension Partnership are managed wholly in a pooled investment vehicle. The pooled investment vehicles are a combination of equity, bond and money market unit funds which operate on an 'accumulation' basis, i.e. all dividends and investment income are automatically reinvested back into their relevant funds and not distributed as investment income. Therefore, the fund value and change in market value on these funds will reflect both capital appreciation / depreciation plus reinvested investment income.

10. Taxation

a) United Kingdom

The Fund is exempt from Income Tax on interest and dividends and from Capital Gains Tax but now has to bear the UK tax on other income. The fund is reimbursed V.A.T. by H.M. Revenue and Customs and the accounts are shown exclusive of V.A.T.

b) Overseas

The majority of investment income from overseas suffers a withholding tax in the country of origin.

CITY & COUNTY OF SWANSEA PENSION FUND

11. Investment Assets

	31st March 2018			31st March 2019		
	UK £'000	Global £'000	Total £'000	UK £'000	Global £'000	Total £'000
Equities						
Quoted	424,093	477,911	902,004	0	0	0
	424,093	477,911	902,004	0	0	0
Pooled investment vehicles						
Managed Funds:						
Quoted:						
Equity	0	17,226	17,226	0	14,489	14,489
Fixed Interest	0	117,508	117,508	0	118,199	118,199
Unquoted:						
Equity	152,177	326,367	478,544	161,963	1,299,260	1,461,223
Fixed Interest	60,950	15,633	76,583	79,090	16,703	95,793
Index-linked	32,547	0	32,547	34,385	0	34,385
Property Unit Trust	15,831	0	15,831	19,528	0	19,528
Property Fund	33,035	36,390	69,425	36,430	33,089	69,519
Hedge Fund	0	54,601	54,601	0	54,168	54,168
Private Equity	0	67,525	67,525	0	86,625	86,625
Infrastructure	0	0	0	0	18,501	18,501
Derivatives	0	0	0	0	3,598	3,598
Total pooled investment vehicles	294,540	635,250	929,790	331,396	1,644,632	1,976,028
Total equities and pooled investment vehicles	718,633	1,113,161	1,831,794	331,396	1,644,632	1,976,028
Cash Funds			761			767
Cash			77,048			65,017
Other Investment Balances Due			3,672			0
Total			1,913,273			2,041,812

CITY & COUNTY OF SWANSEA PENSION FUND

11. Investment Assets (continued)

An analysis of investment assets based on the class of investment is shown below :

31st March 2018 £'000	Investment assets	31st March 2019 £'000
194,091	Fixed interest	213,992
32,547	Index linked securities	34,385
576,270	U.K. equities	161,963
821,504	Global Equities	1,313,749
85,256	Property	89,047
54,601	Hedge Funds	54,168
67,525	Private Equity	86,625
0	Infrastructure	18,501
0	Derivatives	3,598
<u>1,831,794</u>	Total investment assets	<u>1,976,028</u>

CITY & COUNTY OF SWANSEA PENSION FUND

12. Reconciliation of movements in investments

		Value at 31st March 2018	Purchases	Sales	Change In Market Value	Value at 31st March 2019
		£'000	£'000	£'000	£'000	£'000
Equities						
	Aberdeen	118,378	26,407	-144,296	-489	0
	Aberdeen FF	17,227	423	0	-3,161	14,489
	JPM	364,275	168,654	-527,738	-5,191	0
	Schroders	419,350	57,868	-462,786	-14,432	0
	Blackrock	478,544	0	0	39,791	518,335
	WPP	0	910,076	-28,724	61,536	942,888
		1,397,774	1,163,428	-1,163,544	78,054	1,475,712
Property						
UK	Schroders	48,866	8,302	-2,061	851	55,958
Overseas	Partners	21,880	897	-4,271	285	18,791
	Invesco	14,510	0	-676	464	14,298
		85,256	9,199	-7,008	1,600	89,047
Fixed Interest						
Fixed Interest	Blackrock	76,583	0	0	3,420	80,003
	Goldman	117,508	3,818	0	-3,127	118,199
		194,091	3,818	0	293	198,202
Index-Linked						
	Blackrock	32,547	0	0	1,838	34,385
		32,547	0	0	1,838	34,385
Hedge Funds						
	Blackrock	28,897	0	-235	102	28,764
	Permal	25,704	0	-230	-70	25,404
		54,601	0	-465	32	54,168
Private Equity						
	HarbourVest	67,525	16,476	-14,214	16,838	86,625
		67,525	16,476	-14,214	16,838	86,625
Infrastructure						
	First State	0	19,136	-231	-404	18,501
		0	19,136	-231	-404	18,501
Equity Protection						
	Russell	0	20,000	0	-612	19,388
		0	20,000	0	-612	19,388
Cash funds						
	Schroders	761	0	0	6	767
		761	0	0	6	767
Total		1,832,555	1,232,057	-1,185,462	97,645	1,976,795
Cash		77,046				65,017
Other Investment Balances - Dividends Due		3,672				0
TOTAL		1,913,273			97,645	2,041,812

CITY & COUNTY OF SWANSEA PENSION FUND

12. Reconciliation of movements in Investments (continued)

Transaction costs are included in the cost of purchase and sales proceeds. Identifiable transaction costs incurred in the year relating to segregated investments amounted to £254k (2017/18 : £842k). Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately disclosed. During the year, the actively managed global equity assets previously managed by Schroders Investment Management, Aberdeen Standard Investment Management and JP Morgan Asset Management transitioned to the Wales Pension Partnership, as part of the ongoing pooling arrangements (See Appendix 3).

