

CLWYD PENSION FUND COMMITTEE
26 NOVEMBER 2015

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council held at Delyn Committee Room, County Hall, Mold CH7 6NA on Thursday, 26th November, 2015

PRESENT: **Councillor Alan Diskin (Chairman)**

Councillors: Haydn Bateman (Vice-Chairman), and Ron Hampson

CO-OPTED MEMBERS: Steve Hibbert (Scheme Member representative), Councillor Huw Llewelyn Jones (Denbighshire County Council), and Councillor Steve Wilson (Wrexham County Borough Council)

APOLOGIES: Chief Executive, Councillor Brian Dunn, and Councillor Andrew Rutherford (Other Scheme Employer Representative)

ALSO PRESENT: Steve Jackson and Mark Owen (Employer representatives Clwyd Pension Fund Board), and Gaynor Brooks (Member representative Clwyd Pension Fund Board)

IN ATTENDANCE:

Advisory Panel comprising: Philip Latham (Clwyd Pension Fund Manager), Gary Ferguson (Corporate Finance Manager), Karen McWilliam (Independent Advisor - Aon Hewitt), Mr. Paul Middleman (Fund Actuary – Mercers), Mr. Kieran Harkin (Fund Investment Consultant – JLT Group)

Officers/Advisers comprising: Alwyn Hughes (Pensions Finance Manager), Debbie Fielder (Pensions Finance Manager), Helen Burnham (Pensions Administration Manager) and Committee Officer

Prior to the start of the meeting the Chair welcomed the members of the Clwyd Pension Fund Board and the Committee agreed that they could contribute to the meeting.

19. **DECLARATIONS OF INTEREST (INCLUDING CONFLICTS OF INTEREST)**

Councillor Stephen Wilson and Councillor Huw Llewelyn Jones declared that they had a personal interest as being members of the Clwyd Pension Fund for all items.

Karen McWilliam, Kieran Harkin and Paul Middleman declared a conflict of interest in the following item as they were employees of companies which may be involved in the tendering process.

Item 6 – Collaborative Working in Wales

20. **MINUTES**

The minutes of the meeting of the Committee held on 21 May 2015 were submitted.

RESOLVED:

That the minutes be received, approved and signed by the Chairman as a correct record.

21. **GOVERNANCE UPDATE.**

The Clwyd Pension Fund Manager introduced a report to provide an update on governance related issues. He provided background information and explained that due to the cancellation of the meeting of the Committee that was to have been held on 23 September 2015, the report where appropriate would update on both quarters 1 and 2. He reported on the decisions which had been made under delegated powers by Pension Fund Manager, Corporate Finance Manager with agreement by the Deputy Chair.

The Clwyd Pension Fund Manager referred to the Clwyd Pension Fund's Risk Policy and Register and drew attention to the current high level risks for the Fund as outlined in paragraph 4.03 of the report. He commented on the need to focus on maintaining the required level of knowledge, skills and resources within the Fund and suggested that the meeting of the Committee scheduled for 23 February 2016 be held as a workshop to discuss both the proposed Business Plan for 2016/17 and the proposed administration and communication strategies.

The Clwyd Pension Fund Manager invited Karen McWilliam (Independent Advisor - Aon Hewitt) to report on the draft procedure for reporting breaches of the law. Mrs. McWilliam referred to Section 70 of the Pensions Act 2004 which imposed a requirement on specific persons to report a matter to the Pensions Regulator (TPR) where that person had reasonable cause to believe that a legal duty relating to the administration of the scheme had not been or is not being complied with and that person has reasonable cause to believe it would be significant to the Pensions Regulator in carrying out its duties. She advised that the TPR had developed a Code of Practice to provide guidance on this legal requirement and good practice in monitoring and recording all breaches of the law, and that the Council had developed this procedure in relation to the Clwyd Pension Fund. The draft procedure for reporting breaches of the law was appended to the report and sets out how the Council aims to achieve best practice through use of a formal recording and reporting breaches procedure. Mrs. McWilliam explained that it was up to the individual to identify a breach decide and whether the matter should be reported to the TPR and to complete the reporting procedure.

The Clwyd Pension Fund Manager invited Alwyn Hughes, Pensions Finance Manager, to report on the key considerations, as detailed in the report, concerning progress on the Business Plan and the Risk Register, current developments and news, policy implementation and monitoring. He drew attention to the proposed changes to the Business Plan which were outlined in section 3.02 of the report, the changes to the Risk Register which were detailed

in 4.04 of the report, and the suggested changes to the Training Policy which were highlighted in appendix 5.

Karen McWilliam referred to the training policy and the aim which was to ensure that members of the Pension Fund Committee, Pension Board, and senior officers, had the appropriate levels of knowledge and skills to undertake their responsibilities concerning management of the Fund. She advised that in conjunction with the Chief Executive a short questionnaire would be produced to determine any additional training needs, information or resources that members may require. The questionnaire would be sent to members in the New Year.

Mark Owen referred to the deferment of the actuarial tendering process in the Business Plan 2015/16 to 2017/18 - Quarter 2, which was appended to the report and said it would have been helpful if some explanation of the reason had been provided in the report. The Clwyd Pension Fund Manager explained that the decision had been made to defer until 2017/18, which is after the completion of the next actuarial evaluation.

