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To: Cllr Alan Diskin (Chair)

Councillors: Haydn Bateman, Brian Dunn, Ron Hampson, and Matt Wright

Co-opted Members

Steve Hibbert, Cllr. Huw Llewelyn Jones, Cllr. Andrew Rutherford and Cllr. Steve Wilson

16 March 2016

Dear Councillor

You are invited to attend a meeting of the Clwyd Pension Fund Committee which will be held at 2.00 pm on Tuesday, 22nd March, 2016 in the Delyn Committee Room, County Hall, Mold CH7 6NA to consider the following items.

Please note that preceding the meeting a training session covering 'an understanding of Asset Pooling' will be held at 12.30 pm which all Pension Fund Committee members are expected to attend.

A G E N D A

1 APOLOGIES

To receive any apologies.

2 DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

To receive any Declarations and advise Members accordingly.

3 MINUTES (Pages 5 - 14)

To confirm as a correct record the minutes of the last meeting.

GOVERNANCE

4 BUSINESS PLAN 2016/7 TO 2018/9. (Pages 15 - 56)

To provide Committee Members with the Clwyd Pension Fund 3 year Business Plan from April 2016 for discussion and approval.

5 **THE PENSIONS REGULATOR COMPLIANCE CHECKLIST** (Pages 57 - 88)

To update Committee Members on the Pensions Regulator Compliance checklist

6 **GOVERNANCE UPDATE.** (Pages 89 - 114)

To provide Committee Members with an update on governance related issues.

7 **POOLED INVESTMENTS**

To provide Committee Members with verbal updates for the DCLG Consultation on Pooled Investments, the Working Together in Wales Project and the search for a single passive provider for the Welsh Funds.

ADMINISTRATION AND COMMUNICATIONS

8 **ADMINISTRATION AND COMMUNICATION STRATEGIES.** (Pages 115 - 158)

To provide Committee Members with the Clwyd Pension Fund Administration and Communication Strategies for discussion and approval.

9 **LGPS UPDATE** (Pages 159 - 172)

To provide Committee Members with current issues affecting the management of the LGPS.

10 **PENSION ADMINISTRATION/COMMUNICATIONS UPDATE** (Pages 173 - 190)

To update Committee Members on the Pensions Administration Section.

INVESTMENT AND FUNDING

11 **INVESTMENT AND FUNDING UPDATE** (Pages 191 - 208)

To provide Committee Members with an update of investment and funding matters for the Clwyd Pension Fund

12 **ECONOMIC AND MARKET UPDATE** (Pages 209 - 226)

To provide Committee Members with an economic and market update.

13 **INVESTMENT STRATEGY AND MANAGER SUMMARY** (Pages 227 - 244)

To update Committee Members on the performance of the Fund's investment strategy and Fund Managers

14 **FUNDING AND FLIGHT PATH UPDATE** (Pages 245 - 254)

To update Committee Members on the funding position and liability hedging undertaken as part of the Flight Path strategy for managing liability risks.

15 **2016 ACTUARIAL VALUATION PROGRESS** (Pages 255 - 260)

To update Committee Members on the progress of the actuarial valuation project, including key milestones, communications with employers and other events.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P. Evans', with a long horizontal flourish extending to the right.

Peter Evans
Democracy & Governance Manager

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CLWYD PENSION FUND COMMITTEE **26 NOVEMBER 2015**

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held at County Hall, Mold, on Thursday, 26 November 2015.

PRESENT: Councillor Alan Diskin (Chairman)

Councillors: Haydn Bateman (Vice Chair) and Ron Hampson

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

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

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 Whipping Declarations)

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) CURRENT ISSUES 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. ADMINISTRATION AND 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. ADMINISTRATION AND COMMUNICATIONS 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

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Business Plan 2016/17 to 2018/19
Report Author	Chief Executive

EXECUTIVE SUMMARY

The purpose of the report is to provide Committee with the draft Business Plan for discussion and approval, after any agreed amendments.

The annual Business Plan covers a rolling three year period with the current period being from 2016/17 to 2018/19 (Appendix). The content was explained and discussed with both Clwyd Pension Committee and Local Pension Board Members at the 23 February 2016 workshop.

The draft Business Plan includes an explanation of the governance of the Fund, our aims and objectives, main risks and current risk statement, major projects and the resources required to deliver the Business Plan.

The format is similar to last year, with some additions, and considers governance, funding and investments and administration and communications. The aim is that the Business Plan should be understandable to our stakeholders, as well as a governance and management tool for the Fund.

RECOMMENDATIONS

1	That Committee Members discuss the attached draft Business Plan, including our aims and objectives, risk statement and resources.
2	That Committee Members agree any amendments resulting from the discussions.
3	That Committee Members approve the Business Plan with amendments, if necessary.

REPORT DETAILS

1.00	Business Plan 2016/17 to 2018/19
1.01	The draft Clwyd Pension Fund Business Plan for 2016/17 to 2018/19 is attached as an Appendix. This has been developed by the Advisory Panel and officers. A business planning workshop was held for Pension Fund Committee and Local Pension Board members on 23 February. This explained some of main projects and resources required over the next 3 years in some more detail and gave an opportunity for input and feedback.
1.02	<p>The format of the draft business plan follows that introduced for the 2015/16 business plan and covers all Fund activities including governance, investment and funding, and administration and communication. For each of these activities there are documented aims and objectives, risks and resources within the Business Plan.</p> <p>The aim is to develop a document which is both understandable to all our stakeholders as well as acting as a governance and management tool for Committee, Board, Advisory Panel and officers. To achieve this aim there are some additions from the 2015/16 document:</p> <ul style="list-style-type: none">• A section on business as usual which shows the wide number, variety and complexity of tasks undertaken by fund officers and advisors.• A current risk statement which explains the variety of risks managed by the fund; some that are by nature high risk and less controllable and others where further action is required to mitigate.• Aims and objectives for Administration and Communication following the implementation from 1st April 2016 of these new strategies, which in themselves are aspirational.
1.03	As is the case with the current year's Business Plan, an update on progress will be included within each quarterly Committee Agenda.

2.00	RESOURCE IMPLICATIONS
2.01	The budget for 2016/17 is considered as part of the Business Plan.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	The Business Plan, and the ongoing reporting on progress against it, are a key risk management tools. It also includes a section outlining the current risk situation that has been considered when developing the business plan.

5.00	APPENDICES
5.01	Appendix 1 – 2016/17 to 2018/19 Business Plan

6.0	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Business Plan 2015/16 to 2017/18 – 24 March 2015 Clwyd Pension Fund Committee.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) Business Plan – A document that describes in detail how the CPF will achieve its goals and including a budget, estimated cash-flow and details of key tasks for a three year period.</p> <p>(g) Cash-flow – this is an accounting statement that shows the amount of cash generated and used by the CPF for a financial year.</p> <p>NB: The Business Plan covers a variety of technical areas. Further explanations can be found on other agenda items within this Committee agenda on investments, funding and administration.</p>

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Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

BUSINESS PLAN 2016/17 TO 2018/19

March 2016

Introduction

This is the business plan for the Clwyd Pension Fund, which is managed and administered by Flintshire County Council. The business plan details our priorities and areas of key focus in relation to the Clwyd Pension Fund for 2016/17, 2017/18 and 2018/19. This business plan was approved at the Clwyd Pension Fund Committee meeting on 22nd March 2016. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background and objectives of Flintshire County Council for the management of the Clwyd Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide staff, partners and customers with a clear vision for the next three years.

In addition, this business plan includes a budget for expected payments to and from the Clwyd Pension Fund during 2016/17 including the resources required to manage the Fund.

Further Information

If you require further information about anything in or related to this business plan, please contact:

Philip Latham, Clwyd Pension Fund Manager, Flintshire County Council
E-mail - Philip.latham@flintshire.gov.uk
Telephone - 01352 702264

Background to the Clwyd Pension Fund

The Clwyd Pension Fund ("CPF") is a £1.4bn¹ Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in North East Wales and employees of other qualifying bodies which provide similar services.

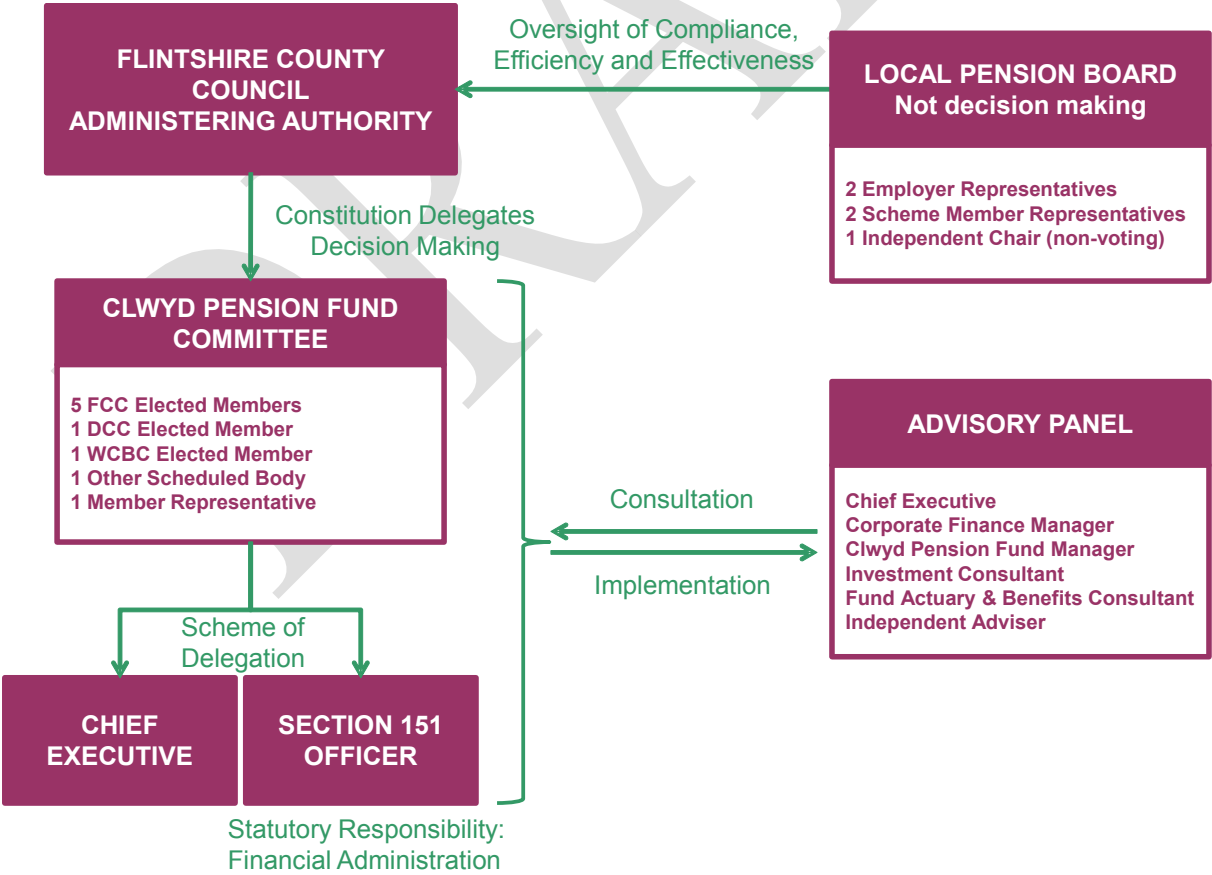
Total Fund membership is about 41,000 with about 16,000 active contributors from 29 contributing employers and about 26,000 retired members, widows and deferred members.

Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council ("the Council") to a formal Pension Fund Committee ("PFC"), supported by a Pensions Advisory Panel ("AP"). Gary Ferguson, the Corporate Finance Manager is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters. In addition, the Council has delegated specific responsibilities to the Chief Executive, Colin Everett. The Local Pension Board is in place to assist in:

- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

This structure is illustrated below.



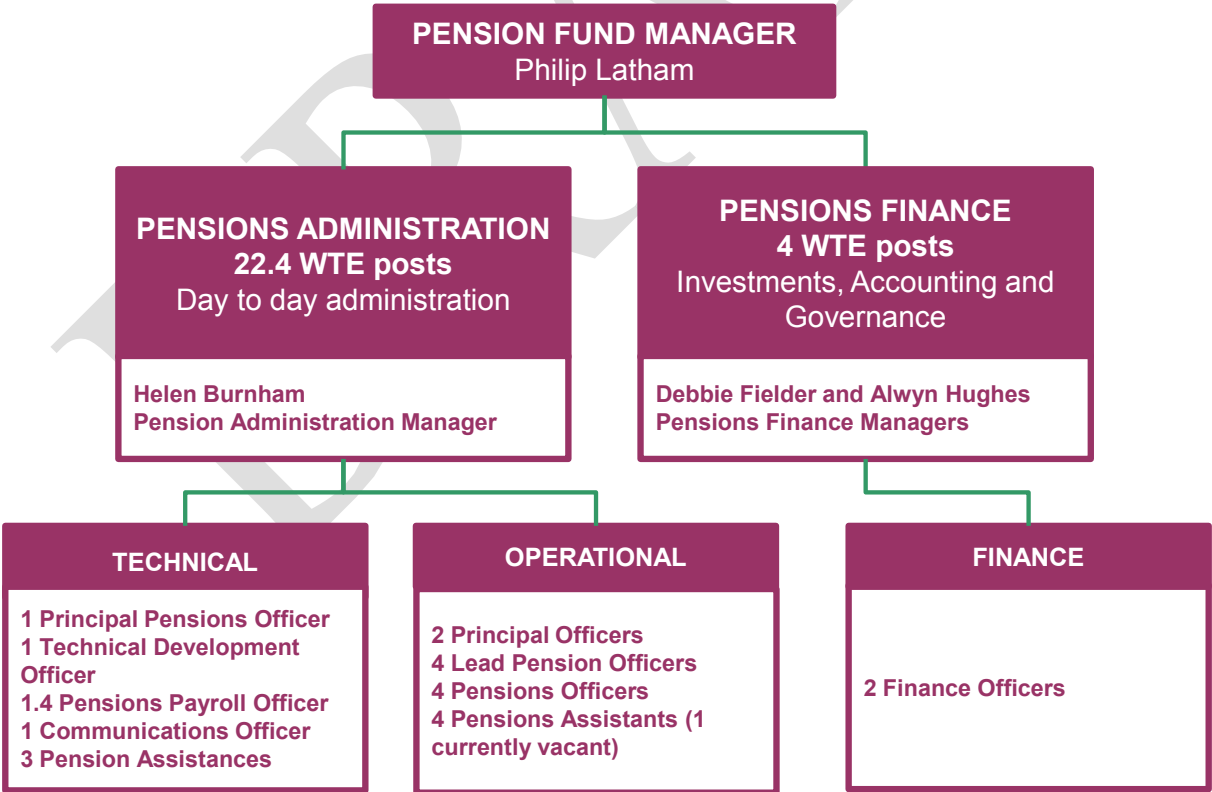
¹ Information correct as at February 2016.

The Pension Fund Management Team

The day to day operations of the Fund are managed by Philip Latham, the Pension Fund Manager. He is supported by two teams:

- The Pension Administration Section which is responsible for the day to day administration of pension benefits and is headed by Helen Burnham. The section is split between an Operational Team and a Technical Team. The Operational Team delivers a pensions service for approximately 41,000 scheme members and 29 employing bodies. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team implements and maintains the pension software systems, reconciles employer records, provides a communication service for members and employers and a pensioner payroll service for 12,700 pensioners and dependents.
- The Pensions Finance Section which is responsible for accounting, investment and governance matters, headed by Debbie Fielder and Alwyn Hughes. The section is responsible for the day to day accounting and closure of the accounts. Additionally, the section is responsible for the monitoring of 8 core external fund managers as well as 42 non-core external fund managers responsible for around 100 separate funds². The Pension Finance Managers are involved with the appointment of new fund managers and are also responsible for sourcing and recommending new in-house investments.