13. Concentration of Investments

The following investments represented 5% or more of the Fund's net assets at 31st March 2019:

	Value as at the 31st March 2018 £'000	Proportion of Net Asset %	Value as at the 31st March 2019 £'000	Proportion of Net Asset %
Blackrock UK Equity Index	152,177	8.0	161,963	8.0
Goldman Sachs Global Libor Plus II	117,508	6.1	118,199	5.8
Blackrock North America Equity	149,143	7.8	175,447	8.6
JP Morgan North American Equities	209,177	10.9	0	0.0
WPP Global Opportunities Fund	0	0.0	942,888	46.3

14. Realised Profit on the Sale of Investments

2017/18 £'000	2018/19 £'000
17,609 U.K. Equities	26,385
56,905 Overseas Equities	17,343
3,735 Property Fund	1,047
2 Cash Fund	0
<u>78,251</u> Net Profit	<u>44,775</u>

CITY & COUNTY OF SWANSEA PENSION FUND

15. Fixed Interest and Index Linked Investments

The fixed interest and index-linked investments are comprised of:

31st March	31st March
£'000	£'000
143,791 UK Public Sector	154,065
82,847 Other	78,522
<u>226,638</u>	<u>232,587</u>

16. Current Assets and Liabilities

The amounts shown in the statement of Net Assets are comprised of:

31st March	31st March
2018	2019
£'000	£'000
Current Assets	
629 Contributions - Employees	697
2,430 Contributions - Employers	2,734
2,789 Early Access Contributions Debtor	1,600
441 Transfer Values	758
1,210 Other	1,017
<u>7,499</u>	<u>6,806</u>
Current Liabilities	
-529 Investment Management Expenses	-566
-1,817 Commutation and lump sum retirement benefits	-2,025
-40 Lump sum death benefits	-199
-751 Transfers to Other Schemes	-665
-602 Payroll Deductions - Tax	-662
-34 Payable Control List	-6
-489 Other	-457
<u>-4,262</u>	<u>-4,580</u>
<u>3,237 Net</u>	<u>2,226</u>

CITY & COUNTY OF SWANSEA PENSION FUND

16. Current Assets & Liabilities (continued)

Early Access Debtor

	Instalment Due 2019/20 £'000	Instalment Due 2020/21 £'000	Instalment Due 2021/22 £'000	Instalment Due 2022/23 £'000	Total £'000
Early Access Principal Debtor	1,699	0	0	0	1,699
Early Access Interest Debtor	0	0	0	0	0
Total (Gross)	1,699	0	0	0	1,699

17. Capital and Contractual Commitments

As at 31st March 2019 the Scheme was committed to providing funding to appointed managers investing in unquoted securities. These commitments amounted to £88.7m (2017/18 : £100.7m).

CITY & COUNTY OF SWANSEA PENSION FUND

18. Statement of the Actuary for the year ended 31 March 2019

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City & County of Swansea Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

- 1 The valuation as at 31 March 2016 showed that the funding ratio of the Fund was broadly similar to the funding ratio as at the previous valuation, with the market value of the Fund's assets at 31st March 2016 (of £1,512.6M) covering 80% of the liabilities allowing, in case of pre 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
- 2 The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:
 - 18.0% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate).

Plus

 - Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2017 (the secondary rate), equivalent to 7.0% of pensionable pay (or £20.1M in 2017/18, and increasing by 3.5% p.a. thereafter).
- 3 In practice, each individual Employer's or group of Employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
- 4 The funding plan adopted in assessing the contributions for each individual Employer or group is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual Employers' recovery periods were agreed with the Administering Authority reflecting the Employers' circumstances.
- 5 The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Statement of the Actuary for the year ended 31 March 2019 (continued)

<u>Discount rate for periods in service</u>	
Scheduled body employers *	4.6% p.a.
Orphan body employers **	4.6% p.a.
<u>Discount rate for periods after leaving service</u>	
Scheduled body employers *	4.6% p.a.
Orphan body employers **	2.5% p.a.
Rate of pay Increases	3.5% p.a.
Rate of Increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (In excess of Guaranteed Minimum Pension)	2.0% p.a.

*The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

** In addition the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) Core Projections Model released with Working Paper 91 with Core assumptions, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were :

	Men	Women
Current pensioners aged 65 at the valuation date	22.8	24.3
Future pensioners aged 45 at the valuation date	24.4	26.1

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS) and the most material are commented on below :

McCloud Judgement

In December 2018 the Court of Appeal ruled against the Government in the "McCloud / Sergeant" judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed amounted to illegal age discrimination. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Statement of the Actuary for the year ended 31 March 2019 (continued)

McCloud Judgement cont'd

The Government applied to the Supreme Court for permission to appeal this judgement, but the Supreme Court rejected the Government's request on the 27 June 2019, and on the 15 July the Chief Secretary to the Treasury announced in a written statement confirming that the Government believes that the difference in treatment will need to be remedied across all public service schemes, including the LGPS. The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation.

GMP Equalisation and Indexation

On 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that the trustees have a duty "to equalise benefits for men and women so as to alter the results which is at present produced in relation to GMPs"

In March 2016 the government introduced an interim solution for members in public sector schemes with GMPs who were set to lose out from the removal of the Additional State Pension (AP). This was done by paying full increases on GMP pensions for individuals reaching State Pension Age (SPA) from 5 April 2016 through 5 December 2018 (GMP rules do not require schemes to pay any increases on GMPs earned before April 1988, and cap increases at 3% p.a. on GMPs earned after April 1988). This additional liability was included in January 2018 the interim solution was extended for individuals reaching SPA before 5 April 2021. Further, the Government has indicated that it is committed to continuing to compensate all members of public sector pension schemes reaching SPA after 5th April 2021.

9. The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustment Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased in value since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 8 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.

10. This statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuations.

18. Statement of the Actuary for the year ended 31 March 2019 (continued) Actuarial Present Value of Promised Retirement Benefits

Aon does not accept any responsibility or liability to any party other than our client, City & County of Swansea, the Administering Authority of the Fund, in respect of this Statement.

11. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address : <http://www.swanseapensionfund.org.uk/wp-content/uploads/2012/01/Actuarial-Valuation->

CIPFA's Code of Practice also requires the actuarial present value of the promised retirement benefits to be disclosed based on IAS26 and using assumptions relevant to IAS19 and not the funding assumptions above. The actuarial present value of the promised retirement benefits on this basis as at 31st March 2016 is £2,249.7m (31st March 2013 £1,936.8m), which compares the market value of the assets at that date of £1,512.6m (31st March 2013 £1,277.6m).

As set out in the Statement of the Actuary, there has been some material developments in respect of the Local Government Pension Scheme (LGPS) and we comment on the estimated impact of these on an IAS19 basis as follows :

McCloud Judgement

Whilst the remedy is uncertain, a prudent approach would be to assume it is equivalent to extending the "best of both" underpin to all members. The Government's Actuary's Department (GAD), under instruction of the LGPS Scheme Advisory Board (England and Wales) was asked to calculate the worst case scenario impact at Scheme level, and in their paper titled "Local Government Pension Scheme Potential Impact of McCloud/Sergeant ruling on pensions accounts disclosure" dated 10 June 2019. They state, that using an effective date of 31st March 2019, financial assumptions appropriate for accounting purposes and a salary increase assumption of CPI +1.5% (as used for the City & County of Swansea Pension Fund), the estimated worst case scenario impact will be a 3.2% increase in the active liabilities. This was very much an estimate, is based on the Scheme as a whole and made no allowance for "high filers" who could distort these figures. The figures for the City & County of Swansea Pension Fund could be different to the GAD assessment but we feel gives a reasonable indication of the increase in liabilities. Based on an approximate assessment as at 31 March 2019, this would be equivalent to an increase in the actuarial present value of promised benefits of around £50m.