During discussion Debbie Fielder, Pensions Finance Manager, provided clarification in response to the queries raised by Councillor Haydn Bateman on the Business Plan concerning expenses (including in-house) and employer deficit payments.

Steve Hibbert raised a concern around the minutes of the Clwyd Pension Fund Board meetings and the delay, due to the need for formal approval at the next meeting, before they were shared with the Committee. Karen McWilliam agreed to raise with the Pension Fund Board as those Pension Board members in attendance agreed that it should be possible to agree the minutes outside of a formal meeting. Karen McWilliam confirmed that any actions agreed at the meeting that should be brought to the attention of the the Clwyd Pension Fund Committee would be incorporated into the Governance Update or other appropriate report.

RESOLVED:

- (a) That the changes to the Business Plan as detailed in paragraph 3.02 of the report be approved;
- (b) That the changes to the Risk Register as detailed in paragraph 4.04 of the report be approved;
- (c) That the draft Procedure for Reporting Breaches of the Law to include the delegation for its implementation to the Clwyd Pension Fund Manager, as detailed in paragraphs 5.01 to 5.03 of the report, be approved; and
- (d) That the updates to the Training Policy as attached at appendix 5 to the report be approved.

22. **POOLING INVESTMENTS (NATIONAL PICTURE)**

Kieran Harkin, Fund Investment Consultant – JLT Group, introduced a report to provide an update on the Government's proposal for pooling

investments for the LGPS across England and Wales. He provided background information and context and explained that any proposals brought forward by administering authorities would need to satisfy scale, savings, costs, governance and plans regarding future investment in infrastructure.

Mr. Harkin referred to the LGPS Investment Reform and Criteria Guidance and drew attention to the key considerations in the report around asset allocation across LGPS funds in England and Wales, the current position in terms of pooling, internal management of assets, and next steps.

RESOLVED:

That the update be received.

23. **COLLABORATIVE WORKING IN WALES**

The Clwyd Pension Fund Manager introduced a report to update the Committee on the on-going collaborative work across the 8 Welsh Pension Funds. He provided background information and drew attention to the Mercer Report on All Wales Collaboration which was appended to the report. He advised that the principle recommendation in the report was for the 8 funds in Wales to 'rent' a collective investment vehicle (CIV) from a third party provider. A governance structure would be developed to include both officers and elected members from across the 8 funds. Whilst there was no compulsion to participate, each fund would need to consider their own position in terms of the UK Government's requirements to pool investments.

The Clwyd Pension Fund Manager reported on the current position and timetable and the implications to the Clwyd Pension Fund as detailed in the report. He also commented on the need to provide a response to the proposals in the LGPS Investment Reform and Criteria Guidance by 19 February 2016 and gave an outline of the approach to be taken. Steve Hibbert asked that the response be circulated to members for consideration and comment prior to being sent to the LGPS. The Corporate Finance Manager advised that a letter had been sent to DCLG on behalf of the Society of Welsh Treasurers (Pension Sub Group) advising of the work undertaken to date and the planned course of action in relation to the pooling of investments and collaboration across Wales. He said no response had been received to date.

During discussion Officers responded to the questions and concerns raised by members on the impact of 'pooling' assets to reduce costs.

RESOLVED:

That the report be noted and the developments supported.

24. **LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE**

Paul Middleman (Fund Actuary – Mercers), introduced a report to inform the Committee of the national and local issues facing the management and operation of the LGPS. He provided background information and advised that a "current issues" document and an Employer facing "current issues" paper was

appended to the report which had been produced for the recent Annual Joint Consultative Forum.

Mr. Middleman reported on the key considerations to be noted in the “current issues” document and employer facing papers as detailed in the report, and referred to changes and implications as a result of the recent 2015 Budget measures.

RESOLVED:

That the update be noted.

25. **PENSION ADMINISTRATION/COMMUNICATIONS UPDATE**

The Pensions Administration Manager introduced a report to provide an update on administration and communication related issues. She advised that the report provided an update on the following items:

- Business Plan 2015/16
- Risk register
- Policy and Strategy implementation and monitoring
- Delegated responsibilities

The Pensions Administration Manager informed that the Administration and Communications section of the Business Plan, up to the end of September 2015, was appended to the report. She gave an update on the progress against tasks as detailed in paragraph 3.01 of the report, and advised that two further tasks had been added to the business plan as outlined in paragraph 3.02.

RESOLVED:

- (a) That the report be noted; and
- (b) That the amendments to the Business Plan as detailed in paragraph 3.02 of the report be approved.

26. **PENSION ADMINISTRATION AND COMMUNICATION STRATEGIES**

The Pensions Administration Manager introduced a report to provide an update on the development of the administration and communication strategies. She provided background information and advised that a draft joint administration and communications strategy was presented to the Pension Board in October 2015. A number of amendments had been made and that the strategy had been separated into two distinct documents.

