



City and County of Swansea

Minutes of the Pension Fund Committee

Committee Room 6, Guildhall, Swansea

Thursday, 12 September 2019 at 10.00 am

Present: Councillor C E Lloyd (Chair) Presided

Councillor(s)

P Downing
W G Thomas

Councillor(s)

M B Lewis
J P Curtice

Councillor(s)

D G Sullivan

Neath Port Talbot Council Co-opted Member

P Rees

Advisors

N Mills
W Marshall

Independent Investment Advisor
Advisor - Hymans Robertson

Officer(s)

Karen Cobb
Jeremy Parkhouse
Jeffrey Dong

Senior Accountant
Democratic Services Officer
Deputy Chief Finance Officer / Deputy Section 151
Officer
Principal Lawyer

Stephanie Williams

Also Present

Jason Garcia
David Williams
Ian Guy

Wales Audit Office
Wales Audit Office
Chair of Local Pension Board

Apologies for Absence

None.

19 Disclosures of Personal and Prejudicial Interests.

Councillor J P Curtice - agenda as a whole – member of the Local Government Pension Scheme - personal.

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

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

Councillor C E Lloyd – agenda as a whole – Both myself and my father are members of the Local Government Pension Scheme - personal.

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

Councillor D G Sullivan - agenda as a whole – Daughter-In-Law is a member of the Local Government Pension Scheme and I am in receipt of a pension administered by the former Dyfed Council - personal.

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

Observer:

I Guy, Chair of Local Pension Board - agenda as a whole – member of the Local Government Pension Scheme - personal.

Officers:

K Cobb – Agenda as a whole – Member of Local Government Pension Scheme – personal.

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

J Parkhouse – Agenda as a whole – Member of Local Government Pension Scheme – personal and Minute No. 23 – Statement of Accounts 2018/19 – Clerk to Llanrhidian Higher Community Council – personal.

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

20 Minutes.

Resolved that the Minutes of the Pension Fund Committee meeting held on 11 July 2019 be signed and approved as a correct record.

21 Statement of Accounts 2018/19 - City and County of Swansea.

The Deputy Chief Finance Officer / Deputy S151 Officer presented for approval the Statement of Accounts for the City and County of Swansea Pension Fund 2018/19.

He added that the Welsh Government, in consultation with CIPFA, had determined that the Statement of Accounts and Pension Fund Statement of Accounts should be presented separately. The Pension Fund Committee had delegated authority to approve the Pension Fund Statement of Accounts.

The Wales Audit Office (WAO) had completed their audit of the Pension Fund Statement of Accounts 2018/19 in line with their audit plan presented to the Pension Fund Committee earlier in the year. The Pension Fund Statement of Accounts 2018/19 were provided at Appendix 1.

The Committee sought clarification regarding management expenses not being included on the draft Statement of Accounts and it was explained that WAO had requested the figures be split into two. However, the final amount would remain the same.

The Chair thanked the Officers for their work and noted the implications of the McCloud judgement.

Resolved that the Pension Fund Statement of Accounts 2018/19 be approved and signed by the Chair.

22 ISA 260 Report.

Jason Garcia and David Williams, Wales Audit Office (WAO) presented the ISA 260 Report which set out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2018-19 that required reporting under ISA 260.

It was outlined that WAO received the draft financial statements for the year ended 31 March 2019 on 21 May 2019, which was prior to the agreed deadline of 3 June 2019.

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

It was explained that there were no misstatements identified in the financial statements, which remained uncorrected. The misstatements corrected by management were attached at Appendix 3. Reference was also made to Note 18 – Statement of the Actuary which had been amended to include disclosures relating to two recent legal judgements.

The Auditors had no concerns about qualitative aspects of accounting practices and financial reporting, did not encounter any significant difficulties during the audit, had no significant matters to report that had been discussed and corresponded upon with management, had no other matters significant to the oversight of the financial reporting process that required reporting, did not identify any material weaknesses in internal controls and had no other issues to report.

The recommendations arising from the financial audit were provided in Appendix 4. Management had responded to them and progress would be monitored during the 2019-20 audit. They highlighted that controls over the year end reconciliations between pension and payroll systems could be further improved.

The Chair thanked the WAO Representatives for providing their report and thanked the Deputy Chief Finance Officer / Deputy S151 Officer and Senior Accountant for their work and that of the Finance staff on the accounts.

Resolved that the report be noted.

23 City and County of Swansea Pension Fund 2018-19 - Audit Enquiries to Those Charged with Governance and Management.

Jason Garcia, Wales Audit Office (WAO) presented the Audit Enquiries to Those Charged with Governance and Management letter to the Section 151 Officer. The letter requested the views of the Authority on specific areas of governance to assist the WAO in understanding the Pension Fund and its business processes in support of their work in providing an audit opinion on the 2018-19 financial statements.

The responses provided by the Authority for 2017-18 were also provided and an update on the arrangements for 2018-19 requested.

Resolved that the contents of the letter be noted.

(Councillor P Downing (Vice Chair) presided)

24 AVC's Equitable Life Buyout.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which informed the Committee on the pending transfer of legacy AVC assets managed by Equitable Life to Utmost Life and Pension (formerly Reliance Life) and ongoing communication with affected members.