The full structure as at March 2016 is illustrated below.



The pension fund management team and Pension Fund Committee are assisted by a range of specialist consultants, suppliers and fund managers.

² Information correct as at February 2016

Aims and Objectives for the Management of the Fund

Our Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a 'can do' approach.

Our key strategies and policies which guide the management of the Fund are listed below and can be found on our website at www.clwydpensionfund.org.uk.

- Governance Policy and Compliance Statement
- Training Policy, Conflicts of Interest Policy, Risk Management Policy and Reporting and Recording Breaches of the Law Procedure
- Statement of Investment Principles and Compliance Statement
- Funding Strategy Statement
- Administration Strategy
- Communications Strategy
- Employer Service Level Agreements

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the five areas of governance, investments, funding, communications and administration, to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor our success
- Ensure that the Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme ("LGPS") and wider pensions landscape
- Ensure that those persons responsible for governing the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, that their decisions are robust and well based, and that they appropriately manage any potential conflicts of interest.

Funding and Investments

- Achieve and maintain assets equal to 100% of liabilities within the 18 year average timeframe, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination.

Administration

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- Ensure the correct benefits are paid to and the correct income collected from, the correct people, at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

Communications

- Promote the Scheme as a valuable benefit and provide sufficient information to allow members to make informed decisions about their benefits
- Communicate in a clear and concise manner
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- Look for efficiencies in delivering communications including through greater use of technology and partnership working
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

Business as usual

The appendix to this business plan highlights what our key priorities are for the next three years. This focusses on areas of change and project like tasks which are in addition to our day to day “business as usual” duties. On a day to day basis our focus is on the following key elements of Fund management:

- Paying pension benefits to all our beneficiaries, as prescribed by the LGPS regulations
- Communicating with our scheme members about their membership of the Fund
- Ensuring we receive all the pension contributions paid by active members of the Fund, again as prescribed by the LGPS regulations
- Ensuring all the employers in the Fund pay their pension contributions
- Safeguarding the money in the Fund (the Fund’s assets)
- Investing any Fund assets that are not currently needed to pay benefits
- Working with the actuary so, every three years, he determines how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future.

Managing this on a day to day basis involves a wide range of processes and procedures, some of which are outlined below and all of which have been designed around achieving our Fund’s objectives as outlined in our strategies and policies. The pension fund is large, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

Governance

- Setting the agenda, reporting and presenting to the Pension Fund Committee, Local Pension Board and Advisory Panel
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk management policy, breaches of law procedure and The Pension Regulator’s Code of Practice
- Ensuring we adhere to Council and legal requirements for procurement, health & safety and data protection
- Procurement of and payment for, advisers and other services
- Assisting internal audit in their role
- Replying to Freedom of Information requests.

Accountancy

- Preparing and publishing the Fund’s Annual Report
- Completing the Annual Accounts and assisting with external auditors
- Preparing and quarterly monitoring of the Annual Budget
- Preparation of statutory and non-statutory returns as required
- Monthly bank reconciliations
- Monthly cash flow and treasury management
- Monthly monitoring of income and expenditure including employer and scheme member contributions
- Monthly invoicing of employers for pensions strain and added years.

Funding

- Agreeing the funding strategy with the actuary every three years, consulting with employers and monitoring continued appropriateness annually
- Assisting the actuary with the triennial Actuarial Valuation by providing membership data and presenting results and explanations to employers of future employer contributions and deficit payments.
- Arranging through the Actuary data required by the Government Actuary Department (“GAD”)
- Monitoring the employer’s ability to pay contributions and managing any employers who wish to join or leave the Fund.

Investments

- Carrying out a fundamental review of the investment strategy every three years
- Appointing, monitoring and dismissing of fund managers
- Monthly monitoring and reporting on investment performance
- Monthly monitoring and reporting on the Fund’s funding position and implementation of our funding risk management strategy (‘Flight-path’) with annual ‘health checks’
- Monthly monitoring and implementation of the tactical asset allocation decisions.
- Procurement and monitoring of over 100 investments in private equity, property, infrastructure, agriculture and timber funds
- Working with other LGPS funds in Wales and nationally to pool investments.

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund
- Calculating and notifying entitlement to pension and death benefits
- Providing quotations of retirement benefits including any additional costs to employers
- Providing information on how scheme members can increase their pension benefits
- Maintaining scheme member records
- Providing a scheme members’ help line for ad-hoc enquiries
- Administering the Fund’s Internal Dispute Resolution Procedure.

Payroll

- Calculating and paying monthly pensions to all pensioners and beneficiaries
- Issuing payslips (where net pay has changed)
- Issuing P60’s
- Investigating returned payments and dealing with any under or overpayment of pensions
- Updating and maintaining accuracy of pensioner member details.

Communication

- Providing Annual Benefit Statements to all active and deferred scheme members
- Providing information to members via one to ones, workshops and newsletters
- Maintaining the Fund's website
- Provide new employers with information about their Fund responsibilities
- Providing ongoing training and technical updates to employers
- Running an Annual Meeting for Employers and members reps.

Technical

- Maintaining and updating the pensions software system
- Providing guidance on changes in processes following legislation updates
- Developing reporting to provide information on progress against key performance indicators and daily work management
- Providing reports and extracts for the Fund Actuary and GAD
- Reporting and making payments to HMRC
- Processing bulk updates to data such as annual pensions increases and year end employer returns.

DRAFT

The plan for the next three years

Key Challenges and Influences

This decade has seen and continues to see an unprecedented amount of external factors that impact or could impact the management of the Fund on top of major changes that have been implemented to the Fund in recent years, such as:

- Implementation of a new governance structure, including creation of a Pension Fund Committee, Advisory Panel and Local Pension Board
- A fundamental review of the investment strategy, to ensure a closer relationship with the funding strategy through implementation of a flight-path risk management plan
- The implementation of the new Local Government Pension Scheme from April 2014 and introducing innovative ways of working within the Administration Section.

This puts us in a strong position to meet the challenges ahead. The following are just some of the areas which will need to be managed or responded to, some of which may even necessitate a review of the aims, objectives and governance of the Fund:

- responding to and implementing the Government's review on the pooling of pension fund assets with other LGPS pension funds
- reviewing the Funding Strategy and managing the results of the 2016 triennial actuarial valuation of the Fund's liabilities, which might:
 - result in an increased deficit which could impact ongoing employer contribution costs
 - impact ongoing scheme member costs and/or benefits through the national cost management mechanism
 - result in a need to change our investment strategy
- achieving the objectives of the Fund's aspirational administration and communications strategy including how we work with employers
- completing a major data cleanse exercise to prepare for the cessation of contracting out status
- responding to any potential Welsh local government reorganisation.

These and other priorities for the next three years are articulated in more detail in the appendix to this business plan, split into three sections; governance, funding and investments, and administration and communications.

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. The following shows the expected income and expenditure to the Fund (cashflows) as well as the expected operating costs.

Cashflows projections for 2016/17

	Actual 2014/15 £000s	Budget 2015/16 £000s	Revised 2015/16 £000s	2016/17 £000s
Opening Cash	(30,520)	(43,735)	(43,735)	(10,053)
Payments				
Pensions	50,415	53,600	53,600	57,300
Lump Sums & Death Grants	17,317	18,000	17,000	20,000
Transfers Out	2,036	2,800	1,700	2,800
Expenses (including In House)	2,691	3,450	4,450	4,500
Support Services	219	250	167	250
Total Payments	72,678	78,100	76,917	84,850
Income				
Employer Contributions	(29,608)	(31,765)	(31,765)	(33,250)
Employee Contributions	(14,532)	(15,200)	(15,200)	(15,200)
Employer Deficit Payments	(28,079)	(27,320)	(27,560)	(28,500)
Transfers In	(2,347)	(4,000)	(2,000)	(4,000)
Pension Strain	(3,030)	(2,350)	(2,500)	(1,200)
Investment Income	(3,070)	(3,000)	(2,610)	(3,170)
Total Income	(80,666)	(83,635)	(81,635)	(85,320)
In House Investments				
Draw downs	40,212	44,376	34,000	40,955
Distributions	(59,824)	(61,606)	(60,000)	(71,043)
Net Expenditure /(Income)	(19,612)	(17,230)	(26,000)	(30,088)
Net Purchases/(Sales)	(615)	(600)	(300)	
Rebalancing Portfolio	15,000	40,000	64,700	30,000
Total Net Cash Flow	(13,215)	16,635	33,682	(558)
Closing Cash	(43,735)	(27,100)	(10,053)	(10,611)

Operating Costs Budget 2016/17

	Budget	
	2015/16 £000s	2016/17 £000s
Governance Expenses		
Employee Costs (Direct)	226	229
Support & Services Costs (Internal Recharges)	19	19
Premises	17	17
IT (Support & Services)	10	10
Other Supplies & Services)	56	56
Audit Fees	36	40
Actuarial Fees	192	304
Consultant Fees	341	389
Advisor Fees	156	188
Legal Fees	30	30
Performance Monitoring Fees	25	25
Total Governance Expenses	1,108	1,307
Investment Management Expenses		
Fund Manager Fees*	14,490	11,028
Custody Fees	34	34
Total Investment Management Expenses	14,524	11,062
Administration Expenses		
Employee Costs (Direct)	662	711
Support & Services Costs (Internal Recharges)	82	90
Outsourcing	800	1,240
Premises	75	75
IT (Support & Services)	250	250
Member Self Service	0	107
Other Supplies & Services)	70	70
Miscellaneous Income	0	0
Total Administration Expenses	1,939	2,543
Total Costs	17,571	14,912

*CIPFA have changed the elements that need to be included in Fund manager fees resulting in a reduction. Underlying fees are no longer required to be disclosed in the accounts.

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis within the pension fund management team and the Pension Fund Advisory Panel
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board
- as part of these quarterly updates:
 - highlight any areas where we are exceeding or failing to achieve our targets and the reasons why, and identify any changes to the planned priorities as a result of this
 - highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Key Risks

The Clwyd Pension Fund has embedded risk management into the governance of the Fund. The Committee has approved a Risk Management Policy and a detailed Risk Register is maintained. Changes to the level of risk are reported at each Committee.

The purpose of this statement is to summarise the main risks managed by the Fund and illustrate the level of risk expected, compared with the current position. Where the risk is both higher than expected, and is controllable, the Fund's Business Plan will include an action on how to mitigate that risk.

Key:

This is where there could be catastrophic consequences that are considered almost certain to happen
This is where there could be major consequences that are considered likely to happen
This is where there could be moderate consequences that are considered a possible occurrence
This is where there could be minor consequences that are considered unlikely to happen
This is where there could be insignificant consequences that are considered very unlikely to happen

Governance

▪ Main Risks

The Fund could consistently makes decisions or take actions which do not result in us achieving our aims and objectives; or are not transparent; or not legal; or do not follow best practice.

▪ What Could Increase Risk?

The risk of these outcomes would be increased by an inappropriate governance structure; poor training; poor attendance or engagement; insufficient resources; conflicts of interest; absence of governance policies; absence of performance measurement, scrutiny and challenge; absence of risk management; poor advice (all of which could be at PFC, PB or officer level) or the impact of externally led changes outside of our control.

▪ Our Target Risk

Managing governance risks are, in the main, within the control of the Fund, hence risks should be low. Albeit there will always be some external events outside the Fund's direct control.

▪ The Current Risk

An independent review of the Fund's governance showed that governance risks are being well managed and a recent review against The Pension Regulator's Code of Practice also makes positive reading. However, the governance structure is relatively new, still evolving, and further training is required. There are also some external risks from asset pooling and increasing complexity which may result in a review of governance arrangements. There are also some key risks around succession planning for officers which require consideration.

Funding & Investment

▪ Main Risks

Pension costs for employers could significantly increase and possibly become unaffordable; in the longer term there could be insufficient assets to pay for accrued pension liabilities.

▪ What Could Increase Risk?

A sustained fall in global markets; low interest rates; high inflation; inappropriate investment and funding strategy; failure of fund managers to meet investment targets; on-going austerity reducing employers budgets: employers changing their delivery models; the impact of externally led changes outside of our control.

▪ Expected Risk

There will always be economic, funding and investment risks that cannot be controlled by the Fund. However the aim is to mitigate these risks, as much as possible, through a diversified investment strategy and a prudent funding strategy.

▪ Current Risk

The current economic cycle has resulted in austerity, lower interest rates and the prospect of lower growth in the near term and hence investment returns going forward.

The Fund is in deficit with a probability that this will continue to be the case for a minimum of 10 years. However, through the Fund's diversified investment strategy and prudent funding strategy, including the risk management of interest rate and inflation risks (funding flight-path), it is hoped that the impact on employer contribution rates will be minimized. The impact of asset pooling, BREXIT and the US elections may also increase the investment risk.

Administration & Communication

- **Main Risks**

The service delivery might not meet legal requirements; or agreed local performance standards; or is seen by stakeholders as not being cost effective.

- **What Could Increase Risk?**

A lack of a trained workforce; an inappropriate organizational size, structure and culture; poor IT systems and reporting; poor communications; inefficient or inadequate procedures; poor engagement with employers or employers with insufficient resources to carry out their responsibilities; unexpected changes in scheme membership or numbers of employers; increasingly complex pension and taxation laws and regulations.

- **Expected Risk**

The majority of these risks can be managed locally by the Fund, hence the risks should be well managed and low. However, there will always be some external factors, such as the complexity and number of regulatory changes, which are less controllable.

- **Current Risk**

The service has had to manage through unprecedented change in recent years with new schemes in 2008 and 2014 and some impact on service delivery has been unavoidable from both a pension an employer point of view. Currently each Budget also sees some changes that impact on pension or taxation regulations. Much time has recently been invested in improving the organization structure, training and improving procedures. An aspirational Administration and Communication Strategy will commence from 1st April 2016 which, if successfully implemented, will significantly reduce risks over the next two years. A key part of this, however, depends on appropriate engagement from employers implementing system improvements

Appendix - BUSINESS PLAN 2016/17-2018/9 – Key Tasks

Governance

Ref	Key Action -Task	2016/7 Period				Later Years	
		Q1	Q2	Q3	Q4	2017/18	2018/19
G1	Review CPF Adviser Procurement Framework		x	x	x		
G2	Review constitution and delegations in relation to asset pooling		x	x	x		
G3	Review/Tender Investment Consultancy and Independent Adviser Contracts		x	x	x		
G4	Consider Key Person Risk			x	x		
G5	Induction Training for PC					x	
G6	Review/Tender Actuarial Contract					x	
G7	Review administration system contract					x	x
G8	Review of governance related policies					x	x
G9	Review/Tender Custodian Contract						x
G10	Impact of local government reorganisation in Wales						x

G1 – Review CPF Adviser Procurement Framework

What is it?

Clwyd Pension Fund's adviser procurement framework agreement ceases in 2016/7 and we will need to consider whether there is a need to renew it or take part in the national procurement framework. This needs to be completed prior to G3.

Timescales and Stages

Carry out review:

2016/17 Q2

Put in place new CPF procurement framework

2016/17 Q2-4

Resource and Budget Implications

To be confirmed.

G2 - Review constitution and delegations in relation to asset pooling

What is it?

It will be necessary to review the Council's delegations (within the Council's Constitution and the PFC's Scheme of Delegation) in relation to pension matters in relation to any changes being implemented as a result of asset pooling (see Funding and Investment section). In particular, the Administering Authority will need to determine what decisions will need to be made and by whom.