GMP Equalisation and Indexation

If HM Treasury's solution to GMP equalisation in public service schemes were to extend the interim solution indefinitely, the impact is estimated to be an increase in defined benefit obligation of 0.3% for an average mature employer in the LGPS (England and Wales) (which includes the liability for members reaching SPA after 5 December 2018 which is not included in the liabilities disclosed). Based on an approximate assessment as at 31 March 2019, this would be the equivalent to an increase in the actuarial present value of promised benefits of around £10m.

18. Statement of the Actuary for the year ended 31 March 2019 (continued)
Actuarial Present Value of Promised Retirement Benefits

Definitions

Admission Body

An employer admitted to the Fund under an admission agreement.

Orphan Body

This is an admission body or other employer whose participation in the Fund may cease at some future point in time, after which it is expected that the Administering Authority will have no access to future contributions in respect of the employer's liabilities in the Fund once any liability on cessation has been paid.

Scheduled Body

Employers which participate in the Fund under Schedule 2 of the Administration Regulations.

Subsumption and subsumption body

When an admission body or other employer ceases participation in the Fund, so that it has no employees contributing to the Fund and once any contribution on cessation as required by the regulations has been paid, the Fund will normally be unable to obtain further contributions from that employer (eg if future investment returns are less than assumed). It is however possible for another long term employer in the Fund (generally a scheduled body) to agree to be a source of future funding should any funding shortfalls emerge on the original employer's liabilities. The long term employer effectively subsumes the assets and liabilities of the ceasing employer into its own assets and liabilities. In this document this is known as subsumption. In this document the admission body or other employer being subsumed is referred to as a subsumption body and its liabilities are known as subsumed liabilities.

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2019 (continued)

Rates & Adjustment Certificate

Actuarial certificate given for the purposes of Regulation 62 of the Local Government Pension Scheme Regulations 2013.

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), we certify that contributions should be paid by Employers at the following rates for the period 1st April 2017 to 31st March 2020.

- i) An aggregate primary rate of 18.0% pa of Pensionable Pay.
- ii) Individual adjustments (i.e. secondary contribution rates) which, when added to or subtracted from the primary rate, produce the following minimum Employer contribution rates.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2019 (continued)

Employer	Primary contribution rate % pensionable pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
		2017	2018	2019	2017	2018	2019
Schedule 2 Part 1 bodies/ Schedule 2 Part 2 bodies (Scheduled bodies)							
City & County of Swansea	17.9%	5.5%	6.5%	7.9%	23.4%	24.4%	25.8%
Neath Port Talbot County Borough Council	17.8%	7.7%	8.5%	9.3%	25.5%	26.3%	27.1%
Cilybebyll Community Council	27.6%	-4.7%	-2.3%	0.1%	22.9%	25.3%	27.7%
Coedffranc Community Council	20.3%	-0.1% plus £5,300	-0.1% plus £5,500	-0.1% plus £5,700	20.2% plus £5,300	20.2% plus £5,500	20.2% plus £5,700
Neath Town Council	20.3%	-0.1% plus £16,200	-0.1% plus £16,800	-0.1% plus £17,400	20.2% plus £16,200	20.2% plus £16,800	20.2% plus £17,400
Pelenna Community Council	27.0%	£1,200	£1,200	£1,300	27.0% plus £1,200	27.0% plus £1,200	27.0% plus £1,300
Pontardawe Town Council	23.0%	£800	£800	£900	23.0% plus £800	23.0% plus £800	23.0% plus £900
Gower College	17.9%	3.8%	3.9%	3.9%	21.7%	21.8%	21.8%
NPTC Group	17.7%	£168,400	£174,300	£180,400	17.7% plus £168,400	17.7% plus £174,300	17.7% plus £180,400
Margam Joint Crematorium Committee	20.3%	-0.1% plus £9,400	-0.1% plus £9,700	-0.1% plus £10,100	20.2% plus £9,400	20.2% plus £9,700	20.2% plus £10,100
Swansea Bay Port Health Authority	5.8%	16.6% plus £0	16.6% plus £4,400	16.6% plus £9,000	22.4% plus £0	22.4% plus £4,400	22.4% plus £9,000
Schedule 2 Part 3 bodies (Admission bodies)							
Celtic Community Leisure	13.2%	-	-	-	13.2%	13.2%	13.2%
Grwp Gwallia Cyf	22.0%	-1.6%	-1.6%	-1.6%	20.4%	20.4%	20.4%
Neath Port Talbot Homes Ltd	17.0%	£62,300	£218,500	£374,700	17.0% plus £62,300	17.0% plus £218,500	17.0% plus £374,700
Rathbone Training Ltd (City & County of Swansea)	22.4%	2.8%	2.8%	2.8%	25.2%	25.2%	25.2%
Rathbone Training Ltd (Gower College)	24.3%	-	-	-	24.3%	24.3%	24.3%

Swansea Bay Racial Equality Council	37.0%	-1.8% plus £600	-0.9% plus £1,300	£2,000	35.2% plus £600	36.1% plus £1,300	37.0% plus £2,000
Trinity St Davids	28.0%	£389,400	£542,300	£686,100	28.0% plus £389,400	28.0% plus £542,300	28.0% plus £686,100
Wales National Pool	14.2%	-	-	..	14.2	14.2	14.2
Total	18.0%	5.5% plus £653,600	6.3% plus £974,800	7.3% plus £1,287,600	23.5% plus £653,600	24.3% plus £974,800	25.3% plus £1,287,600

The contribution rates for the City & County of Swansea, Neath Port Talbot County Borough Council and Gower College have been set as a percentage of pay. However, minimum monetary contribution amounts for these employers have been agreed with the Administering Authority, and if the contributions actually received fall below this minimum level additional payments will be required. These minimums are such that the total contributions in aggregate must be no less than :

- City & County of Swansea 17.9% of pensionable pay plus £8.18M in 2017/18, 17.9% of pensionable pay plus £9.53M in 2018/19, 17.9% of pensionable pay plus £11.37M in 2019/20.
- Neath Port Talbot County Borough Council 17.8% of pensionable pay plus £6.18M in 2017/18, 17.8% of pensionable pay plus £6.82M in 2018/19, 17.8% of pensionable pay plus £7.47M in 2019/20
- Gower College 17.9% of pensionable pay plus £250,000 in 2017/18, 17.9% of pensionable pay plus £259,000 in 2018/19, 17.9% of pensionable pay plus £268,000 in 2019/20

The contributions shown above represent the minimum contributions to be paid by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that Employer may be adjusted to take account of any amounts payable, in respect of surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant Employer.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the 2013 Regulations and Employers will be notified of such contributions separately by the Administering Authority.