The Pensions Administration Manager explained that feedback from the meeting of a Communications Focus Group meeting which had been held last week would be incorporated into the draft Communications Strategy. It was anticipated that consultation with employers on the draft strategies would take place during January 2016. Subject to the outcome of the consultation exercise

the Strategies would be submitted to the next meeting of the Pension Fund Committee for approval.

RESOLVED:

That the progress being made on the development of the Administration and Communication Strategies be noted.

27. **INVESTMENT AND FUNDING UPDATE**

Debbie Fielder, Pensions Finance Manager, introduced a report to provide a quarterly update on investment and funding related issues. She advised that the report provided an update on the following items:

- Business Plan 2015/16
- Risk register
- Delegated responsibilities

The Pensions Finance Manager advised that a summary of progress against the investment funding section of the Business Plan was appended to the report. All items except for F15 which related to the review of admission and termination policy, were either on target or achieved as planned. She explained that F15 had now been split into two tasks as detailed in paragraph 3.02 of the report. The Pensions Finance Manager also advised that two new tasks had been added to the Business Plan as detailed in section 3.03 of the report.

The Pensions Finance Manager reported on the main considerations around the Risk Register, LGPS pooling of investments, annual accounts and investments costs, and Markets in Financial Instruments Directive II (MiFID). She advised that an update on the areas of delegation since the last meeting was appended to the report and drew attention to section 6.03 and the investment in the Foresight Regional Development Fund which was a collaborative venture with other LGPS.

Referring to the recommendation in paragraph 7.01 of the report Mark Owen pointed out that the Committee's agreement was sought to the amendments to the Business Plan as detailed in paragraph 3.02, and also the additional tasks as detailed in paragraph 3.03.

RESOLVED:

- (a) That the amendments to the Business Plan as detailed in paragraph 3.02 be approved; and
- (b) That the additional tasks as detailed in paragraph 3.03 be approved.

28. **ECONOMIC AND MARKET UPDATE**

Kieran Harkin, Fund Investment Consultant – JLT Group, introduced a report to provide the Committee with an economic and market update.

Mr. Harkin presented the Economic and Market update for the period ending 30 September 2015, which was appended to the report. He reported on market performance and referred to the continuing volatility in markets. He advised that there had been some positive relative performance in the quarter and drew attention to the market statistics provided in section 1 of the report

RESOLVED:

That the update be noted.

29. **INVESTMENT STRATEGY AND MANAGER SUMMARY**

Kieran Harkin, Fund Investment Consultant – JLT Group, introduced a report to provide an update on the performance of the Fund's investment strategy and performance of fund managers.

Mr. Harkin presented the Investment Strategy and Manager Summary report for the period ending 30 September 2015 which was appended to the report. He also reported on the key considerations as detailed in paragraphs 3.02 and 3.03 of the report.

RESOLVED:

That the report be noted.

30. **FUNDING AND FLIGHT PATH UPDATE**

Paul Middleman, Fund Actuary - Mercer, introduced a report to provide an update on the funding position and liability hedging undertaken as part of the Flight-path strategy for managing liability risks.

Mr. Middleman advised that the monthly summary report from Mercer on the funding position and an overview of the liability hedging mandate as at 30 September 2015 was appended to the report. He gave a verbal update on developments since the last meeting of the Committee and referred to the main considerations which were detailed in the report.

RESOLVED:

- (a) That the estimated funding level and the liability hedging undertaken to 30 September 2015 be noted;
- (b) That the review of the overall funding framework in the run up to the full 2016 actuarial valuation, and the funding level improvement to c.64%, be noted.

31. **2016 ACTUARIAL VALUATION**

Paul Middleman, Fund Actuary - Mercer, introduced a report to provide an update on the actuarial valuation project, including key milestones, communications with employers and other events.

Mr. Middleman explained that this was the first of anticipated regular reports to be submitted to the Committee until the conclusion of the project. He provided background information and advised that legislation required that every three years an actuarial valuation was performed by the Fund Actuary to assess the overall funding position of the Fund and determine the employer contributions for the following three years. The effective date of the actuarial valuation is 31 March 2016 and the employer contributions that will be certified by the Fund Actuary will be for the three year period 2017/2020. Mr. Middleman advised that this would be the first actuarial valuation completed under the new Public Service Pensions Act 2013 (PSPA) which requires the Government's Actuary's Department (GAD) to undertake its own valuation of the aggregate LGPS on behalf of HM Treasury and the DCLG/Scheme Advisory Board at the same date.

Mr. Middleman reported on the main considerations as detailed in the report and advised that the valuation project was generally split into initial planning and strategy, data provision and actuarial calculations, finalising results, and formally certifying contribution requirements. He drew attention to the timeframes as outlined in paragraph 3.02 of the report.

Karen McWilliam emphasised the need for Committee members to have dedicated training on valuation. It was agreed that Mrs. McWilliam would liaise with Officers and members of the Clwyd Pension Fund Committee and the Clwyd Pension Fund Board to determine a suitable date and venue.

RESOLVED:

That the report and the intention to submit regular update reports be noted.

32. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were no members of the press or public in attendance.

(The meeting commenced at 10.30 am and ended at 12.56 pm)

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Chairman