Timescales and Stages

Review and recommend updates to delegations: 2016/17 Q1/2

Resource and Budget Implications

To be led by Pension Fund Manager, liaising with Monitoring Officer and taking advice from Investment Consultant and Independent Adviser. There will be external adviser costs associated with this exercise but they are not expected to be significant.

G3 – Review/Tender Investment Consultancy and Independent Adviser Contracts

What is it?

The Fund's investment consultancy and independent Adviser contracts reach their initial break point on 31 March 2017 albeit they can be extended for up to 2 years. A decision should be made as to whether these are retendered or extended. The implications of the Government changes to investment regulations, including, pooling will need to be considered.

Timescales and Stages

Carry out review/decide whether to tender or extend existing contracts 2016/17 Q2
Pension Fund Committee agree way forward (27th September 2016) 2016/17 Q2/3
Potential tender if contracts are not extended 2016/17 Q4

Resource and Budget Implications

To be led by Pension Fund Manager within existing budget.

G4 – Consider Key Person Risk

What is it?

The Council needs to review any key person risk within the Pensions Finance team; it is recognised that there is also a potential risk for the Pensions Administration team. This is a particular concern for the Pensions Finance team due to its small size and age group concentration.

Timescales and Stages

Review risk and staffing levels: 2016/17 Q3/4

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget albeit any necessary changes to staffing levels or numbers may impact on the budget.

G5 – Induction Training for PC

What is it?

The Fund's Training Policy details how the Fund will ensure that training is delivered, and how the required training is identified for each member of both the Clwyd Pension Committee and the Pension Board. Ongoing training to meet the requirements of this policy will take place. Although there is expected change at a minimal level with the PFC, Pension Board and officers, the Council elections in May 2017 could result in significant changes to membership, in which case intensive induction training will be required.

Timescales and Stages

Source and ensure delivery of induction training: 2017/18 Q1/2

Resource and Budget Implications

Training requirements to be determined by Pension Fund Manager with assistance from the Independent Adviser. Other advisers and external sources may be used for delivering training. There will be external adviser costs associated with this exercise.

G6 – Review/Tender Actuarial Contract

What is it?

The Council needs to review its current actuarial contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. This review should include Funding Risk Management and Benefit Consultancy Services. Following this review, and discussions with procurement, the Council needs to put the actuarial contract out to tender. Due to the upcoming triennial actuarial valuation of the Fund during 2016/17 this has been deferred to 2017/18.

Timescales and Stages

Review current actuarial contract and identify tender process: 2017/18 Q2
Conduct tender for actuarial services: 2017/18 Q3/4

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget.

G7 - Review administration system contract

What is it?

The CPF has a rolling one year contract with Heywood in relation to their Altair administration system. It has not been subject to a full review through tender for a number of years and it would be good practice to carry this out in the near future. However, due to significant projects involving the administration system (e.g. 2016 actuarial valuation, implementing I-Connect and scheme/GMP reconciliation), it is better to defer this until 2018/9.

Timescales and Stages

Conduct tender for administration system : 2018/19

Resource and Budget Implications

To be led by Pension Administration Manager. All internal costs are being met from the existing budget.

G8 – Review of Governance Related Policies

What is it?

The CPF has a number of policies focussing on the good governance of the Fund, as follows:

- Conflicts of Interest Policy March 2015
- Procedure for Recording and Reporting Breaches of the Law – Nov 2015
- Training Policy – Nov 2015 (but original Nov 2014)
- Risk Policy – May 2015
- Governance Policy and Compliance Statement – May 2015

All of these policies are subject to a fundamental review at least every three years. Their last fundamental review was in 2015, when many of them were first developed, albeit many of them have had minor amendments since then. Given they are all closely related, it might be more efficient to carry out the review of these policies at the same time. This will be considered nearer the time.

Timescales and Stages

Fundamental review of governance related policies 2017/18 Q3/4+ 2018/19

Resource and Budget Implications

It is expected this will mainly involve the Pension Fund Manager taking advice from the Independent Adviser.

G9 – Review/Tender Custodian Contract

What is it?

The Council needs to review its current custodian contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. The introduction of asset pooling could also impact on the type and scope of service to be provided by the Fund's custodian. Following this review, and discussions with procurement, the Council needs to put the custodian contract out to tender.

Timescales and Stages

Review current custodian contract and identify tender process: 2018/19
Conduct tender for custodian services: 2018/19

Resource and Budget Implications

To be led by Pension Finance Manager(s). All internal costs are being met from the existing budget.

G10 – Impact of Local Government Reorganisation in Wales

What is it?

There is potential for the reorganisation of local authorities in Wales and this currently programmed to be implemented from 2020. This could result in changes to the local authorities who currently contribute in the Clwyd Pension Fund, and therefore, could result in transfers of assets and liabilities in or out of the Fund.

Timescales and Stages

Actual actions to be determined 2018/19

Resource and Budget Implications

Still to be determined.

Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2016/17 Period				Later Years	
		Q1	Q2	Q3	Q4	2017/18	2018/19
F1a to j	Triennial Actuarial Valuation and associated tasks	x	x	x	x		
F2a to d	Asset Pooling	x	x	x	x	x	x
F3	Produce Investment Strategy Statement		x	x			
F4	Flight-path “Health check” Review			x	x	x	
F5	AVC Review			x	x	x	
F6	Review of Investment Strategy			x	x	x	x
F7	Implications of MIFID2					x	

F1a – Triennial Actuarial Valuation

What is it?

It is the formal actuarial valuation of the Fund detailing the solvency position and other financial metrics. It is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

Timescales and Stages

Effective date:	31 March 2016
Initial whole Fund results (expected):	Q1 2016/17
Individual Employer results (expected):	Q2&3 2016/17
Deadline for agreement of all contributions and sign-off:	31 March 2017

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and it will determine contribution requirements for all participating employers from 1 April 2017. It is a major exercise for the Fund and will take a lot of input from the Administration and Investment teams. Employers will be formally consulted on the funding strategy as part of the process. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1b – Review of Fund policy around employer risk management

What is it?

The Fund agreed a policy in 2013 relating to the admission of employers into the Fund and to how termination of participation is dealt with, the primary aim of the policy being to protect the Fund against incurring any unfunded liabilities as far as possible.

The policy has different requirements depending on the nature of the admitted employer but includes the use of pre-admission risk assessments, contingent security where deemed necessary, monitoring of the employer and termination funding. The detail and application of this policy should be regularly reviewed, especially in light of regulatory changes, to ensure it remains appropriate and is not exposing the Fund to funding risk. In addition as part of this review the Fund will look to implement a process to monitor covenant and funding risk for employers. The level of detail needed will depend on the specific employer type.

The Fund is subject to funding risks in respect of employers who cease to participate without the Fund being able to recover the full exit contributions due under the Regulations. This can be mitigated by increasing contributions and/or requesting a contingent bond or guarantee to be provided to protect against the possibility of an unrecoverable debt. A risk-monitoring framework would identify and monitor participating employers who may be more likely than average to pose such a risk. This would monitor funding positions and covenant strength on a proportionate basis to flag any potential issues at an early stage. The governance around the framework would include ensuring employers are aware they should inform the Fund of any significant changes in membership numbers or underlying demographics.

Timescales and Stages

Review existing policy: Q2 2016/17
Implement changes: Q3 2016/17

Resource and Budget Implications

Fund Actuary will liaise with the Fund to review policy and process, updating documentation appropriately as well as implementing the covenant monitoring where appropriate. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1c – Further refine operational structure applying for admissions and terminations

What is it?

The admission and termination policies are in force but the administration team may need assistance when dealing with queries from employers or implementing the policies. In particular, a review of the admission and termination policies, any checklists and information provided to employers will be required.

Timescales and Stages

Review of Fund policies to be performed during 2016/17 alongside the drafting of the Funding Strategy Statement:
▪ Initial review Q2 2016/17

- Review commences 2016/17 Q2 and closes during Q3 2016/17
- The policies will be formally signed off Q4 2016/17

Ongoing assistance also provided as and when required.

Resource and Budget Implications

The Fund Actuary will carry out the review and will assist the administration team with any implementation requirements. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1d – Consider funding impact of 2016 end of contracting out

What is it?

With effect from April 2016 contracting-out ceases and employers and employees will be required to pay higher National Insurance contributions (respectively by 3.4% and 1.4% of earnings between the Lower Earnings Limit and the Upper Accrual Point). Employers will be considering how to mitigate the additional employment cost. The LGA is negotiating with HMT on a national basis in terms of rebating some of the costs, given the LGPS benefit structure cannot be changed to offset the cost for employers.

In addition, consideration also needs to be given to whether the LGPS will pay Post 88 GMP pension increases for members who reach their State Pension Age after 5 April 2016. This will be considered and costed as part of the 2016 valuation process as it could have funding implications.

Timescales and Stages

Legislation effective	6 April 2016
Consider potential impacts/costs further as part of the 2016 triennial valuation as part of affordability considerations for employers	Q2 and Q3 2016/17.

Resource and Budget Implications

Budget implications for employers are potentially significant and will affect the affordability of normal pension Fund contributions. Employers are likely to also assess their own costs based on their total payroll, but may request information from the Fund. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1e – Test data quality in advance of the valuation

What is it?

The formal actuarial valuation requires data to be of a high quality. The Fund's data will be compared against a number of checks to ensure that there are no areas of concern or areas that would significantly affect the results of the valuation. Any issues that arise will be highlighted to the Fund so that it can be rectified.

Timescales and Stages

Perform checks on Fund data (subject to software providers implementing the data extract facility).	Q4 2015/16 and Q1 2016/17
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Resource and Budget Implications

Exercise will be performed by the Fund Actuary in advance of 31 March 2016. The administration team will be required to provide the data extract and work with the Fund Actuary if there are any areas of improvement required with the data. Tests will also be performed to check that there are no problems with the data extract itself. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1f – Consider the potential impact of Alternative Delivery Models (ADMs) on Fund profile and maturity

What is it?

As part of the 2016 valuation, the Fund will need to consider what impact ADMs (including those in the pipeline) have had i.e. on the Council that they have transferred from and on the Fund as a whole. As a result of ADMs, there will be more employers in the Fund and more resources required in the running of it.

Timescales and Stages

To be performed Q2 and Q3 2016/17
(alongside the 2016 actuarial valuation. In particular an analysis of cash flow projections will be performed in different scenarios.)

Resource and Budget Implications

Exercise will be performed by Fund officers and the Fund Actuary. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1g – Review the Funding Strategy Statement

What is it?

The Fund is required to prepare a Funding Strategy Statement and this should be reviewed whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles. The FSS will need to be updated to reflect any changes to policy that emerge as part of the actuarial valuation and also the updated results and assumptions.

Timescales and Stages

To be performed during 2016/17 alongside the 2016 actuarial valuation:

- The initial drafting of the strategy will take place Q2 2016/17
- The consultation will commence during Q2 and with close during Q3
- The strategy will be formally signed off by the Committee Q4 2016/17

Resource and Budget Implications

Exercise will be performed by Fund officers and the Fund Actuary. Employers will be formally consulted as part of the process. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1h – Provide information required in relation to Section 13 of the Public Service Pensions Act 2013

What is it?

Section 13 of the Public Service Pensions Act 2013 provides for a review of the LGPS valuations and employer contribution rates to check that they are appropriate and requires remedial steps to be taken where it is considered appropriate. The Government Actuary's Department (GAD) will undertake this review based on Fund data received from each Scheme Actuary based on the results of the 2016 actuarial valuations. A report will be provided upon completion of the GAD analysis.

Timescales and Stages

The data request is expected to be received from GAD Q4 of 2016/17

Resource and Budget Implications

Exercise will be performed by the Fund Actuary as part of the 2016 actuarial valuation. The results will be provided to the GAD. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1i – Review the Fund's KPI's and perform updated calculations

What is it?

The LGPS Scheme Advisory Board (SAB) is undertaking a mandatory exercise to benchmark the performance of all LGPS funds in England and Wales (linked to 2016 triennial valuations). A suite of self-assessment key indicators (KPIs) have been derived. Additional calculations will be required in order for the Fund to assess itself against these KPIs.

Timescales and Stages

To be performed Q2 and Q3 of 2016/17

Resource and Budget Implications

Exercise will be performed by Fund officers and the Fund Actuary. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1j – Cost Control

What is it?

Under the new framework, the costs of the LGPS must be periodically assessed to ensure that the reforms are affordable and sustainable. There will be two mechanisms used to do this:

- the employer cost cap process as operated by HM Treasury, and
- the future cost cap process as operated by the LGPS Scheme Advisory Board

Both processes could lead to changes to the scheme design or to the level of members' contributions if the costs of the LGPS are shown to have moved sufficiently from the target.

Timescales and Stages

Information expected to be provided to the GAD

Q3 2016/17

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and sent on directly to the Government Actuary's Department in the required format. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F2a – Asset Pooling Responses

What is it?

This comprises the completed (detailed) submission to Government regarding the CPF's plans for Asset Pooling. The initial submission will have been submitted in Q4 2015/16 as this is required by 19 February 2016.

The CPF should also review, and have the ability to comment on, the submission document from the applicable Asset Pool to Government as and when this submission is drafted.

Timescales and Stages

Develop submission documents

Q1 and Q2 2016/17

Completed submission must be issued to Government by

15 July 2016

Resource and Budget Implications

These documents will be produced from a range of the current Fund advisers: JLT as Investment Adviser and Mercer as De-Risking Adviser. Advisor's estimated costs in relation to this exercise are included in the 2016/17 budget.

F2b - Decision regarding assets to be moved to All Wales Passive Collaboration and eventual transition

What is it?

The agreement to run an All Wales Passive search has been taken and Aon Hewitt has been appointed to run this project. Upon completion there will be a decision as to how much of the CPF asset portfolio will be moved into the equity and bond asset allocation positions established as a result of the exercise.

Timescales and Stages

Aon Hewitt exercise is to be undertaken

Q4 2015/16

Anticipated completion

Q1 2016/17

Transition of applicable CPF assets anticipated

Q2/Q3 2016/17

Resource and Budget Implications

This exercise will be conducted by Aon Hewitt and JLT as Investment Adviser as well as the Pension Fund Manager and Finance Manager(s). Advisor's estimated costs in relation to this exercise are included in the 2016/17 budget

F2c - Preliminary plans for implementation of transition of applicable assets to Pooling vehicle

What is it?

This relates to Asset Pooling and will be dependent on two key points:

- i) The response by Government to the CPF Asset Pooling submission (and how much of the CPF asset portfolio can remain to be managed as is)
- ii) The final decision in respect of the Asset Pooling vehicle and how quickly this is established

Timescales and Stages

This is expected to impact both on 2016/17 (Q4) and beyond (2017/18 and thereafter).

Resource and Budget Implications

This review will be jointly carried out by JLT as Investment Adviser, the Pension Fund Manager and Finance Manager(s). Advisor's estimated costs in relation to this exercise are included in the 2016/17 budget. There might be additional advisor costs depending on the final pooling arrangements.

F2d - Changes in procedures to accounting for assets included in Pool

What is it?

This relates to Asset Pooling and how the accounting policies/reporting for the CPF's assets that are held in the Pool will be outside of the current (Officer led) arrangements. There will be a requirement to discuss the treatment of accounting reporting/responsibilities with the Asset Pool, post establishment.

Timescales and Stages

This is expected to impact both on 2016/17 (Q4) and beyond (2017/18 and thereafter).

Resource and Budget Implications

Communication/discussions with the Asset Pool will be jointly carried out by the Pension Finance Managers.

F3 – Produce Investment Strategy Statement

What is it?

As part of the planned changes to the existing Investment Regulations, each LGPS Fund will be required, having taken proper advice, to produce an Investment Strategy Statement which covers a range of specified areas.