Additional contributions may be payable by any Employers which have ceased to participate in the Fund since 31 March 2016 and these will be certified separately.
Contribution rates for Employers commencing participation in the Fund after 31 March 2016 will be advised separately.
This certificate should be read in conjunction with the notes overleaf.

Signed on behalf of Aon Hewitt Limited



Chris Archer FIA
Fellow of the Institute and Faculty of Actuaries

30 March 2017

Aon Hewitt Limited
25 Marsh Street
Bristol BS1 4AQ



Laura Hamilton FIA
Fellow of the Institute and Faculty of Actuaries

19. Related party transactions

£757k (£755k 2017/18) was paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Directorate & Legal Services during the year.

Contributions received from admitted and scheduled bodies as detailed on page 8.

The City & County of Swansea acts as administering Authority for the City and County of Swansea Pension Fund (formerly the West Glamorgan Pension Fund).

Transactions between the Authority and the Pension Fund mainly comprise the payment to the Pension Fund of employee and employer payroll superannuation deductions, together with payments in respect of enhanced pensions granted by Former Authorities.

The Pension Fund currently has 37 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by two independent advisors.

Key Management Personnel

The key management personnel of the Fund are the Chief Executive and the Chief Finance Officer (Section 151 Officer). As required by 3.9.4.2 of the CIPFA code of practice 2018/19, the figures below show the change in value of post-employment benefits provided to these individuals over the accounting year based on the percentage of time on matters relating to the Pension Fund. The value of the benefits has been calculated consistently with those of the whole Fund disclosure provided in Note 18, albeit the figures below have been calculated at different dates to those used for the whole fund disclosure.

	Increase/(decrease) in IAS19 liability to 31 March 2019		Increase/(decrease) in IAS19 liability to 31 March 2018	
	Amount £	Percentage (%) of year end liability	Amount £	Percentage (%) of year end liability
Chief Executive	77,000	4.3	81,000	5.2
Chief Finance Officer	77,000	20.7	64,000	30.7

CITY & COUNTY OF SWANSEA PENSION FUND

19. Related Party Transactions Cont'd

	Short Term Benefits to 31 March 2019		Short Term Benefits to 31 March 2018	
	Remuneration (Including Fees & Allowances) £	Pension Contributions (24.4%)	Remuneration (Including Fees & Allowances) £	Pension Contributions (23.4%)
Chief Executive	145,670	35,544	142,814	33,418
Interim Chief Executive	10,869	-	-	-
Head of Financial Service & Service Centre, Section 151 Officer	26,446	6,453	71,951	16,764
Chief Finance Officer	65,917	16,004	-	-

(i) The Chief Executive is on long term sick therefore an Interim Chief Executive has been appointed.

(ii) The Interim Chief Executive commenced on the 13th February 2019 on a temporary contract and is not a contributor to the Pension Fund.

(iii) The Head of Financial Services and Service Centre is the Section 151 Officer and became the Chief Finance Officer on the 30th July 2018.

CITY & COUNTY OF SWANSEA PENSION FUND

19. Related Party Transactions Cont'd

There are 7 councillor members of the pension committee who are active members in the City & County of Swansea Pension Fund. The benefit entitlement for the Councillors is accrued under the same principles that apply to all other members of the Fund.

20. Additional Voluntary Contributions

Some members of the Fund pay voluntary contributions to the fund's AVC providers, The Prudential, to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. Some members also still invest and have funds invested with the legacy AVC providers, Equitable Life and Aegon.

The Pension Fund accounts do not include the assets held by The Prudential, Equitable Life or Aegon. AVCs are not included in the accounts in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only.

AVC Provider	Value of Funds at 1st April 2018	Purchases at Cost (Contributions In/Out)	Sale Proceeds	Change In Market Value	Value of Funds at 31st March 2019
	£'000	£'000	£'000	£'000	£'000
Prudential	5,662	1,606	-1,016	133	6,385
Aegon	1,106	24	-149	51	1,032
Equitable Life	249	1	-22	10	238
Totals	7,017	1,631	(1,187)	194	7,655

CITY & COUNTY OF SWANSEA PENSION FUND

21. Membership

The Pension Fund covers City & County of Swansea employees (except for teachers, for whom separate pension arrangements apply), and other bodies included in the schedule.

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2019 there were 19,888 contributors, 13,229 pensioners and 11,874 deferred pensioners.

Membership statistics	31st March 2015 Number	31st March 2016 Number	31st March 2017 Number	31st March 2018 Number	31st March 2019 Number
Contributors	16,285	17,469	17,903	19,671	19,888
Pensioners	11,261	11,745	12,200	12,763	13,229
Deferred Pensioners	9,801	11,226	11,583	11,394	11,874
Total	37,347	40,440	41,686	43,828	44,991

See Appendix 1 for current year analysis

22. Fair Value of Investments

Financial Instruments

The Fund invests mainly through pooled vehicles with the exception of the three former segregated equity mandates which were transitioned into the WPP Global Opportunities fund during the year. The managers of these pooled vehicles invest in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings and unlisted equity and also monitor credit and counterparty risk, liquidity risk and market risk.

Financial Instruments - Gains & Losses

Gains and losses on financial instruments have been disclosed within note 9, 12 and 14 of the pension fund accounts.

IFRS9 introduced a new classifications under the code :

- recognition of expected loss allowances for financial assets at amortised cost, fair value through other comprehensive income (FVOCI) assets, lease receivables, contract assets, loan commitments and financial guarantees.

- the option of additional disclosures for hedge accounting.

As the assets and liabilities held by the Pension Fund are already classed as fair value through profit and loss (FVTPL) and this is expected to continue, consequently there are no changes to the measurement or classification of investment assets and liabilities.