It was explained that Equitable Life were appointed AVC providers from 1992-2001 and there were currently 78 (active and deferred) City and County of Swansea Pension Fund members with policies totalling £238,000 as at 31 March 2019. 19 pensioners currently had policies in payment. Equitable Life was transferring of all its remaining business to Utmost Life and Pension (formerly Reliance Life).

Affected members had been contacted by Equitable Life directly and The Administering Authority also wrote out to affected members outlining the proposals and highlighting some of the risks, decisions and considerations. This was provided at Appendix 1.

Administering Authorities, as scheme policy holders, had also been asked to approve the 'Scheme' and to 'Change the Articles' to make Utmost Life and Pension (formerly Reliance Life) the sole Member of Equitable and were able to object to the transfer of Equitable Life's business to Utmost Life and Pensions.

The Committee queried the need for change, the benefits the change would provide to members and communications sent to members advising them fully on the implications of the change.

Resolved that the Deputy Chief Finance Officer / Deputy S151 Officer arranges for further correspondence to be forwarded to members advising them fully on the implications of the change.

25 Competition and Markets Authority Reporting.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which updated the Committee on pending requirements to set measurable objectives for appointed investment consultants.

The report provided the requirements, the importance of objectives, establishing objectives for consultants, measuring success in practice and reporting compliance.

It was added that the Pension Scheme Trustees should establish objectives for their consultants no later than 10 December 2019. The Deputy Chief Finance Officer / Deputy S151 Officer would develop draft objectives for the appointed investment consultants and report these to the Pension Fund Committee meeting in November.

26 Altair Administration System.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a report which sought approval of the transition of the Aquila Heywood Altair Pension Administration system from a server based system to a cloud based hosted system.

It was outlined that Aquila Heywood's Altair LGPS Software system had been used by The City & County of Swansea Pension Fund since 2010. The Altair LGPS software system was used by over 90% LGPS funds in the UK. Currently there are 2 other known suppliers with only a handful of clients each.

The current adopted use of the software package was via a traditional physical load of the software and data on physical servers located on a Swansea Council site. It was the responsibility of the administration authority (Swansea Council) to maintain and ensure operation of the system and test and implement all new upgrades/patches as required.

The current version of Altair required upgrade to v10 in the next 6 months, which would require the upgrade and transfer to a new server and Wales Audit Office had identified the need for server upgrade as a systemic risk. Swansea Council was also currently undertaking a corporate review of how it delivered its major ICT services to its clients and was due to receive a report in September 2019 recommending its Oracle system be migrated from the current server based model to a hosted cloud based solution.

Aquila Heywood had submitted a business case proposal and migration plan, provided at Appendix 1, to migrate the current server based software to a fully cloud based hosted system of the software, incorporating the new v10 upgrade. The benefits and potential costs of migrating were fully outlined.

The Committee queried the security / firewall of the cloud system compared to the Council's, backup systems available, the costs involved and risk involved.

Resolved that: -

- 1) The recommendation be approved subject to the Pension Fund Committee receiving additional information on the proposed system security and data security and ongoing resilience planning around the new cloud based hosted solution;
- 2) In the absence of any objections following receipt of the same, the recommendation be implemented.

27 Breaches Report.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which presented any breaches which had occurred in the period in accordance with the Reporting Breaches Policy.

Appendix A provided the details of breaches that had occurred since the previous Pension Fund Committee in July 2019. The details of the breaches and the actions taken by Management were highlighted.

28 Exclusion of the Public.

The Committee was requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they involved the likely disclosure of exempt information as set out in the exclusion paragraph of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 relevant to the item(s) of business set out in the report.

The Committee considered the Public Interest Test in deciding whether to exclude the public from the meeting for the items of business where the Public Interest Test was relevant as set out in the report.

Resolved that the public be excluded for the following items of business.

(Closed Session)

29 Wales Pension Partnership Update.

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

Appendix 1 provided the progress and update report provided by the ACS Operator Link Asset Services.

Referenced within the update was the projected approval of the tranche 3 fixed income fund by the FCA in Q4 2019. In addition, the Officer Working Group had formed a sub-group made up of practitioners to progress tranche 4 – private markets.

30 Report of the Investment Consultant.

William Marshall, Investment Consultant provided a 'for information' report, which presented the Quarter 2 2019 Investment Monitoring Report.

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

31 Report of the Independent Advisor.

The "for information" report presented the economic update and market commentary from the perspective of Mr Noel Mills, Appointed Independent Investment Advisor.

The quarterly report ending 30 June 2019 was attached at Appendix 1.

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

32 Investment Summary.

The Deputy Chief Finance Officer / Deputy S151 Officer provided a "For Information" report, which presented the investment performance for the quarter, year and 3 years ended 30 June 2019.

The quarterly investment summaries for the Pension Fund for the quarter, year and 3 years ended 30 June 2019 were attached at Appendix 1.

33 Fund Manager's Presentation(s):

Blackrock – Global Equities – Low Carbon Tracker Fund.

A presentation was made by Katie Jupp, Caroline Hertrich and Sam Tripuraneni of Blackrock.

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

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

The meeting ended at 12.20 pm

Chair