Timescales and Stages

ISS must be produced no later than six months after new regulations come into force (currently drafted as 1 October 2016).

Resource and Budget Implications

This document will be produced by JLT as Investment Adviser with the finalised content agreed with the Pension Fund Manager and Finance Manager(s). The Investment Adviser's estimated costs in relation to this exercise are included in the 2016/17 budget.

F4 – Flight-path Health-check Review

What is it?

The Administering Authority implemented a “Flightpath” risk management investment strategy with effect from 1 April 2014, with the aim of more effectively controlling and limiting interest and inflation risks (as these factors can lead to significant changes to liability values and therefore the deficit). The overall funding Flightpath strategy is to consider and structure the investment strategy to determine a balance between return-seeking and risk-hedging assets. Further details are in the Fund’s Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS).

Ongoing monitoring includes a “traffic light” analysis of whether the Flightpath and hedging mandate are operating in line with expectations or if any actions are required. However annually the strategy will require a “health-check” to ensure its aims remain appropriate and it is still fit for purpose.

Timescales and Stages

A “Health check” will be carried out alongside the 2016 actuarial valuation which will consider any changes needed in the derivation of the overall discount rate. This will include consideration of the yield and funding triggers. The health-check is expected to be done at least annually thereafter.

Key stages include:

- Initial consideration of LDI portfolio in light of proposed 2016 valuation approach – Q1 2016/17
- Refresh hedging strategy using updated benefit cashflow projections from the valuation – Q3 2016/17
- Detailed consideration of trigger strategy in light of updated information – Q3 and Q4 2016/17
- Implement any necessary changes to align funding, investment and risk management strategies – Q4 2016/17

Resource and Budget Implications

To be led by the officers, Fund Actuary and investment advisors, with the findings being implemented by the Advisory Panel under the delegations. The Advisors' estimated costs in relation to this exercise are included in the 2016/17 budget.

F5 – AVC Review

What is it?

This is to review the offering to members for the investment of Additional Voluntary Contributions (AVCs) and their suitability. This should normally be carried out every three to five years. The review of Prudential will include analysis of:

- The range of investment funds and recommendations for change if required
- The performance of the investment funds
- The administration of and communications from the providers
- The competitiveness of the charges/services

Provision of an update to members with holdings with Equitable Life will also be completed given the recent changes proposed.

Timescales and Stages

Carry out review

2016/7 Q3/4

Consider impact of results of the review

2017/8

Resource and Budget Implications

This review will be carried out by Mercer and then considered by the Advisory Panel and reported to PFC. The Adviser's estimated costs in relation to this exercise are included in the 2016/17 budget.

F6 – Review of Investment Strategy

What is it?

This relates to the triennial review of the Investment Strategy once the Actuarial Valuation has been finalised and the Funding Strategy agreed. If required, there may be a need to undertake a light touch review (asset modelling scenarios) of the Fund's strategy and asset allocation position to feed into the actuarial valuation process.

Timescales and Stages

This is expected to take place early in 2017/18 following completion of the 31 March 2016 AVR.

Should there be a requirement for an initial light touch review during the actuarial valuation process this will take place as and when the preliminary actuarial valuation data is available (anticipated to be Q3 2016/17).

Resource and Budget Implications

The majority of work will be carried out by JLT as Investment Adviser together with the CPF Manager and Finance Manager(s) prior to final submission of proposals to Advisory Panel and Pension Fund Committee. The Investment Adviser's estimated costs in relation to this exercise are included in the 2016/17 budget.

F7 – MiFID II

What is it?

MiFID II is a proposal by the European Commission to amend and expand on the original MiFID directive which came into force on 1st November 2007. The directive has two core aims; to improve transparency in financial markets, and to further strengthen investor protection.

The most significant impact for LGPS Funds will be that they are classified by default as “retail clients”, which has potential implications for ongoing dealings in matters of institutional investment, though there will be an option to “opt up” from retail status and retain existing professional classification.

Timescales and Stages

From an initial deadline of January 2017, the European Commission has extended the deadline for the new rules to come into force until 3 January 2018.

Resource and Budget Implications

The majority of work will be carried out by the Pension Fund Manager and Finance Manager(s) (working in response to what is likely to be national LGPS policy direction guidance) and JLT as Investment Adviser. The Investment Adviser's estimated costs in relation to this exercise are included in the 2016/17 budget.

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Administration (including Communications)

Ref	Key Action -Task	2016/7 Period				Later Years	
		Q1	Q2	Q3	Q4	2017/18	2018/19
A1	Pension Administration and Communication Strategies - final implementation including the set-up of performance monitoring	x					
A2	Tax Changes (Potentially from Spring Budget)	x					
A3	3rd Party Administrators Framework	x	x				
A4	Backlog to 31 March 2013 (Mercers)	x	x				
A5	Backlog from 1 April 2014 (Internal)	x	x	x	x		
A6	Preparation of Member Data for Valuation	x	x	x			
A7	Document production and word integration	x	x	x	x		
A8	Electronic and Centralised internal procedures	x	x	x	x		
A9	Website Update	x	x	x	x	x	
A10	GMP Reconciliation	x	x	x	x	x	x
A11	Trivial Commutation		x	x	x		
A12	i-Connect		x	x	x	x	x
A13	Member Self Service			x	x	x	
A14	Review Administration & Communications Strategy Statements						x

A1 – Pension Administration and Communication Strategies - final implementation including the set-up of performance monitoring

What is it?

These strategies, outlining how we deliver our administration and communication services, are expected to be effective from 1 April 2016. They include the high level service standards we will provide, the standards we expect from employers and how we engage and communicate with our stakeholders. There will be some final work implementing the strategies and the associated performance monitoring.

Timescales and Stages

Implementation and Commencement of Strategies

2016/17 Q1

Resource and Budget Implications

All internal costs are being met from the existing budget

A2 – Tax Changes (potentially from the Spring Budget)

What is it?

HM Treasury has already legislated for several changes to how pensions are taxed, while others may be announced at the next Budget on 16 March. Already coming in the 2016/17 tax year is a reduction in the Lifetime Allowance from £1.25 million to £1 million, which will hit high earners and long-serving scheme members. Also, the Annual Allowance taper for higher earners will potentially reduce maximum contributions eligible for tax relief to £10,000. However, this restriction will only hit those earning six-figure salaries and above. Further changes may include another review of pension taxation (expected in the Budget speech), the long-mooted abolition or reform of pension tax relief and measures to help investors facing pension exit penalties to access the pensions freedoms granted in April 2015.

Timescales and Stages

Communicate as necessary

2016/17 Q1

Resource and Budget Implications

All internal costs are being met from the existing budget.

A3 - 3rd Party Administrators Framework

What is it?

To work with other LGPS administering authorities in establishing a national Framework to enable the procurement of 3rd Party Administrators. Part of this will include the provision to procure assistance with project work, where internal resources are not sufficient to cope, or where they do not have the required knowledge and experience to undertake such work whilst continuing to do "business as usual"

Timescales and Stages

Appointment to Framework

2016/17 Q1/2

Resource and Budget Implications

To be led by the Pension Administration Manager. All internal costs will be met by the existing budget. There will be some initial set-up costs involved in this process, to be determined.

A4– Backlog to 31 March 2013 (Mercers)

What is it?

A backlog of tasks prior to 31 March 2013 amounting to 3,000 member cases was initially identified and was reduced by the pensions administration team to approximately 1,700. Plans were put in place to eliminate this accumulated backlog and the Fund's actuary was appointed to complete this project.

Timescales and Stages

Clear cases externally, eliminating backlog.

2016/17 Q1/2

Resource and Budget Implications

Mainly outsourced to the Fund's Actuary and managed internally by the Pensions Administration Manager. It does require some assistance from the operation team. Employers have also needed to dedicate appropriate time in providing information. There are significant external costs associated with this exercise but all alternative options have been considered.

A5 – Backlog from 1 April 2014 to 31 March 2015 (Internal)

What is it?

Following the introduction of the new scheme from 1 April 2014 and late receipt of regulations concerning how members' benefits would be aggregated, a backlog of cases built up, and is in the process of being worked on at the same time as doing the day to day administration.

Timescales and Stages

Clear cases internally for period to 31 March 2015

2016/17 Q1/2

Clear any further backlogs that have accumulated since

2016/17 Q3/4

Resource and Budget Implications

To be completed by the Operations Team. Internal costs are being met from the existing budget albeit this may utilise some of the overtime budget.

A6 – Preparation of Member Data for Valuation

What is it?

The triennial actuarial valuation as at 31 March 2016 requires the pensions administration team to provide data to the actuary. This generally involves additional year end cleansing and is particularly detailed for the 2016 actuarial valuation.

Timescales and Stages

Data for 31 March 2016 valuation:

2016/17 Q1/2

Potential final clarification on data

2016/17 Q3

Resource and Budget Implications

Carried out by the Technical Team in the main with assistance from the Communications Officer when communicating the valuation results. All internal costs are being met from the existing budget.

A7 Document Production and Word Integration

What is it?

There is a facility whereby we can utilise the pensions software (Altair) to create and maintain the standard layout of letters, summaries and other documents. This includes the ability to populate variable data from that held within the system. After the completion of a benefit calculation or a bulk calculation, or following a selection of members, the variable data is merged with the document text to produce the required generated documents for each member. Documents are listed in the document history and they can be printed immediately or at a later date. Setting up this facility is time consuming in the short term but produces ongoing efficiencies as well as reducing the risk of manual error.

Timescales and Stages

Obtain all current letters in use:	2016/17 Q1
Update system with all letters including testing	2016/17 Q2/3/4

Resource and Budget Implications

To be led by the Technical Team with assistance from the Operational Team. All internal costs are being met from the existing budget.

A8 – Electronic and Centralised internal procedures

What is it?

Developing an on-line procedures manual for use by the pensions administration staff. This will amalgamate, expand and update current procedure documents ensure consistency, easy access and efficient working as well as providing a useful training tool.

Timescales and Stages

Develop and collate	2016/17 Q1/2
Upload and maintain	2016/17 Q3/4

Resource and Budget Implications

To be carried out by the full pensions administration team. All internal costs to be met from the existing budget

A9 – Website Update

What is it?

An overhaul of the Pension Fund's website, considering the ease of navigation, the look and feel whilst ensuring that the relevant content is included and is correct. As part of this review, the Communications Officer will consider options in relation to how the existing website can be updated including utilising wording prepared at a national level. Although this is separate to the member self-service facility, there will be some overlap due to access being via the website.

Timescales and Stages

Update and revamp
Link with member self-service (if appropriate)

2016/17 Q1/2/3/4
2017/18

Resource and Budget Implications

This will be a significant amount of work to be undertaken in the main by the Communications Officer with some assistance from the Technical Team. All internal costs to be met from the existing budget.

A10 – Scheme/GMP Reconciliation

What is it?

The government's announcement that contracting out will cease and that HMRC will no longer be responsible for maintaining GMP and other contracting out member records. This means that the onus will be on individual funds to ensure that the contracting out and GMP data they hold on their systems matches up to the data held by HMRC before they cease holding these records. Unfortunately this has shown significant discrepancies between the two sets of data. As a result a significant amount of work will be required to determine the correct benefits, ensure all systems are updated and to process a significant number of over/underpayment calculations. After the records are reconciled for former pensionable employees, the Fund will also verify national insurance information held for active members. All GMP's and national insurance information must be reconciled by December 2018, the date the HMRC will cease to provide their services. The timescales below are subject to change depending on the magnitude of the work.

Timescales and Stages

GMP data reconciliation and investigation
Benefit correction and system updates:
Reconciliation of national insurance information

2016/17 to 2017/18
2016/17 to 2017/18
2017/18

Resource and Budget Implications

This project is currently being led by the Technical Team with some assistance from the Operational Team. Some external assistance from Heywoods (our software provider) has been provided, this external assistance is at a minimal cost at present. However, it is anticipated that due to the significant additional resource required to complete this project, further external resource will be sought. This has been estimated as £840,000 and is included in the budget.

A11 – Trivial Commutation

What is it?

This is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment. This should reduce the administrative burden on Funds paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective.

The government has recently increased the allowable limit for members to trivially commute their pension in relation to their single pension (£10,000 value) and total benefits (£30,000) and this has meant that more members are now eligible to choose this. The pension administration team will need to identify all historical cases that are eligible in the two categories and communicate with them to determine whether they would like to commute their pensions for lump sums. In addition, they will need to update their processes for all future retirements.

Timescales and Stages

Identify members eligible to commute under £10,000:	2016/17 Q2/3
Communicate with eligible members and pay lump sums:	2016/17 Q2/3
Identify members eligible to commute under £30,000:	2016/17 Q3/4
Communicate with eligible members and pay lump sums:	2016/17 Q3/4

Resource and Budget Implications

Led by the Technical Team with some assistance from the Operational Team. All internal costs to be met by existing budget.

A12 – iConnect

What is it?

On-line computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. It involves employers uploading data directly into iConnect from their payroll systems. iConnect will be available to all large employers of the Fund. The first stage will be ensuring that the correct member records are held on the administration system before entering into testing and live roll out of the system. This will be done on a phased basis by employer.

Timescales and Stages

Denbighshire CC	2016/17 Q2/3
Coleg Cambria/North Wales Fire/Glyndwr	2016/17 Q3/4
Wrexham CBC and Flintshire CC	2017/18

Resource and Budget Implications

Time and resource for Employers required. All internal costs are being met from existing budget.

A13 - Member Self Service

What is it?

Member Self-Service will provide members with an easy-to-use interface to the pensions section. This will enable them to access information, undertake data amendments, view their documents and carry out benefit projections online without taking up valuable administration staff time.

Timescales and Stages

Obtain costings and gain approval from Pension Committee
Implement System

2016/17 Q3/4
2017/18 Q1

Resource and Budget Implications

To be led by the Pensions Administration Manager and implemented by the Technical Team with assistance from the Operational Team. The indicative cost for this is £106,800.

A14 – Review Administration and Communications Strategy Statements

What is it?

The CPF Administration Strategy and Communications Strategy are expected to be approved at the March 2016 PFC. They must be reviewed at least once every three years to ensure they remain relevant and up to date.

Timescales and Stages

Review of Strategies

2018/19

Resource and Budget Implications

It is expected this will be led out by the Pensions Administration Team.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Compliance with the Pension Regulator's Code of Practice
Report Author	Chief Executive

EXECUTIVE SUMMARY

The Pensions Regulator's (TPR) Code of Practice (COP) number 14, for the governance and administration of public service pension schemes, came into force in April 2015.

The COP is split into 10 key areas, and overall there is around 90 key requirements or recommended best practice, which can be directly tested and evidence of compliance provided. Karen McWilliam, the Fund's Independent Adviser, with her colleagues from Aon Hewitt have carried out an initial review of the management of Clwyd Pension Fund against these requirements, the results of which are summarised within this report. The Fund's officers are currently in the process of reviewing the results provided by Aon Hewitt.

Aon Hewitt has determined that the Fund is largely compliant with the COP, and has identified a number of areas where relatively small changes in processes or documentation practice would result in greater compliance. Aon Hewitt has carried out a number of these reviews for a range of Funds to date and overall regarded the Fund's results as extremely positive.

RECOMMENDATIONS

1	That the Committee consider the findings of the review and provide any comments.
2	That the Committee note officers will consider the findings and identify when and how improvements should be made.
3	That the Committee note the officers will carry out a self-assessment against this compliance checklist on an annual basis which will be reported back to the Committee and Pension Board.