CITY & COUNTY OF SWANSEA PENSION FUND

Fair Value – Hierarchy

The fair value hierarchy introduced as part of the new accounting Code under IFRS7 requires categorisation of assets based upon 3 levels of asset valuation inputs -

- Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.
- Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.
- Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The table on the following page shows the position of the Fund's assets at 31st March 2018 and 2019 based upon this hierarchy:

CITY & COUNTY OF SWANSEA PENSION FUND

22. Fair Value of Investments (continued)

	31 March 2018			31 March 2019		
	Market Value £'000	Level 1 £'000	Level 2 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equities						
UK Equities	424,093	424,093		0	0	
Overseas Equities	477,911	477,911		0	0	
Pooled Investment Vehicles						
Fixed-Interest Funds						
UK Equity	117,508	117,508		118,199		
Global Equity	152,177		152,177	161,963	161,963	
Fixed Interest	343,593	17,226	326,367	1,313,749	1,299,260	
Index-linked	76,583		76,583	95,793	95,793	
Property Unit Trust	32,547		32,547	34,385	34,385	
Property Fund	15,831		15,831	19,528		19,528
Hedge Fund	69,425		69,425	69,519		69,519
Private Equity	54,601		54,601	54,168		54,168
Infrastructure	67,525		67,525	86,625		86,625
Derivatives				18,501		18,501
Cash	77,807	77,807		3,598		
Other Investment Balances - Dividends Due	3,672	3,672		0	0	
Total	1,913,273	1,118,217	795,056	2,841,812	1,591,401	248,341

23. INVESTMENT RISKS

As demonstrated above, the Fund maintains positions indirectly via its investment managers in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings, unlisted equity products, commodity futures and other derivatives. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

Procedures for Managing Risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Investment Strategy Statement (ISS) and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Fund continues to review its structure. A key element in this review process is the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore, alternative assets are subject to their own diversification requirements and some examples are given below.

- Private equity - by stage, geography and vintage where funds of funds are not used
- Property - by type, risk profile, geography and vintage (on closed ended funds)
- Hedge funds – multi-strategy and or funds of funds

Manager Risk

The Fund is also well diversified by managers. On appointment, fund managers are delegated the power to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. Some private equity and property investment is fund, rather than manager-specific, with specific funds identified by the investment sub group after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above almost all the Fund's investments are through pooled vehicles and a number of these are involved in derivative trades of various sorts including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties. However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk.

There has been no historical experience of default on the investments held by the Pension Fund.

Within the Fund, the areas of focus in terms of credit risk are bonds and some of the alternative asset categories.

- The Fund's active fixed-interest bond portfolio £118,199k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2019, the Fund's exposure to non-investment grade paper was 7.1% of the actively managed fixed income portfolio.
- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Fund's private equity investments of £86,625k are managed by Harbourvest in a fund of funds portfolio.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2019 is set out below with their relative exposure to credit risk.

	March 2019 £'000	Credit Exposure
EnTrustPermal	25,404	0.14%
Blackrock	28,764	19.1%

Liquidity Risk

The Pension Fund has its own bank accounts. At its simplest, liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, especially pension payments to its members. At a strategic level the Administering Authority, together with its consulting actuary, reviews the position of the Fund triennially to ensure that all its obligations can be suitably covered.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Ongoing cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions is also essential. This is in place with the Fund's position updated regularly.

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 85% of the Fund's value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at least – often weekly or fortnightly.

On alternative assets the position is more mixed. Most are subject to their own liquidity terms or, in the case of property, redemption rules. Closed-ended funds such as most private equity vehicles and some property funds are effectively illiquid for the specific period (usually 10 years), although they can be sold on the secondary market, usually at a discount.

The table below analyses the value of the Fund's investments at 31st March 2019 by liquidity profile.

	Amounts at				
	31st March 2019 £000s	Within 1 month £000s	1-3 months £000s	4-12 months £000s	> 1 Year £000s
Equities					
UK Equities	0	0	0	0	0
Global Equities	0	0	0	0	0
Pooled Investment Vehicles					
Fixed-Interest Funds	118,199	118,199	0	0	0
UK Equity	161,963	161,963	0	0	0
Overseas Equity	1,313,749	1,313,749	0	0	0
Fixed Interest	95,793	95,793	0	0	0
Index-linked	34,385	34,385	0	0	0
Property Unit Trust	19,528	0	0	19,528	0
Property Fund	69,519	0	0	36,430	33,089
Hedge Fund	54,168	0	0	54,168	0
Private Equity	86,625	0	0	0	86,625
Infrastructure	18,501	0	0	0	18,501
Derivatives	3,598	3,598	0	0	0
Deposits with banks and other financial institutions	65,784	65,784	0	0	0
Other Investment Balances – Dividends Due	0	0	0	0	0
Total	2,041,812	1,793,471	0	110,126	138,215

23. INVESTMENT RISKS (continued)

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses some pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach has been applied and all such investments have been designated "within 4-12 months".

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4). In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 2000 to 2013.

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 88% of the portfolio is realisable within 1 month and 94% is realisable within 12 months.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

Market risk is comprised of two elements :

- The risks associated with volatility in the performance of the asset class itself (beta);
- The risks associated with the ability of managers, where allowed, to move away from index weights and to generate alpha, thereby offsetting beta risks by exceeding market performance.

The table on the following page sets out an analysis of the Fund's market risk positions at 31 March 2019 by showing the percentage invested in each asset class and through each manager within each main asset class, the index used as a benchmark and the target set for managers against this benchmark.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Asset Class	Asset Allocation	Fund Manager		Benchmark	Performance target
		Passive	Active		
UK Equities	34% +/- 5%	14% Blackrock			
Global Equities	34% +/- 5%	13% Blackrock	41% Wales Pension Partnership Aberdeen	MSCI All World Index Net MSCI Frontier Markets Index	+2% p.a. over rolling 3 year +3% p.a. over rolling 3 year
Global Fixed Interest	15% +/- 5%	8% Blackrock	9% Goldman Sachs	Libor	LIBOR +3%
Property	5% +/- 5%	-	5% Schroders, Partners & Invesco	IPD UK Pooled Property Fund Index	+ 1% p.a. over rolling 3 year, 8% absolute return
Hedge Funds	5% +/- 5%	-	5% Blackrock & EnTrustPermal	LIBOR	+4%
Private Equity	3% +/- 5%	-	3% Harbourvest	FTSE allshare	+3% p.a. over 3 year rolling
Infrastructure	2% +/- 5%	-	2% First State	10% Absolute	10% Absolute
Private Debt	1% +/- 1%	-	Alcentra	7% Absolute	7% Absolute
Cash	2% +/- 5%	-	2% In house and cash flows of fund managers	7day LIBID	=
TOTAL	100%	33%	67%		

It is recognised that at balance sheet date the asset allocation was non-aligned with the above asset allocation post transition of assets to the Wales Pension Partnership, however the allocation was aligned for the majority of the financial year. The ISS shall be reviewed and updated at the September meeting of the Pension Fund Committee.