REPORT DETAILS

1.00	EXPLAINING THE RESULTS OF THE TPR COMPLIANCE REVIEW
1.01	<p>The Public Service Pensions Act 2013, which introduced the new LGPS, also included extended powers for TPR. Until then, TPR had very little involvement in the management of public service pension schemes. The powers include oversight of areas such as:</p> <ul style="list-style-type: none">• Pension Board knowledge and skills and• Internal controls.
1.02	<p>The Public Service Pensions Act also required TPR to issue a Code of Practice relating to the governance and administration of public service pension schemes. This Code of Practice (COP) number 14 came into force in April 2015. TPR has carried out, and intends to carry out further surveys of public service pension schemes to ensure that they are reviewing their management against the COP requirements.</p>
1.03	<p>The COP is split into 10 key areas, and overall there are around 90 key requirements or recommended best practice, which can be directly tested and evidence of compliance provided. Karen McWilliam, the Fund's independent adviser and her colleagues from Aon Hewitt visited the offices of Flintshire County Council in November 2015 in order to gather evidence and assess compliance against each of those requirements as well as some additional elements of good practice recommended by the national Scheme Advisory Board. The findings collated by Aon Hewitt are attached as an Appendix to this report. The results are still being reviewed by the Fund officers and were also shared with the Pension Board on 4 March 2016 given that one of the key areas of responsibility of the Board is to assist in ensuring compliance with TPR requirements.</p>
1.04	<p>Overall, Aon Hewitt is of the view that compared with many Funds, the Fund is to be congratulated on a strong level of compliance with the COP requirements and recommended best practice. Including the Scheme Advisory Board guidance, Aon Hewitt was able to determine that the Fund is fully compliant in 65 out of the 99 areas tested. The Appendix includes a summary dashboard for fast identification of the areas which are not fully compliant.</p>
1.05	<p>Of the remaining 34 areas:</p> <ul style="list-style-type: none">• 3 were not yet relevant for the Fund at time of review,• 9 are cases where the full evidence was not available at the time of the review, but there was enough evidence for partial compliance. It is likely some of these areas will be fully compliant but the evidence was not available at the time of review (for example in relation to AVC provider practices).• Only 7 areas were considered to be non-compliant with the requirements or best practice.• The remaining 15 are partially compliant. These are situations either where it is considered that only partial compliance with a recommended best practice is suitable for the Fund, or where Flintshire County Council have one or two small areas to develop

	before being considered fully compliant.
1.06	Aon Hewitt noted that the Fund is particularly strong in its compliance in the Governance areas, i.e. Knowledge and Understanding, Conflicts of Interest, Publishing information about the Pension Board, Risk and Internal Controls, and Reporting Breaches (as well as the Scheme Advisory Board Local Pension Board requirements). Given the amount of work that has been carried out in relation to governance matters in recent years, this is particularly welcoming.
1.07	<p>Aon Hewitt identified, with Flintshire officers, the key areas for development and these are included as actions in the attachment. These are primarily under the sections 'Maintaining contributions' and 'Providing information to Members and others'. The following are worth noting:</p> <ul style="list-style-type: none"> • It is clear that the administering authority in many areas is carrying out adequate checks and that benefits are being administered correctly. However, in some areas the processes/procedures simply need to be formally documented as evidence; this will also reduce risk in the event of loss or absence of key staff. • There is also a recommendation to set out and monitor against KPIs to ensure legal and internal timescales for communication with members are met (item H9 of the appendix). This is already being progressed as part of the introduction of the Communications Strategy • Similarly, one item of non-compliance (item J3) was in relation to implementing our Procedure for Recording and Reporting Breaches of the Law. This will now be fully compliant due to progress made in recent weeks.
1.08	Another area where recommendations have been made is in relation to the monitoring of compliance of the AVC providers. Although the Fund's AVC providers are required to administer their own systems, Flintshire County Council, as the administering authority, maintains responsibility for the proper administration of the Fund members' AVCs. As such, it should ensure it receives ongoing evidence that the AVC provider is meeting the appropriate standards, particularly in relation to record keeping, internal controls and disclosure of information.
1.09	The other areas are not considered to be of material risk to the Fund or its stakeholders and will be addressed in due course. It is envisaged that the Fund's officers will maintain this compliance checklist on an ongoing basis and it will be brought to the Pension Fund Committee and Pension Board at least annually.
1.10	<p>TPR has stated that following the results of their initial survey the focus for this year will be on:</p> <ul style="list-style-type: none"> • internal controls, • record-keeping and • the provision of accurate and high quality communications to members. <p>TPR plans to look at scheme's processes in these areas, focusing on their:</p> <ul style="list-style-type: none"> • effectiveness in driving good outcomes

	<ul style="list-style-type: none"> • efficiency and reliability (or the processes themselves) • how good practice in one scheme can help inform others with poorer practices <p>The results of this review will assist the Fund in demonstrating compliance in these areas.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	These results have been shared with the Clwyd Pension Fund Pension Board.

4.00	RISK MANAGEMENT
4.01	<p>Key risks to the Fund include:</p> <ul style="list-style-type: none"> • Legal requirements and/or guidance are not complied with • Day to day responsibilities and services are not delivered • The fund's objectives are not met or are compromised (e.g. administration strategy). <p>Carrying out this review now and on an annual basis is a useful means to mitigate against these risks.</p>

5.00	APPENDICES
5.01	Appendix 1 - Report on the Fund's compliance against each of the requirements in the COP.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>TPR Code of Practice and other resources - http://www.thepensionsregulator.gov.uk/public-service-schemes/further-resources.aspx</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region

- (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
- (c) **PFC – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund
- (d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (f) **SIP – Statement of Investment Principles** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund
- (g) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (h) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.
- (i) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (j) **DCLG – Department of Communities and Local Government** – the government department responsible for the LGPS legislation.

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The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Date of Completion: 18/02/2016

Contents

Introduction

Summary Results Dashboard

A - Reporting Duties

B - Knowledge and Understanding

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D - Publishing information about schemes

E - Managing risk and internal controls

F - Maintaining accurate member data

G - Maintaining contributions

H - Providing information to members and others

I - Internal Dispute Resolution

J - Reporting breaches of the law

K - Scheme Advisory Board - Guidance on the creation and operation of Local Pension Boards in England and Wales

Introduction

This document outlines how Flintshire County Council complies with the Pensions Regulator's (TPR) Code of Practice No 14 Governance and administration of public service pension schemes ('the TPR Code') in relation to the management of the Clwyd Pension Fund which is part of the Local Government Pension Scheme (LGPS). It will be updated regularly by officers of the Fund and reported annually to the Pension Fund Committee and Pension Board (generally in June/July each year).

This document highlights all the key elements of the TPR Code and then evidences whether the management of the Clwyd Pension Fund meets these areas of best practice. As part of this evidence it shows when the element was last checked and whether, at that point, it was considered fully, partially or not compliant. Where they are partially or not compliant, it also highlights whether Flintshire County Council, as administering authority to the Clwyd Pension Fund, has identified actions to be carried out to improve their current practices. Where an element is not yet active, the commentary will generally still highlight where advanced progress is being made.

Those reading this document should be mindful that the TPR Code applies equally to all public service pension schemes and therefore it is generic in nature. There may be a number of elements that are more specifically stipulated within LGPS legislation and it is not the purpose of this compliance checklist to consider that level of detail.

Further, key elements of national guidance from the LGPS Scheme Advisory Board may also be incorporated into this compliance checklist. This version contains the checklists included as part of the Shadow Scheme Advisory Boards "Guidance on the creation and operation of Local Pension Boards in England and Wales".

Key

Frequency of review and last review date: Where a process, policy or practice is officially reviewed at a set interval, the actual interval will be shown as well as the last interval date. However, in many circumstances processes and procedures are ongoing and part of the day – to – day operation of the Fund. In these circumstances, an annual check will be carried out to ensure that the ongoing process meets the TPR Code expectations and therefore the date shown will be the date that annual check was carried out and the frequency will be shown as "ongoing (annual check)".

Completed:	Compliant:	Where responsibility relates to employers:
Fully completed	Fully compliant	Employers - Fully compliant
In progress	Partially compliant	Employers - Partially compliant
Not started	Non-compliant	Employers - Non-compliant
Not yet relevant	Not yet relevant	Not yet relevant

Definitions:

<i>PSPA13</i>	Public Service Pensions Act 2013
<i>LGPS</i>	Local Government Pension Scheme
<i>TPR</i>	The Pensions Regulator
<i>TPR Code</i>	The Pensions Regulator's Code of Practice No 14 Governance and administration of public service pension schemes
<i>Scheme Manager / CPF</i>	For the Clwyd Pension Fund, this is Flintshire County Council.
<i>Administering Authority</i>	The LGPS specific term for Scheme Manager. For the Clwyd Pension Fund, this is Flintshire County Council.
<i>IDRP</i>	Internal Dispute Resolution Procedure
<i>SAB</i>	The national LGPS Scheme Advisory Board
<i>PFC</i>	Pension Fund Committee
<i>PB</i>	Pension Board

Summary Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below:

No.	Completed	Compliant
Reporting Duties		
A1	Fully completed	Fully compliant
A2	Fully completed	Non-compliant
A3	Not yet relevant	Not yet relevant
A4	Fully completed	Fully compliant
Knowledge and Understanding		
B1	Fully completed	Fully compliant
B2	Fully completed	Fully compliant
B3	Fully completed	Fully compliant
B4	Fully completed	Fully compliant
B5	Fully completed	Fully compliant
B6	Fully completed	Partially compliant
B7	Fully completed	Fully compliant
B8	Fully completed	Fully compliant
B9	Fully completed	Partially compliant
B10	In progress	Partially compliant
B11	Fully completed	Fully compliant
B12	In progress	Partially compliant
Conflicts of Interest		
C1	Fully completed	Fully compliant
C2	Fully completed	Fully compliant
C3	Fully completed	Fully compliant
C4	Fully completed	Fully compliant
C5	Fully completed	Fully compliant
C6	Fully completed	Fully compliant
C7	Fully completed	Fully compliant
C8	Fully completed	Fully compliant
C9	Fully completed	Fully compliant
C10	Fully completed	Fully compliant
C11	Fully completed	Fully compliant
Publishing Information		
D1	Fully completed	Fully compliant
D2	Fully completed	Partially compliant
D3	Fully completed	Fully compliant
D4	Fully completed	Partially compliant

No.	Completed	Compliant
Risk and Internal Controls		
E1	Fully completed	Fully compliant
E2	Fully completed	Fully compliant
E3	Fully completed	Fully compliant
E4	Fully completed	Fully compliant
E5	Fully completed	Fully compliant
E6	Fully completed	Fully compliant
E7	Fully completed	Partially compliant
E8	Fully completed	Fully compliant
Maintaining Accurate Member Data		
F1	In progress	Partially compliant
F2	Fully completed	Partially compliant
F3	Fully completed	Partially compliant
F4	Fully completed	Fully compliant
F5	Fully completed	Fully compliant
F6	Fully completed	Fully compliant
F7	Fully completed	Fully compliant
F8	Fully completed	Fully compliant
F9	Fully completed	Partially compliant
F10	Fully completed	Fully compliant
F11	Fully completed	Fully compliant
Maintaining Contributions		
G1	Fully completed	Partially compliant
G2	Fully completed	Partially compliant
G3	Fully completed	Partially compliant
G4	Fully completed	Non-compliant
G5	Fully completed	Partially compliant
G6	Fully completed	Fully compliant
G7	Fully completed	Employers - Partially compliant
G8	Fully completed	Partially compliant
G9	Not yet relevant	Not yet relevant
Providing Information to Members and Others		
H1	Fully completed	Employers - Fully compliant
H2	Fully completed	Fully compliant
H3	Fully completed	Fully compliant
H4	In progress	Partially compliant
H5	Fully completed	Fully compliant
H6	Fully completed	Fully compliant

No.	Completed	Compliant
Internal Dispute Resolution		
H7	In progress	Employers - Partially compliant
H8	In progress	Partially compliant
H9	In progress	Non-compliant
H10	In progress	Partially compliant
H11	Fully completed	Fully compliant
H12	In progress	Not yet relevant
H13	Fully completed	Partially compliant
Reporting Breaches		
I1	Fully completed	Fully compliant
I2	Fully completed	Non-compliant
I3	Fully completed	Fully compliant
I4	Fully completed	Fully compliant
I5	In progress	Partially compliant
I6	Fully completed	Partially compliant
I7	Fully completed	Fully compliant
I8	Fully completed	Fully compliant
I9	Fully completed	Fully compliant
Scheme Advisory Board Requirements		
J1	Fully completed	Fully compliant
J2	Fully completed	Fully compliant
J3	In progress	Non-compliant
K1	Fully completed	Fully compliant
K2	Fully completed	Fully compliant
K3	Fully completed	Fully compliant
K4	Fully completed	Fully compliant
K5	Fully completed	Fully compliant
K6	Fully completed	Fully compliant
K7	In progress	Non-compliant
K8	Fully completed	Fully compliant
K9	Fully completed	Fully compliant
K10	Fully completed	Fully compliant
K11	Fully completed	Fully compliant
K12	Fully completed	Non-compliant
K13	Fully completed	Fully compliant
K14	Fully completed	Fully compliant
K15	Fully completed	Fully compliant

A - Reporting Duties

Note the requirements in this section are not included in the TPR Code but they are a fundamental to the relationship with TPR.

Legal Requirements

All public service pension schemes have to be registered with TPR. In addition, all schemes must provide a regular scheme return to TPR, containing prescribed information. A return is required when the scheme receives a scheme return notice from the regulator. The scheme manager must also keep the regulator informed of any changes to registrable scheme details.

Note the requirements in this section are not included in the TPR Code but are a requirement for all schemes.

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
A1	Is your scheme registered with the Pension Regulator?	Will be reassessed annually to ensure new registration is not required	Annual	17/02/2016	Fully completed	Fully compliant	New registration will only be required if a new LGPS is created that is deemed to be a separate scheme	
A2	Is the information held on the Pensions Regulator's website about the scheme up-to-date?	the on-line facility just recently became live. Intention will be to update as employers join or leave the scheme and check annually for overall accuracy.	Ongoing (annual check)	17/02/2016	Fully completed	Non-compliant		Ensure accuracy of data on website and then ensure updated as employers join.
A3	Have you completed this latest Scheme Return in the required timescale?	No scheme return required to date	Ongoing (annual check)	17/02/2016	Not yet relevant	Not yet relevant		
A4	Have you responded to the latest TPR public service pension scheme survey /questionnaire?	Intention is to respond to any such survey that is received, including on a voluntary basis. Latest survey was received Autumn 2015 and completed by CPF.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		

B - Knowledge and Understanding

Legal Requirements

A member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.

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No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
B1	Are there policies and arrangements in place to support pension board members in acquiring and retaining knowledge and understanding?	Pension Fund Training Policy with appropriate objectives and measurements in place. It is agreed by Pension Fund Committee and was adopted by the Pension Board at its first meeting (July 2015). It has since been updated to incorporate CIPFA LPB guidance.	Annual	17/02/2016	Fully completed	Fully compliant	Updated version being submitted to be adopted at 2/3/16 Pension Board.	
B2	Has a person been designated to take responsibility for ensuring the framework is developed and implemented?	Responsibility delegated to the Chief Officer, People and Resources, within the Training Policy.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
B3	Is the Fund providing assistance to pension board members to determine the degree of knowledge and understanding required?	Dedicated induction training has been provided based on CIPFA requirements. Further trainings sessions being provided, jointly run for PFC and PB members.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
B4	Are the roles and responsibilities of pension boards and members of pension board clearly set out in scheme documentation?		Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
B5	Are pension board members aware of their legal responsibility in terms of Knowledge and Understanding?	Articulated in Training Policy and part of Induction Training, also set out in PB protocol. All members are provided with copy of Training Policy as part of induction pack and reminded of Policy on an annual basis. PB is asked to adopt the Training Policy.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
B6	Have all pension board members got access to copies of the scheme rules and relevant Fund documentation?	This information is provided (or links provided) as part of application process, induction training and first meeting. Further there is a list of key documents to be provided within the Training Policy. Most of these have now been shared with the PB.	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Ensure all key documents shared with PB members.
B7	Is there an up-to-date list of the Fund specific documents with which pension board members need to be conversant in?	This is included as the induction list in Training Policy	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
B8	Are all pension board members investing sufficient time in their learning and development?	Training plans are agreed each March as part of the Pension Fund business plan. Monitoring of attendance at training is undertaken in accordance with Training Policy and recorded in annual report and accounts as well as being a regular part of PFC business. Catch up sessions are organised for those unable to attend. It is considered that all PB members are spending sufficient time attending training events (subject to results of Training Needs Analysis).	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		To be reviewed as a result of Training Needs Analysis.

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
B9	Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?	Induction process in Training Policy including providing all with copies of key documents. Pre appointment training/mentoring is not currently offered. Training is provided on appointment and ongoing basis instead.	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		No further action planned.
B10	Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role, responsibilities and duties?	There is a Training Plan (annual) which is focussed at whole PFC/PB level but agreed at PFC, where members of PFC and PB can input to the draft. The Independent Adviser's annual governance assessment considers, at a high level, the effectiveness of training. An training needs analysis exercise is being carried out by the Chief Executive in Spring 2016.	Ongoing (annual check)	17/02/2016	In progress	Partially compliant		Training Needs Analysis to be completed during Spring 2016.
B11	Are records of learning activities being maintained?	Full records are maintained at a personal level and reported to PFC as well as being included in the annual report and accounts.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
B12	Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?	It is the intention that all PB and PC members will carry this out. However, focus has been on completing other induction training. Some PB/PC members have already completed some modules. Further modules will be built into 2016/17 training plan.	Ongoing (annual check)	17/02/2016	In progress	Partially compliant		

C - Conflicts of interest

Legal Requirements

The Public Service Pensions Act 2013 sets out the legal requirements for scheme managers and pension boards for conflicts of interest.

In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:

- that a person to be appointed as a member of the pension board does not have a conflict of interest and
- from time to time, that none of the members of the pension board has a conflict of interest.

Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.

Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.

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No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
C1	Does the Fund have a conflict of interest policy and procedure, which include identifying, monitoring and managing potential conflicts of interest?	Policy in place and approved by PFC and adopted by PB, and includes key required items.	Annual	17/02/2016	Fully completed	Fully compliant		
C2	Do pension board members have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how to manage potential conflicts?	Included as a key part of first PB meeting (July 2015) and induction training. Policy will be shared further as part of annual process to refresh declarations (due June/July each year).	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
C3	Have all Pension Board members provided appropriate information for the Administering Authority to determine whether a conflict exists (on appointment and from time to time)?	All completed declaration of potential conflicts at first PB meeting (July 2015). This equally applies to PFC members and senior staff. Declarations are required to be refreshed annually.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
C4	Does the appointment process for pension board members require disclosure of interests and responsibilities which could become conflicts of interest?	Potential conflicts were asked to be disclosed on application forms.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
C5	Is the conflicts policy regularly reviewed?	It is reviewed at least every three years (so due March 2018).	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
C6	Does the Fund have a conflicts register and it is circulated for ongoing review and published?	A register is created based on individual declarations and any further declarations (e.g. at the commencement of meetings) and all are asked to refresh/check their entries at least every 12 months (due June/July 2016). It is available to be shared with the PFC Chairman at the beginning of each PFC. It is also published as part of the annual report and accounts (first year of publishing will be in relation to 2015/16).	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
C7	Is appropriate information included in the register?	All areas expected by The Pensions Regulator are included in the register and/or declarations of interest.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
C8	Is there a standing item on the agenda for declaring conflicts of interest?	Part of standard PFC and PB meeting agenda	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
C9	Do those involved know how to report a conflict of interest?	Members trained on appointment and provided with copy of Conflicts Policy annually (as part of refreshing declarations - due June/July). Also Conflicts/Policy referred to at start of each meeting	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
C10	Is the number of employer and member representatives on the board in line with legal requirements?	Yes - there are two scheme member representatives and two employer representatives. All posts are currently filled.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
C11	Is the board made up of the appropriate mix of representatives in order to minimise potential conflicts?	Positions include retired and active scheme members, as well as employer representatives. It is considered that those taking up those appointments have a good mix of backgrounds and skills, supplemented by ongoing training.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		

D - Publishing information about schemes

Legal Requirements

The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date.

The information must include:

- who the members of the pension board are
- representation on the board of members of the scheme(s), and
- the matters falling within the pension board's responsibility

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No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
D1	Does the Administering Authority publish information about the pension board?	Name of all members, whether they are a scheme or employer rep, voting rights, and responsibilities detailed on website and in the annual report and accounts. http://www.clwydpensionfund.org.uk/en/Governance-and-Investments/Local-Pension-Board.aspx	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
D2	Does the Administering Authority publish other useful related information about the pension board?	Full protocol on website details how members are appointed i.e. election and selection criteria. This protocol covers/includes the typical items in a terms of reference. The PB members' employment information is not currently included. No specific roles and responsibilities for PB members - joint responsibility for all PB matters.	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Consider including current employment etc. as part of website review.
D3	Is all the information about the Pension Board kept up-to-date?	Information regularly checked. Pension Fund Manager and Communications Officer will update website when new members appointed.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
D4	Does the Administering Authority public information about pension board business?	PB are not public meetings so details are currently not published, though Flintshire may publish information relating to the PB from time to time. PB meeting minutes become part of PFC meetings and are therefore public. An annual report by the Chair of the PB is prepared and published as part of the annual report and accounts (first one due in relation to 2015/16)	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		

E - Managing risk and internal controls

Legal Requirements

The scheme manager must establish and operate internal controls which adequately ensure the scheme is administered and managed in accordance with the scheme rules and the requirements of the law.

Internal controls are defined in the legislation as:

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme

The legal requirements apply equally where a scheme outsources services connected with the running of the scheme.

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
E1	Is there an agreed process for identifying and recording scheme risks?	A risk management policy is in place that outlines the procedure for identifying, managing and recording risk. It covers all the key areas identified by the TPR Code. It was approved by the PFC in March 2015.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
E2	Does the Fund have an adequate process to evaluate risks and establish internal controls?	The risk management policy includes how risks are to be evaluated and internal controls established. It makes use of risk register with a RAG status based on impact and likelihood and the associated control is then shown as part of the risk register.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
E3	Does the Administering Authority have a risk register to record all risks identified and action taken?	Risk register is in place which includes internal controls in relation to identified risks and further identified actions. New, high, big changing and removed risks are reported quarterly to the PFC.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
E4	Does the Administering Authority review the effectiveness of the risk management and internal control systems of the Fund?	Our risk management and internal controls are continually reviewed for effectiveness as part of a number of processes including: - A regular agenda item on Advisory Panel meetings considering the risk register or new areas of concern - The ongoing (at least at quarterly PFC meetings) updating of the risk register which includes the control of those risks - Issues identified through regular monitoring reports such as KPI performance monitoring for PC, IDRPs updates and breaches reporting is soon to be in place. - The triennial (at least) review of the risk management policy - Regular internal and external audit reports. - Annual internal control reports custodian and fund managers. - Annual update of TPR Code compliance checklist. - Periodic ad-hoc reviews (e.g. process review) Register and policy for risk management is completely reviewed annually as part of business planning.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
E5	Does the Administering Authority regularly review the risk register?	Register entries are reviewed at each PFC meeting (quarterly) and at most Advisory Panels (quarterly). The information provided to PFC is also provided to PB members. Risk management is ongoing and therefore the register can be updated as a result of risk identification through a number of means including: - ongoing review at the above named meetings - performance measurement against agreed objectives and KPIs - monitoring against the Fund's business plan - findings of internal and external audit and other adviser reports (e.g. resulting from the triennial valuation) - feedback from the local Pension Board, employers and other stakeholders - informal meetings of senior officers or other staff involved in the management of the Fund - liaison with other organisations, regional and national associations, professional groups, etc.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
E6	Is there a standing item on the Pension Board agenda to review scheme risks?	It is a standing item on the PFC each quarter and, as a matter of course, is then shared with the Pension Board. It has also been added as a further item for more detailed consideration for the PB during 2016	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
E7	Does the Administering Authority have adequate systems, arrangements and procedures (internal controls) in place for the administration and management of the Fund and are they documented ?	<p>Based on a high level discussion, it is considered that there is a good awareness of appropriate internal controls and these appear to be in place, albeit some controls are not currently fully documented.</p> <p>For example, in relation to administration, different roles have different access and ability to carry out certain functions on the systems. There are, for example, limitations on who can check and get access to certain things (do, check , review process) and system won't allow anything to be done by a person without correct authority. Doing and checking can be done by the same person if at the right level but if this were the case a report on this goes to the Pension Manager and investigated. A list of users and levels s available on altair.</p> <p>Also staff cannot access their own pension records.</p> <p>The Fund has put into place reporting on performance against the identified KPIs, and there are SLAs with the Employers to attempt to ensure timely and accurate data and contributions. The administration policy is being revised and reissued to include greater focus on systems (e.g. I-connect) to reduce the need for manual input by employers or admin staff.</p> <p>The finance team make good use of spreadsheets to carry out control checks in relation to movement of monies and bank reconciliation. Further information is included in point F3. They are in the process of documenting their existing procedures for contribution and employer information checking.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Ongoing work to ensure all internal controls are appropriately documented.
E8	Do these procedures apply equally to outsourced services, are internal controls reflected in contracts with third party providers and is there adequate reporting in relation to those controls?	<p>The key outsourced services for this purpose are BNYM (custodian) and Fund managers. These providers are required to provide annual internal control reports.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		

F - Maintaining accurate member data

Legal Requirements

Scheme managers must keep records of information relating to:

- member information
- transactions, and
- pension board meetings and decisions.

The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').

The Data Protection Act 1998 and the data protection principles set out additional requirements for using, holding and handling personal information. Other requirements are set out in the:

- Pensions Act 1995 and 2004
- Pensions Act 2008 and the Employers' Duties (Registration and Compliance) Regulations 2010
- Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715)
- Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (SR 1997 No 94)
- Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567)

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
F1	Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?	<p>Checks were carried out in relation to each of the requirements in the Record Keeping Regulations and are, in the main, compliant with the following points of note:</p> <p>'- for in relation to clause 4(3), which relates to information for members who pay AVCs, The AVC information is held and maintained by Prudential/Equitable Life with an annual update provided to CPF. Prudential only provide a list each year of which members statements have been sent to, but statements are sent straight from Prudential to member so data not held on CPF member records or paper files, and member choices re investments and Retirement date are not included on the list of information from Prudential which are two key elements. Equitable life AVCs are not held for active records, just deferred members - for these, annual statements go to CPF for scanning, these are held linked to each members' electronic record, and posted to members (and the investment option i.e. with profits is shown on the statement). All of that being said, it is expected the information maintained on CPF's behalf by these providers will meet with the Record Keeping provisions but confirmation will need to be obtained from the providers. In addition CPF staff don't use/have access to Prudential records via the Prudential on-line facility - this should be obtained as soon as possible.</p> <p>'- The pension team is currently processing the significant leavers backlog. This may mean some records are not currently fully compliant with the record keeping provisions.</p> <p>Points of explanation regarding how some information is held (but which are still compliant):</p> <p>'- Annual pension increases are done in a bulk exercise - the increase for each year for each member is then stored via the scanned member letters each year held against each members' record. Similarly calculation of members benefits and any checks/amendments are scanned and saved on each member record.</p> <p>'- Postal addresses not held for those pensioners who are gone away who DWP can not trace - each time a "gone away" notification received a DWP trace is done. This may only occur once a year as pensioners are only written to on an annual basis.</p>	Ongoing (annual check)	17/02/2016	In progress	Partially compliant	Clearing backlog will help move to full compliance.	Obtain access to Pru systems for CPF admin staff and written confirmation that they meet the requirements.

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
F2	Does the Fund have the appropriate processes in place so employers can provide timely and accurate information?	<p>SLA with instructions is in place with standard forms to complete attached to the SLA. This will be backed up by the Administration Strategy (being implemented Spring 2016). However at least 1 employer (Flintshire CC) is still providing information in a different format than requested. Standard forms need to be updated to include requirement to provide the correct pay and the employer contributions split by member.</p> <p>I connect which is currently being tested for a large employer, will have online information which sends errors back to employer and an error report to AA, and only once resolved this information will be automatically loaded onto altair and the record is therefore released to CPF only once errors cleared. This will further enhanced processes for data to be submitted. Otherwise, data can be provided in spreadsheet format (rather than single forms) if easier for employers.</p> <p>Training needs for employers identified based on issues arising, or when requested, or large scale changes occur, including training provided to key employer contact when a new employer joins.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Year end return format needs to be updated for employer contribution at individual level.
F3	Does the Fund keep records of and reconcile transactions as required by the Record Keeping Regulations?	<p>All info on scheme records and also on the cashflow systems feeds into annual report and accounts. This includes all write offs (see below). Bulk transfers are such that an automatically created auto view on altair loads the transfer to each member record. Budget monitoring also is an extra check on reasonableness of amounts vs expected. All this information is stored indefinitely in the CPF finance team drive and so is fully backed up - payments go back to at least 1999/2000 on spreadsheet shown. There is reconciliation between actual and expected costs, with a quarterly update against budget in PC papers.</p> <p>Employer contributions paid in relation to each active member are not currently stored on CPF systems, Altair now have a new field for this but it is not currently completed. However, FCC (i.e. one employer) do include employer contributions split by member but this is because they are providing data in a historical format.</p> <p>All transactions go through custodian: on a monthly basis records are downloaded from the custodian system and checked on monthly sheets - includes all purchases, sales, currency adjustments etc.- these are coded by specific individual codes for each type of transaction into the ledger, and into the check sheet which has a tab for each fund manager. Then another sheet brings it all together on "book" spreadsheet and this is compared to the ledger. This is used by the auditor for annual report checking.</p> <p>Write offs - pink slips are kept in a paper file which record the amount of the overpayment, the approach to recover, and is checked before entered onto a spreadsheet for monitoring. If over 100 pound, an invoice is sent to executor or spouse etc., and those under 100 will be automatically written off, then all are reconciled In ledger under a specific code. If invoiced but not paid eventually also written off (i.e. at end of year). The Flintshire debtor system will chase</p>	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Obtain and record employer conts split by member
F4	Are records kept of pension board meetings as required by the Record Keeping Regulations?	Minutes and meeting papers are maintained by the Pension Team Finance Managers including a record of all decisions made, highlighting all actions. Minutes are sent to PFC as part of their papers for each meeting and are therefore uploaded to the Council's website as part of the PFC reports.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
F5	Are records kept of decisions made by the pension board, outside of meetings as required by the Record Keeping Regulations?	We do expect minimal situations where there would be decisions outside of the PB meetings. Where there has been this is fully recorded and retained (for example, as part of an e-mail record).	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
F6	Are records retained for as long as they are needed?	<p>CPF consider it necessary to retain records for long as is possible due to the number of enquiries from employees relating to periods many decades ago. Accordingly personal records are maintained in addition to other data such as contribution lists, spreadsheets of old cases and pensions increases reports.</p> <p>There are no more individual paper files, all member records are scanned on to altair system and kept indefinitely.</p> <p>Contribution returns are held on paper files and scanned and kept indefinitely.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
F7	Does the Administering Authority have policies and processes to monitor data on an ongoing basis?	<p>There are a number of separate processes in place to monitor data on an ongoing basis including:</p> <ul style="list-style-type: none"> - Some comparison of admin records compared to FCC payroll information each month to flag differences (e.g. changes in pay rates over certain levels) - Standard internal process for year-end annual returns highlighting any data discrepancies (e.g. manual checks of contributions v pay) - Altair year end upload process includes warnings/errors - Majority of data entry is checked for input accuracy - Various tolerance checks such as changes in pay - Comparison of payroll v admin system monthly - Processes if pensioner payslips (which are sent if pension changes by £5 or more a month) or pension increase letter are returned - follow guidance (DWP tracing), also using only BACs payments for pensioners and life certificate exercises on a regular basis (3-5 years) and national fraud initiative also every 2 years. - Triennial valuation highlights data issues. - Administration Strategy (to be finalised spring 2016) introducing a formal escalation process with employers if incomplete monthly data is provided or if provided late, - Checks carried out on 'common' data as part of annual exercise. - Gone away deferred records kept as gone away as can't do DWP trace before SPA. - Pension payroll procedures documented on paper file and on system. Movements are recorded, pensions over £1,200 a month are checked, movements are checked on a monthly basis. Heywood guidance on how to check pension increases is used - spot checks are carried out and kept for audit purposes and calculations also done manually as extra check. 	Some monthly, some annual	17/02/2016	Fully completed	Fully compliant		
F8	Does the Administering Authority carry out a data review at least annually?	Yes, key part is the year end process. More details in F7.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
F9	Is a data improvement plan in place which is being monitored with a defined end date?	The current backlog has a plan in place for clearing it. However, more work to identify problems with employers and ensure an improvement plan is in place to ensure ongoing problems are minimised.	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Improvement plans for ongoing data (e.g. FCC) require developed.
F10	Are processes and policies in place to reconcile scheme data with employer data?	See F7 for main detail. Further, in terms of addresses, team collect returned (gone away) ABS and pen pals and deferred statements, sent to employers to ask for address info - often employer has same info as the fund for employees so they then need to get new address from members - the records are then updated as new information comes back. The amount of discrepancies are quite significant so employer could make improvements in timeliness of providing information so that admin records are up to date.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant	Although compliant, employer data continues to be an issue. I-connect and improvement plans should assist.	Ongoing work with employers (I-connect and identify ongoing issues/agree improvement plans).