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's ISS summarised above) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation, is designed to diversify and minimise risk through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class.

Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Price Risk

Price Risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible. Had the market price of the fund investments increased/decreased in line with the potential market movements, the change in the net assets available to pay benefits in the market price as at 31 March 2019 would have been as follows:

Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	161,963	8.9407	176,444	147,482
Overseas Equities	1,313,749	8.9407	1,431,208	1,196,290
Total Bonds & Index-Linked	248,377	4.3676	259,225	237,529
Alternatives	162,892	4.1457	169,645	156,139
Cash	65,784	0.4562	66,084	65,484
Property	89,047	1.6382	90,506	87,588
Other Investment Balances	-	-	-	-
Total Assets*	2,041,812	6.3664	2,171,803	1,911,821

**The % change for Total Assets includes the impact of correlation across asset classes*

and as at 31st March 2018:

Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	576,270	9.3846%	630,351	522,189
Overseas Equities	821,504	9.8587%	902,494	740,514
Total Bonds & Index-Linked	226,638	6.7384%	241,910	211,366
Alternatives	122,126	3.6489%	126,582	117,670
Cash	77,807	0.6851%	78,340	77,274
Property	85,256	2.8684%	87,701	82,811
Other Investment Balances	3,672	0.0000%	3,672	3,672
Total Assets*	1,918,273	6.7433%	2,042,291	1,784,255

**The % change for Total Assets includes the impact of correlation across asset classes*

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

In consultation with the fund's investment advisors, the council has determined that the following movements in currencies are reasonably possible. The following represents a sensitivity analysis associated with foreign exchange movements as at 31 March 2019:

Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	-	-	-	-
Brazilian Real	-	-	-	-
Canadian Dollar	-	-	-	-
Danish Krone	-	-	-	-
EURO	69,058	8.1810%	74,708	63,408
Hong Kong Dollar	-	-	-	-
Indian Rupee	-	-	-	-
Indonesian Rupiah	-	-	-	-
Israeli Shekel	-	-	-	-
Japanese Yen	34,860	13.6681%	39,625	30,095
Malaysian Ringgit	-	-	-	-
Mexican Peso	-	-	-	-
Norwegian Krone	-	-	-	-
Chinese Renminbi Yuan	-	-	-	-
Philippine Peso	-	-	-	-
Russian Rouble	-	-	-	-
Singapore Dollar	-	-	-	-
South African Rand	-	-	-	-
South Korean Won	-	-	-	-
Swedish Krona	-	-	-	-
Swiss Franc	-	-	-	-
Taiwan Dollar	-	-	-	-
Thai Baht	-	-	-	-
Turkish Lira	-	-	-	-
US Dollar	69,287	9.9412%	76,175	62,399
North America Basket	175,447	8.7574%	190,812	160,082
Europe Basket	68,418	8.4071%	74,170	62,666
Asia Pacific ex Japan Basket	31,043	10.0177%	34,153	27,933
Emerging Basket	61,093	8.7726%	66,452	55,734
Total Currency*	509,206	6.0865%	540,199	478,213

**The % change for Total Currency includes the impact of correlation across the underlying currencies*

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

and as at 31 March 2018:

Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	12,754	11.9590%	14,279	11,229
Brazilian Real	6,448	19.5325%	7,707	5,189
Canadian Dollar	14,915	10.1648%	16,431	13,399
Danish Krone	8,519	9.0295%	9,288	7,750
EURO	98,970	9.0253%	107,902	90,038
Hong Kong Dollar	10,385	9.7118%	11,394	9,376
Indian Rupee	7,010	9.9899%	7,710	6,310
Indonesian Rupiah	2,721	11.7331%	3,040	2,402
Israeli Shekel	2,381	8.6439%	2,587	2,175
Japanese Yen	76,578	15.0243%	88,083	65,073
Malaysian Ringgit	3,012	12.8014%	3,398	2,626
Mexican Peso	2,557	11.2462%	2,845	2,269
Norwegian Krone	3,135	10.9104%	3,477	2,793
Chinese Renminbi Yuan	13,249	8.7271%	14,405	12,093
Philippine Peso	540	9.6360%	591	488
Russian Rouble	368	17.1503%	431	305
Singapore Dollar	7,038	9.2831%	7,691	6,385
South African Rand	2,149	18.0691%	2,537	1,761
South Korean Won	10,096	11.7641%	11,284	8,908
Swedish Krona	14,153	9.6884%	15,524	12,782
Swiss Franc	14,336	10.3255%	15,816	12,856
Taiwan Dollar	5,611	9.2155%	6,128	5,094
Thai Baht	4,942	10.0781%	5,440	4,444
Turkish Lira	1,029	15.3513%	1,187	871
US Dollar	293,215	9.7245%	321,729	264,701
North America Basket	149,143	9.5450%	163,379	134,907
Europe Basket	66,567	6.5784%	70,946	62,188
Asia Pacific ex Japan Basket	29,622	9.1550%	32,334	26,910
Emerging Basket	63,976	9.4406%	70,016	57,936
Total Currency*	925,419	8.9006%	1,007,787	843,051

*The % change for Total Currency includes the impact of correlation across the underlying currencies

*The % change for Total Currency includes the impact of correlation across the underlying currencies

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

24. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified :

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of those events and their estimated financial effect.

Cost Management Process and McCloud Judgement

Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sergeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014. The Government Actuary's Department (GAD) has estimated the total scheme liability at 1% .

25. Further Information

Further information about the fund can be found in Appendices 2 to 4. Information can also be obtained from the Deputy Chief Finance Officer, Civic Centre, Oystermouth Road, Swansea SA1 3SN or on www.swanseapensionfund.org.uk.

26. Financial Position

The accounts outlined within the statement represent the financial position of the City and County of Swansea Pension Fund at 31st March 2019.