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
F11	Do the Administering Authority's member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles?	<p>All those involved with data understand the DPA:</p> <ul style="list-style-type: none"> - Refresher training provided to all staff Q4 2015 and remainder likely in early 2016 - at least triennially - DPA officer at Flintshire carries out training - Council data protection statement of policy and practice in place and guidance on intranet <p>Evidence of processes includes:</p> <ul style="list-style-type: none"> - Data from/to employers now through egress - employers have to sign up to egress, stuff from employers sending stuff in through secure pensions inbox - Focalpoint used for data transfer with actuary - Actuary – use egress secure email to send data. And secure email account - use Mercers secure site for sharing data. - Egress info with member comms 	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		

G - Maintaining contributions

Legal requirements

Contributions must be paid as detailed below, and where not done, they should be reported to TPR in circumstances where the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to TPR in the exercise of any of its functions. Reporting must be carried out as detailed below.

Contribution Type	Contributions must be paid	When a failure should be reported
Employer	On or before the due date as defined by the scheme regulations	To The Regulator: As soon as reasonably practicable
Employee	Paid within the prescribed period (19 th day of the month, or 22 nd day if paid electronically) or earlier date if required by the scheme regulations	Regulator: Within a reasonable period – 10 working days

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
G1	Does the Fund have procedures and processes in place to identify payment failures?	<p>Team have a spreadsheet which identifies how much is expected and compares with how much paid for each employer. Pay is stored on there as well. If late, the expected amount (and contribution once paid) is highlighted red. Employer SLA is 19th of the following month for both employee and employer conts. SLA says the Fund may charge interest on late payments but to date this has not been implemented.</p> <p>The sheet is monitored daily, and a key check carried out on the 19th to identify late payments. However there is currently no procedure documented for this and is down to an individual on the team being available to do this. Few employers have payment timing issues, so there is no formal procedure to follow when failures happen. In practice, failures are raised with the Finance Manager and the team will chase the employer via phone or email first.</p> <p>The remittance form does not include Assumed Pensionable Pay (APP) and split of 50:50 scheme.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Formalise procedures for dealing with late and incorrect payments. Update remittance advice.
G2	Do those processes and procedures include a contributions monitoring record to determine whether contributions are paid on time and in full?	<p>The spreadsheet highlights where a payment is not received by the 19th of each month. It also highlights if contributions could be incorrect by comparing salary vs contribution rate to give employee and employer rates so there appears to be robust checks in place. If rates paid by employer and employees do not look consistent this will be raised. There is no formal documented procedure (albeit the spreadsheet does store all the historical information too).</p> <p>Currently there are 3 employers not providing full information as required and one employer shuts in summer for one month so payment is always late in this month - but early during the remainder of the year so no action has been taken. FCC (employer) contribution payments were incorrect for at least 3 months during 2015/16.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		<ul style="list-style-type: none"> - Formalise procedures for dealing with late payments (as above). - Ensure employers not complying with format of data/timing of payments and incorrect payments are resolved and escalated in accordance with the agreed procedure.
G3	Do those processes and procedures include monitoring payments against the contributions monitoring record on an ongoing basis?	<p>The process includes reconciliation with the payment received and shown in the financial system.</p> <p>No process is currently in place in relation to reconciling AVC payments with contributions record as these are paid directly to Prudential.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Ensure a process is put in place to identify where AVCs are paid late to Prudential and obtain assurances from Prudential that they have appropriate processes in place.

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
G4	Are these procedures regularly reviewed to ensure they are effective?	Payments are on the whole, usually on time but no formal review of the process/procedure is undertaken. This will be incorporated as a part of formalising the procedure.	Ongoing (annual check)	17/02/2016	Fully completed	Non-compliant		Ensure documented process includes a regular review of effectiveness of process.
G5	Do the Administering Authority's processes include managing overdue contributions in line with TPR's suggested approach?	In practice the TPR's suggested approach is followed although this is not formally documented. However, the CPF Breaches Procedure will assist in formalising this too.	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Formalise procedures for dealing with late and incorrect payments.
G6	Does the Fund maintain a record of any investigations and communications with employers?	A summary of late payments is included in annual report and accounts (although employers are not specifically named). Information is also available on the historic monitoring spreadsheets. Emails with employers are currently available in a central mailbox and generally copied into each admitted body sub-folder but this process could be more refined.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		Documented procedure should clarify where all records are maintained, including of phone conversations.
G7	Do employers provide sufficient information to monitor contributions and is this in accordance with the LGPS regulations?	Not all employers provide the full information (e.g. some miss pensionable pay) or follow the correct format.	Ongoing (annual check)	17/02/2016	Fully completed	Employers - Partially compliant		-Set out new requirements for employers and update SLA to aid understanding. -Follow up with employers who continue to not meet requirements.
G8	Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period?	The CPF Breaches Procedure was agreed by PFC in November 2015. An internal process is being developed to ensure all breaches are now captured and recorded. All failures are already recorded in annual report and accounts.	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Register of breaches to be finalised/put into action.
G9	If the administration of contributions outsourced to a service provider, is there a process in place to obtain regular information on the payment of contributions to the scheme?	N/A - not outsourced.	Ongoing (annual check)	17/02/2016	Not yet relevant	Not yet relevant		

H - Providing information to members and others

Legal requirements

The law requires schemes to disclose information about benefits and scheme administration to scheme members and others. This includes requirements relating to benefit statements and certain other information which must be provided under the requirements of the 2013 Act, HM Treasury directions and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ('the Disclosure Regulations 2013'). In addition to these duties, there are other legal requirements relating to the provision of information to members and others under other legislation.

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
H1	Has an annual benefit statement been provided to all active members within the required timescales?	Sent annually. Statements as at 31st March 2015 all issued by 27th August 2015 (one of only 7 LGPS Funds to meet legal timescale). Data cleanse carried out in May for active addresses and therefore all actives then got a statement. Some data issues with employers means may not be as accurate as wished, but this is a common issue with LGPS Funds and appropriate disclaimers put on statements.	Annual	17/02/2016	Fully completed	Employers - Fully compliant	Blank version on website for members to view so know what to expect.	Improvements needed in process etc. for next year for receipt of employer data and ensuring all data for CARE is accurate from 1/4/14.
H2	Do these meet the legal requirements in relation to format?	Treasury Direction was issued in March 2014 and effective from 1 April 2015 (so applies to 2015/16 onwards statements and not 2014/15). Even though, disclosure regs and HMT directions are complied with for active members.	Annual	17/02/2016	Fully completed	Fully compliant		
H3	Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales?	Benefit statements are issued automatically to deferred members annually (27/5/15 for 2014/15), which is more proactive than this provision (which just relates to issuing them on request). Deferred statements only not sent if "gone away" from current address held. In relation to backlog members turning to DB status, they receive a DB statement as soon as their record is updated. Pension credits members also get annual statements (i.e. beyond legal requirements) - issued end September 2015 for 2014/15.	Annual	17/02/2016	Fully completed	Fully compliant		
H4	Does this meet the legal requirements in relation to format?	The information in the standard deferred statements does not fully comply with the disclosure requirements where the pensionable remuneration on the date of leaving is not included. Not seen evidence for pension credit statements. However, it is possible information provided on individual requests includes this element, this needs to be further investigated.	Ongoing (annual check)	17/02/2016	In progress	Partially compliant		Check format of statements for credit members meets requirements and for those other requests. Include pensionable pay in future deferred statements as standard or ensure included for individual requests.
H5	Has an annual benefit statement been provided to all members with AVCs within the required timescales?	These are distributed directly to members by Prudential (an email is sent to the Fund when this is completed - was August/September 2015). No checks are currently carried out to check if all those due a statement get it and the information included is adequate. Equitable Life sent their statements in week commencing 11 May 2015 and then these are distributed by CPF to scheme members.	Annual	17/02/2016	Fully completed	Fully compliant		Ensure Prudential provide appropriate information going forward to satisfy CPF that they are meeting these requirements (e.g. copy statement, date of issue and letter of adherence to requirements).
H6	Do these meet the legal requirements in relation to format?	Statement provided by Prudential checked against requirements and all appropriate information is included.	Annual	17/02/2016	Fully completed	Fully compliant		See H5 above.

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
H7	Is basic scheme information provided to all new and prospective members within the required timescales?	Employers should give out booklet to new employee with contract. Different one for councillors as well. When CPF notified, they send a starter pack with forms to complete, brief guide to scheme. This two stage process should provide assurance that disclosure requirements are met but not currently monitored. Going forward, this will be measured vs 2 month legal timescale in KPI review - will highlight if Employer issue rather than Fund. Year end error reports are carried out - these check reference no vs admin system then queries sent to employers - this is for the discrepancies in starters and leavers and hours part time etc. and so it highlights that some new starts have not been told to CPF. However, given the employer should issue the booklet, the disclosure requirement should still be met. Fund is implementing I-connect which will highlight new members on a more regular basis than end of year and so help solve them throughout the year. No stats are currently available but will be available going forward (from at least April 2016).	Ongoing (annual check)	17/02/2016	In progress	Employers - Partially compliant		Commence KPI monitoring of this.
H8	Does this meet the legal requirements in relation to format?	Most of the key information is included in the short guide. Missing information is: - the period required for notice to opt out of the scheme - how the scheme defines pensionable earnings It is also noted that the guide refers to the Superannuation Act 1972 which should therefore be updated to include the Public Service Pensions Act 2013. However, this information may be provided in the full booklet provided by employers and so, if employers are providing all employees with booklets, the requirements may be adhered to. However, we can not verify that at this point.	Ongoing (annual check)	17/02/2016	In progress	Partially compliant		Update short guide (or verify full guide includes information and is 100% issued by employers).
H9	Is all other information provided in accordance with the legal timescales?	It has not been possible to check that every requirement is fully met. Some specific areas of evidence/progress include: - timescales on accessing benefits (one of the key requirements) are included in KPIs which will be regularly monitored as part of the Administration Strategy from 1 April 2016. It is expected that some of these timescales are not fully compliant at this point in time due to ongoing backlogs. - In relation to advising changes to the scheme, CPF follows LGA recommendations which are expected to highlight the need for communications and when. - In relation to pension payment changes, a payslip is only sent to pensioners if there is a change of £5 or more per month otherwise no payslip (i.e. tax code change) but letters are issued for other changes including pension increase letters before the effective date of the increase. All information issued is generally then uploaded to the CPF website.	Ongoing (annual check)	17/02/2016	In progress	Non-compliant		KPIs monitoring (currently in development) will assist with determining compliance).

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
H10	Is all other information provided in the format and methods required by law?	<p>It has not been possible to check that every requirement is fully met, in particular in relation to the settlement of AVC benefits. However based on the sample communications provided:</p> <ul style="list-style-type: none"> - When a member has a transfer credit a TV in statutory notice is sent to them, all the required information is provided and they are also provided information on request. - All communications have the pension team contact details on to ask questions or for further information. - Death benefit notifications could be more explicit about how increases to widows / dependant's pensions will be applied. <p>More information to demonstrate good practice/compliance: '- the technical team send information about any scheme changes via the membership "pen pal" newsletter and bulletin when changes occur - to all active home addresses. Pensioner newsletter provides PI details, other newsletters are sent ad-hoc. LGA bulletins go to employers for them to pass information on to employees. "Pensions extra" is sent to certain membership groups e.g. to explain changes to tax limits.</p> <p>It is not clear what information is provided to members on joining from Prudential regarding lifestyling (if lifestyling is offered), and the statement about the AVC values being dependent on contributions, investment returns and annuity values, so that is being investigated.</p>	Ongoing (annual check)	17/02/2016	In progress	Partially compliant		Prudential (the AVC provider) are to be asked to provide an annual statement confirming they have met the requirements in relation to lifestyling and when a member dies the disclosure regs are met.
H11	Where any information is only provided electronically (i.e. instead of any hard copy) does it comply with the legal requirements?	No communications are electronic only. Everything is hard copy - including the basic scheme information which must be provided for new starters. However, further information is available on the website including anything sent to members being uploaded. Further, for new joiners, a hard copy statutory notice is provided directing them to the information on the website.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant	Technical (including comms) officers are aware of legal requirements if use website or electronic communications only in future	
H12	Does the Administering Authority aim to design and deliver communications in a way that ensures scheme members are able to engage with their pension provision?	this can not currently be measured. However, objectives are included in the Communications Strategy that focus on these requirements. This is currently being rolled out and will be effective from 1 April 2016. The satisfaction survey sent to members and employers will then be updated to reflect the strategy and objectives, therefore measuring their ability to engage with their pension provision	Ongoing (annual check)	17/02/2016	In progress	Not yet relevant		
H13	Does the Administering Authority use a tracing service?	<p>Pensioners – if a pensioner becomes "gone away", CPF use the DWP tracing service.</p> <p>Also life certs review (last 18/11/14) including overseas pensioners is carried out every 3 -5 years. NFI mortality screening is every 2 years. Atmos also do mortality screening on monthly basis against postal records.</p> <p>Deferred and frozen refunds – no tracing service currently used. Exercise to find frozen refunds was carried out in 2013 and DWP trace to pick up outstanding ones - still some outstanding so carry this out again at some point and on ongoing regular basis.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Carry out further tracing service checks on deferred/frozen refund members in the future (perhaps every 3 to 5 years).

I - Internal Dispute Resolution

Legal requirements

The Pensions Act 1995 requires scheme managers to set up and implement an Internal Dispute Resolution Procedure (IDRP) to help resolve disputes between the scheme manager and people with an interest in the scheme.