CITY & COUNTY OF SWANSEA PENSION FUND

Appendix 1

SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1ST APRIL 2018 TO 31ST MARCH 2019

Contributors	Pensioners	Deferred Benefits	Employer Contribution Rate (% of Pensionable Pay) plus additional annual monetary amount	
Administering Authority	Number @ 31/03/19	Number @ 31/03/19	Number @ 31/03/19	
City & County of Swansea	11,982	5,950	5,556	24.4%
Scheduled Bodies				
Neath Port Talbot County Borough	5,546	3,965	4,464	26.3%
Briton Ferry Town Council	1	2	0	20.2% (+£1,300)
Cilybebyl Community Council	7	1	1	25.3%
Clydach Community Council	0	0	1	-
Coedffranc Community Council	9	3	2	20.2% (+£5,500)
Gower College Swansea	607	281	440	21.8%
Lliw Valley BC	0	203	17	-
Margam Joint Crematorium Committee	9	12	4	20.2% (+ £9,700)
NPTC Group	580	271	457	17.7% (+ £174,300)
Neath Port Talbot Waste Management	0	1	0	-
Neath Town Council	12	17	6	20.2% (+ £16,800)
Pelenna Community Council	2	2	3	27.0% (+£1,200)
Pontardawe Town Council	4	2	0	23.0% (+£800)
Swansea Bay Port Health Authority	1	11	2	22.4% (+£4,400)
Swansea City Waste Disposal Company	0	15	3	-
University of Wales Trinity St Davids	131	158	236	28.0% (+£542,300)
West Glamorgan County Council	0	2,024	197	-
West Glamorgan Magistrates Courts	0	38	13	-
West Glamorgan Valuation Panel	0	4	0	-
Admitted Bodies				
BABTIE	0	6	9	-
Celtic Community Leisure	178	39	179	13.2%
Colin Laver Heating Limited	0	2	2	-
Swansea Bay Racial Equality Council	1	1	4	36.1% (+£1,300)
The Careers Business	0	8	6	-
Wales National Pool	96	5	76	14.2%
West Wales Arts Association	0	1	0	-
Capgemini	0	1	4	-
Tal Talan	335	109	107	17.0% (+£218,500)
Phoenix Trust	0	1	3	-
Llanrhidian Higher Community Council	1	0	0	18.2%
Ystalyfera Community Council	1	0	0	18.2%
Pobl Group	139	93	80	20.4%
Freedom Leisure	231	3	0	25.8%
Parkwood Leisure	10	0	0	25.8%
Rathbone CCS	1	0	2	25.2%
Rathbone Gower College	4	0	0	24.3%
Total	19,888	13,229	11,874	

Legislative Changes in the Local Government Pension Scheme (LGPS) during 2018/19**Statutory Instruments**

1 April 2018- THE AUTOMATIC ENROLEMENT (EARNINGS TRIGGER AND QUALIFYING EARNINGS BAND) ORDER 2018 prepared by the Department for Work and Pensions and laid before Parliament by command of her Majesty. This sets our revised amounts for the 2018/19 tax year for the upper and lower thresholds of the automatic enrolment qualifying earnings band, and rounded figures for the earnings trigger and qualifying earnings band. It has been concluded that the amounts for the qualifying earnings band should continue to be aligned with the National Insurance Contributions Lower and Upper Earnings Limits for the tax year 2018/19 and that the automatic enrolment earnings trigger should remain at £10,000.

01 April 2018 - The Guaranteed Minimum Pensions Increase Order 2018 - This order specifies 3.0% as the percentage by which that part of any guaranteed minimum pension attributable to earnings factors for the tax years 1988-89 to 1996-97 and payable by contracted-out, defined benefit occupational pension schemes. This is the amount by which this is to be increased by under Section 109(3) of the Pension Schemes Act 1993 (c.48)

1 April 2018 - LGPS Additional Pension purchase limit applicable for 2018/19 in England and Wales - Regulations 16(6) and 31(2) of the LGPS Regulations 2013 state that the additional pension limit is increased on 1 April each year as if it were a pension beginning on 1 April 2013 to which the Pensions (Increase) Act 1971 applied. The pensions increase due at the 1 April 2018 is that from 10 April 2017 (since the 2018 PI date is the 9 April 2018) and so the current additional pension limit of £6,755 is increased by 1% to £6,822 from the 1 April 2018.

6 April 2018 - Annual allowance and lifetime allowance limits applicable from 6 April 2018 - The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2018 [SI 2018/206] amends the Lifetime Allowance limit to £1,030,000 with effect from the 6 April 2018. The Annual Allowance, as defined by the Finance Act 2004 (as amended), remains unchanged at £40,000 for 2018/19.

9 April 2018 - New State Pension (nSP) - updated guidance - April 2018, DWP published revisions to their guidance on the nSP. The new State Pension is for people who reach State Pension age on or after 6 April 2016. The revisions take into account the new values for earnings, national insurance contributions and the new amount of nSp for 2018/19.

CITY & COUNTY OF SWANSEA PENSION FUND

Legislative Changes in the Local Government Pension Scheme (LGPS) during 2018/19 Cont'd

9 April 2018 - The Public Service Pension Revaluation Order 2018 in accordance with the Pensions Increase (Review) Order 2018 - This Order came into force April 2018 and makes provision for the annual increase of official pensions (as defined in the Pensions (Increase) Act 1971). The Order provides for an increase of 3 per cent from 9 April 2018 for all official pensions, except for those which have been in payment for less than a year, which will receive a pro-rata increase.

May 2018 - The Local Government Pension Scheme (Amendment) Regulations 2018 [SI 2018/493] - The above regulations were laid before parliament on 19 April 2018 and come into force on 14 May 2018, with the exception of the provisions listed in regulation 3(3), which come into force on 1 April 2014. The regulations amend the Local Government Pension Scheme Regulations 2013 [SI 2013/2356] and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [SI 2014/525] adding clarity, and addressing issues that were raised during the 2016 consultation, as good stewardship of the regulatory framework of the scheme.

10 May 2018 - Financial Guidance and Claims Act 2018 - May 2018, the Financial Guidance and Claims Act 2018 ('the Act') received Royal Assent and introduced a new Single Financial Guidance Body (SFGB). In addition, the Act made provision about the funding of debt advice in Scotland, Wales and Northern Ireland, and regulated the claims management services.

May 2018 - Data Protection Act 2018 - The Data Protection Bill received Royal Assent to become the Data Protection Act 2018 on 23 May 2018. The Data Protection Act 2018 (Commencement No 1 and Transitional and Savings Provisions) Regulations 2018 [SI 2018/625] has also been published.

The Data Protection Act 2018 includes the provisions of the GDPR. There are some small differences but UK law on data protection is now largely the same as that of the GDPR.

June 2018 - Manage and Register Pension Schemes service - On 4th June, HMRC launched the first phase of their new Manage and Register Pension Schemes service. This service will eventually replace Pension Schemes Online for the ongoing management and registration of all UK registered pension schemes.

June 2018 - Consultation on clarifying and strengthening trustees' investment duties - On 18th June 2018, DWP commenced a consultation entitled *Pension trustees: clarifying and strengthening investment duties*. The consultation seeks views on the draft Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and does not contain proposals which would directly impact the LGPS, as it covers trust-based pension schemes alone. However, the draft regulations have been consulted upon to tackle issues that also affect the LGPS and we understand the Scheme Advisory Board for England and Wales intend to respond to the consultation.

CITY & COUNTY OF SWANSEA PENSION FUND

Legislative Changes in the Local Government Pension Scheme (LGPS) during 2018/19 Cont'd

18 October 2018 - Financial Conduct Authority and The Pensions Regulator launch Joint regulatory strategy - October 2018, the Financial Conduct Authority and The Pensions Regulator launched a joint regulatory strategy to strengthen their relationship and take joint action to deliver better outcomes for pension savers and those entering retirement.

29 October 2018 - The Chancellor of the Exchequer confirmed a reduction to the SCAPE Discount rate from CPI +2.8% to CPI +2.4% date effective 29th October 2018. The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes and determine the actuarial factors used across the entire public service pension schemes.

7 November 2018 - Launch of the cost transparency Initiative (CTI) - The Cost Transparency Initiative (CTI) was launched in November 2018. The CTI is a new independent group (operating with the FCA operating as an observer) working to improve cost transparency for institutional investors with the responsibility for progressing the work already undertaken by the Institutional Disclosure Working Group (IDWG).

The CTI is supported by the Pensions and Lifetime Savings Association (PLSA), the Investment Association (IA) and the local Government Pension Scheme Advisory Board England & Wales (LGPS SAB).

18 December 2018 - The LGPS (Miscellaneous Amendment) Regulations 2018 [SI2018/1366] - The above regulations were laid before parliament December 2018 and come into force on 10 January 2019. The Regulations amend the LGPS 2013 Regulations and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by:

- Introducing a general power for the Secretary of State to issue statutory guidance
- Allow early access to benefits between the age of 55 and the members normal retirement
- Survivors of registered civil partners or same sex marriages are provided with benefits that replicate those provided to widows.

The regulations amend the LGPS 2013 Regulations and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

Wales Pension Partnership

In July 2015 the Chancellor announced the Governments' intention to work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance.

The Wales Pension Partnership (WPP) comprises the 8 LGPS funds in Wales, namely Cardiff & Vale of Glamorgan Pension Fund, City & County of Swansea Pension Fund, Clwyd Pension Fund, Dyfed Pension Fund, Greater Gwent Pension Fund, Gwynedd Pension Fund, Powys Pension Fund and RCT Pension Fund.

The Chancellor has announced that the pools should take the form of up to six British Wealth Funds, each with assets of at least £25bn, which are able to invest in infrastructure and drive local growth.

The submission in respect of the 8 welsh pension funds to create a Wales Investment Pool was approved by Pension Fund Committee on the 4th July 2016.

The Pool will not be a merger of the 8 funds. Each fund will retain its distinct identity and the administering authorities will remain responsible for complying with the LGPS regulations and pension legislation in respect of their members. Annual Statement of Accounts and triennial Actuarial valuations will be prepared for each individual pension fund and each fund will determine its own funding strategy. The Pool will have limited remit and its objectives, as set out in the submission document, will be :

- To provide pooling arrangements which will allow individual funds to implement their own investment strategies
- To achieve material cost savings for participating funds while improving or maintaining investment performance .
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.

The Wales Pension Partnership governance arrangements have included the establishment of a Joint Governance Committee (JGC) comprising elected members from each administering authority, supported by an Officer Working Group (OWG). It has also appointed a Financial Conduct Authority (FCA) regulated Authorised Contractual Scheme (ACS) Operator, Link Asset Services, with Investment Advisory Services provided by Ruseell Investments, to supply the necessary infrastructure for establishing a pooling vehicle and to administer the Pool on behalf of the 8 funds.

The passive investments of the WPP (Circa £3.3b / 19% of WPP) are now effectively managed within the pool. These are held by the WPP authorities in the form of insurance life funds, managed by Blackrock.

Wales Pension Partnership cont'd

The active global equities assets were transitioned during the year, with WPP establishing 2 global equities sub funds, WPP Global Growth and WPP Global Opportunities (circa £3.5bn).

The JGC formally approved in September 2018 the next phase of sub-funds, which will be active UK & European (ex UK) equities, with a planned launch date of May 2019, for those funds invested in these assets

Initial proposals for a range of fixed income funds have also been approved by pension fund committee, awaiting final JGC approval, with transition of assets programmed for 2019/20.

Options for the remainder of the management of the remainder of the portfolio shall be considered in 2019/20.

Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2019 comprised of :

- 7 Council Members (one member from Neath Port Talbot CBC representing other scheme members) advised by:
- Section 151 Officer
- Deputy Section 151 Officer
- 1 Independent Adviser.
- Investment Consultancy Service

The Committee, after taking account of the views of the independent advisers and appointed actuary to the Fund, is responsible for determining broad investment strategy and policy, with appointed professional fund managers undertaking the operational management of the assets.

The fund has implemented a fully diversified investment approach with a view to reducing the volatility of investment returns, whilst maintaining above benchmark growth. The fund employs the services of specialist managers to outperform in each asset class invested in.

The investment managers currently are:

- Global Equities - Wales Pension Partnership & Blackrock
- UK Equities - Blackrock
- Global Balanced Index Tracking - Blackrock
- Global Bonds - Goldman Sachs Asset Management and Blackrock
- Fund of Hedge Funds - BlackRock and Permal
- Fund of Private Equity Funds - Harbourvest
- European Property Fund - Invesco
- Fund of Property Funds - Partners Group and Schroders Investment Management
- Fund of Infrastructure Funds - First State Investments (UK) Ltd
- Fund of Private Debt - Alcentra Ltd

Other Fund Documents

The City & County of Swansea Pension Fund is required by regulation to formulate a number of regulatory documents outlining its policy. Copies of the :

- Investment Strategy Statement
- Governance Statement
- Funding Strategy Statement
- Communication Policy
- Administration Strategy Statement
- Environmental, Social, Governance Policy

are available on request from the City & County of Swansea Pension Fund website
<http://www.swanseapensionfund.org.uk/>