The act states that a person has an interest in the scheme if they:

- are a member or beneficiary
- are a prospective member
- have ceased to be a member, beneficiary or prospective member
- claim to be any of the above and the dispute relates to this claim.

The Act also states that the procedure must include:

- how an application is to be made
- what must be included in an application
- how decisions are to be reached and notified
- a specified period (which is reasonable) within which applications must be made.

The procedure may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. This decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters. However, legislation provides flexibility for scheme managers to decide the details of these.

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No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
I1	Has the Administering Authority put in place an internal dispute resolution procedure?	Yes – leaflet outlining procedure is available on website and in paper/leaflet form, in English and Welsh. http://www.clwydpensionfund.org.uk/en/PDF-Files/FINAL-ENGLISH-VERSION-Appeals.pdf	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
I2	Does the Administering Authority's process highlight or consider whether a dispute is exempt?	Not currently - consider updating next time (does state who it applies to).	Ongoing (annual check)	17/02/2016	Fully completed	Non-compliant		Consider updating for the exempt example wording.
I3	Does the information made available to applicants about the procedure clearly state the procedure and process to apply for a dispute to be resolved including: - who it applies to - who the specified person (stage 1) is - the timescales for making applications - who to contact with a dispute - the information that an applicant must include - the process by which decisions are reached?	Leaflet outlining IDRP procedure includes this information. Stage 1 person not named in the leaflet but that they are appointed by CPF and the member is informed of the specified person at that point. Requirement for 6 months after the written notification disagreed with or the act or omission that is the cause of the disagreement, but it mentions that specified person has discretion to allow more time. IDRP leaflet sets out who to send forms to for stage 1, then the process is explained i.e. timescales stage 2 and TPAS/Ombudsman	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
I4	Has the Administering Authority ensured that employers who make first stage decisions also have IDRP in place?	CPF carries out this process for the employer and they write to employer to say that person is appointed and do they want to proceed. They also notify a scheme member of this person is when an appeal is received.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		- Consider including within the SLA to ensure this is highlighted to employers. - Consider updating brief guide to scheme to make this clearer.
I5	Are the timescales in the procedure adhered to including sending an acknowledgment on receipt of an application?	Acknowledgements are issued within 5 days and responses are supposed to be sent within the 2 month deadline. The timescales are not currently monitored as CPF don't always hear about them in time.	Ongoing (annual check)	17/02/2016	In progress	Partially compliant		Implement a process to allow timescales to tracked or at least to receive ongoing reports from appointed persons.

No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
16	Does the Administering Authority notify and advertise the procedure appropriately?	<p>Leaflet included on the website (which is where joining information also is). New joiner booklets include details of IDRPs, TPAS and the Ombudsman - note this is not currently in the Councillors booklet.</p> <p>Not all notification of benefit letters currently includes this. Statutory notice letters refer members to the booklet which includes the information. It is mentioned in retirement letters and notification of death benefits letters (evidenced), does not appear to be included in CETV payment notice letter or interfund adjustment confirmation letter (or estimate of CETV - though this does refer members to the website/booklet related to a different point).</p> <p>Not considered particularly appropriate to include in administration or communications strategy.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Partially compliant		Ensure statement regarding IDRPs is introduced into all benefit or entitlement notification letters, and councillors brief guide.
17	Are the notification requirements in relation to TPAS and the Pensions Ombudsman being adhered to?	<p>This information is in the IDRPs guide which the member receives after they notify a dispute.</p> <p>Furthermore, notifications always include information about TPAS/PO in the decision letter.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
18	Does the Administering Authority regularly assess the effectiveness of its arrangements?	<p>the number of cases and type are recorded at quarterly PFC Meetings which would assist in highlighting issues with effectiveness of the procedure. Outcomes for CPF related disputes are discussed at team leader meetings so improvements to processes made. Suggestions made to employers if outcome is that procedures on their side are flawed.</p>	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
19	Does the Administering Authority regularly assess the effectiveness where employers carry out a stage one process?	<p>As the employers stage 1 person is as per CPF, the evidence to 18 equally applies</p>	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		

J - Reporting breaches of the law

Legal Requirements

Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers
- members of pension boards
- any person who is otherwise involved in the administration of a public service pension scheme
- employers: in the case of a multi-employer scheme, any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers
- professional advisers including auditors, actuaries, legal advisers and fund managers: not all public service pension schemes are subject to the same legal requirements to appoint professional advisers, but nonetheless the regulator expects that all schemes will have professional advisers, either resulting from other legal requirements or simply as a matter of practice
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme.

The report must be made in writing as soon as reasonably practicable.

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No.	TPR Requirement	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
J1	Is the Administering Authority satisfied that those responsible for reporting reaches under the legal requirements and TPR guidance understand the requirements?	Reporting Breaches procedure put in place and approved at PFC in November 2015. This was shared with PB as part of the papers and also with officers and employers since then. It was part of a training session with PFC, PB and officers in December 2015. It still has to be circulated to advisers, but they would be expected to be aware of these requirements anyway.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		Share with advisers for completeness.
J2	Does the Administering Authority have appropriate procedures in place to meet their legal obligations for identifying and assessing breaches?	See J1.	Ongoing (annual check)	17/02/2016	Fully completed	Fully compliant		
J3	Are breaches being recorded in accordance with the agreed procedures?	The process for recording breaches is currently being developed and will be shared with PFC from March 2016.	Ongoing (annual check)	17/02/2016	In progress	Non-compliant		Register of breaches to continue being developed.

K - Scheme Advisory Board - Guidance on the creation and operation of Local Pension Boards in England and Wales

Legal Requirements

Clause 7 of the Public Service Pensions Act provides that the national Scheme Advisory Board (SAB) may provide advice to scheme managers or pension boards in relation to the effective and efficient administration and management of the scheme.

It also provides that a person to whom advice is given by virtue of subsection (1) or (2) must have regard to the advice.

The Scheme Advisory Board has published guidance on the creation and operation of Local Pension Boards in England and Wales which incorporates a number of action point check lists at the end of some of the sections. The following are the items in those checklists.

No.	SAB Requirement	SAB Section	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
K1	Administering Authority to have approved the establishment (including Terms of Reference) of the Local Pension Board by 1 April 2015.	5	Completed - approved by PC on 3rd March 2015 and adopted by PB on first meeting July 2015	One off - no further review necessary.	27/02/2016	Fully completed	Fully compliant		
K2	The Local Pension Board must be operational (i.e. had its first meeting no later than 4 months after the 1 April 2015).	5	First meeting 27 July 2015	One off - no further review necessary.	27/02/2016	Fully completed	Fully compliant		
K3	Once established a Local Pension Board should adopt a knowledge and understanding policy and framework (possibly in conjunction with the Pensions Committee if appropriate).	6	Training Policy approved by PFC in March 2015. Was part of agenda of first meeting on 27/7/15 and it is then reviewed annually. Updated version approved at PFC November 2015 and being adopted at PB in March 2016.	Ongoing (annual check)	27/02/2016	Fully completed	Fully compliant		
K4	A Local Pension Board should designate a person to take responsibility for ensuring that the knowledge and understanding policy and framework is developed and implemented.	6	Designated as Chief Officer, People and Resources within Training Policy	Ongoing (annual check)	27/02/2016	Fully completed	Fully compliant		
K5	The Administering Authority should offer access to high quality induction training and provide relevant ongoing training to the appointed members of the Local Pension Board.	6	Training plan in place including induction training for all board members.	Ongoing (annual check)	27/02/2016	Fully completed	Fully compliant		
K6	A Local Pension Board should prepare (and keep updated) a list of the core documents recording policy about the administration of the Fund and make the list and documents (as well as the rules of the LGPS) accessible to its members.	6	Part of Training Policy. Documents part of induction pack and most are available via the Fund website.	Ongoing (annual check)	27/02/2016	Fully completed	Fully compliant		
K7	Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.	6	Training Needs Analysis to be completed during Spring 2016.	Ongoing (annual check)	27/02/2016	In progress	Non-compliant		Training Needs Analysis to be completed during Spring 2016.

No.	SAB Requirement	SAB Section	Clwyd Pension Fund Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
K8	An Administering Authority should prepare a code of conduct and a conflicts policy for its Local Pension Board for approval in accordance with the Administering Authority's constitution and at the first meeting of the Local Pension Board. The Local Pension Board should keep these under regular review.	7	Code of conduct is part of PB Terms of Reference (Protocol). Conflicts of Interest Policy approved by PC in March 2015 and adopted at first PB meeting in July 2015.	Ongoing (annual check)	27/02/2016	Fully completed	Fully compliant		
K9	Training should be arranged for officers and members of a Local Pension Board on conduct and conflicts.	7	Included in first PB meeting and part of induction training.	Ongoing (annual check)	27/02/2016	Fully completed	Fully compliant		
K10	A Local Pension Board should establish and maintain a register of interests for its members.	7	Declarations completed by all members at first meeting (July 2015) and now part of ongoing register of interests which is refreshed annually.	Ongoing (annual check)	27/02/2016	Fully completed	Fully compliant		
K11	An Administering Authority should agree the ongoing reporting arrangements between the Local Pension Board and the Administering Authority.	8	Outlined in PB Terms of Reference (Protocol)	Ongoing (annual check)	27/02/2016	Fully completed	Fully compliant		
K12	A Local Pension Board should understand the Administering Authority's requirements, controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them.	8	The PB Terms of Reference (Protocol) require compliance with the Council's policy but this has not yet been shared with PB members.	Ongoing (annual check)	27/02/2016	Fully completed	Non-compliant		Share FOI information with PB members.
K13	A Local Pension Board should put in place arrangements to meet the duty of its members to report breaches of law.	8	Breaches procedure in place (approved at PFC November 2015). PC and PB and officer training on Code of Practice including breaches in October 2015	Ongoing (annual check)	27/02/2016	Fully completed	Fully compliant		
K14	A Local Pension Board should consider (with its Administering Authority) the need to publish an annual report of its activities.	8	A requirement to publish an annual report is included in PB Terms of Reference (Protocol). The first report will be in relation to 2015/16 and included in annual report and accounts for that year	Annual	27/02/2016	Fully completed	Fully compliant		
K15	An Administering Authority should consult on, revise and publish its governance compliance statement to include details of the terms, structure and operational procedures relating to its Local Pension Board.	8	Updated and approved by PFC in May 2015 and included in 2015 annual report and accounts.	Annual	27/02/2016	Fully completed	Fully compliant		

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Governance Update
Report Author	Chief Executive

EXECUTIVE SUMMARY

A governance update is on each quarterly Committee agenda and includes a number of governance related items for information or discussion. The items for this quarter are:

- (a) Business Plan 2015/16 update (Appendix 1) for governance which is on plan.
- (b) Current Developments and News. The National Scheme Advisory Board (NSAB) has had its Chair confirmed. The focus of the NSAB's work is around Pooling and the Investment Regulations Consultation. It has also published Counsel's opinion on the legal status of a Local Pension Board. The Local Pension Board met on 1 March and the agenda included Pooling, the future Business Plan and The Pensions Regulator's Code of Practice checklist.
- (c) Governance related policy/strategy implementation and monitoring. The Training Policy is now well embedded with excellent progress. Details are also included of future events that Committee Members should consider (Appendix 4). The Breaches Policy is now in place. An anonymised copy of the Breaches Register is included at Appendix 6.
- (d) Delegated responsibilities (Appendix 2). This details the responsibilities which have been delegated to officers since the last Committee meeting. Two responses have been made to consultations Pooling and Investment Regulations. The former was circulated to the Committee Members but the latter, due to time constraints, was not, which is included at Appendix 5.
- (e) Calendar of future events (Appendix 3). This details future training and other events.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
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REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
	Business Plan 2015/16 Update
1.01	Appendix 1 provides a summary of progress against the governance section of the Business Plan up to the end of Quarter 4 to 31 March 2016. All items were completed as planned.
1.02	<p>Appendix 1 also includes progress against the projected cash-flows and budgeted operating costs for 2015/16. The Committee is asked to note the following:</p> <ul style="list-style-type: none"> • As previously reported the under-spend for outsourcing within Administration is due to the backlog and GMP projects being over two years (2015/16 and 2016/17). • Early indications have only highlighted one area of major difference in the projected cash-flow for 2015/16. This relates to a variance of £24.7 million between the budgeted and estimated rebalancing of the portfolio due to the greater use of in-house cash to fund the investments within the tactical portfolio.
	Current Developments and News
1.03	<p><i>National Scheme Advisory Board (NSAB) Update</i> – The main news item is the long awaited announcement by the Secretary of State regarding the appointment to the position of Chair of the NSAB. This has been confirmed as Councillor Roger Philips. As a brief background Councillor Philips was previously the vice chair of the NSAB and also chaired the Local Government Association’s (LGA) UK wide Local Government Pension Committee. He is also a member and former leader (2003-2011) of Herefordshire Council.</p>
1.04	<p>The NSAB have, following questions raised by a number of stakeholders, approached, via the LGA, James Goudie QC for a view against the following questions:</p> <p>The legal status of an LGPS Pension Board. The legal relationship between the Pension Board and the LGPS Administering Authority. Whether there is a conflict between the requirements of the 1972 Act and the Public Service Pension 2013 Act (PSPA 2013) with regard to membership of Section 5(7) Combined Committee Boards? Generally on any other issues relevant to this matter.</p> <p>As Flintshire County Council has kept the Clwyd Pension Fund Committee and the Pension Board separate, most of the issues raised in his opinion do not apply. He states that the Pension Board is constituted entirely under the PSPA 2013 and are not local authority committees. He goes on to point out some practical difficulties that arise from this view such as access to council officers and indemnity insurance cover. As far as the Fund is concerned we</p>

	do not regard access to officers as an issue and further work is being undertaken to clarify the position regarding indemnity insurance with Flintshire County Council.
1.05	The main focus of the NSAB's work in recent months has been around the Pooling of Assets and the Investment Regulations consultation. No particular points have come out of this. Pooling of assets is covered by agenda item 7 Pooled Investments. Additionally, a briefing session will be held immediately before the Committee on the pooling of assets. A briefing/training session is being arranged regarding the implications of the changes that will follow the Investment Regulations consultation. (Also see paragraph 1.12)
1.06	<p>Local Pension Board Update – A Local Pension Board (LPB) was held on the 1 March 2016. Whilst the minutes are currently being drafted the main agenda items included:</p> <ul style="list-style-type: none"> • Internal Audit Plan 2016/17 Onwards – a verbal update on the planning process was given by the Internal Audit Manager highlighting the areas audited. A discussion followed concerning potential areas for inclusion in future audits. • Pooling of Assets – an update was given by the Clwyd Pension Fund Manager (CPFM). • Consideration of Engagement with Employers on Actuarial Valuation - The CPFM gave a verbal update and shared a project plan from the Fund Actuary. Engagement has already commenced with the three Unitary Authorities and a detailed plan has been drawn up by the Fund Actuary covering the whole process. CPF Committee agenda 16 expands on this. • The Pension Regulator Code of Practice – Compliance Checklist – Aon Hewitt has undertaken work within the Pension Teams to ascertain compliance with the TPR Code of Practice. CPF Committee Agenda item 6 expands on this. • CPF 2016/17 to 2018/19 Business Plan and Draft Administration and Communications Strategies – A discussion was had on the workshop of the 23 February 2016. The LPB feedback was very positive particularly for the two strategies presented by the Pension Administration Manager and her Team Leaders. Further discussions revolved around the customer satisfaction survey and whether there are any national equivalents.
1.07	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Training Policy</i> – The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to</p> <ul style="list-style-type: none"> • have training on the key elements identified in the CIPFA Knowledge and Skills Framework • attend training sessions relevant to forthcoming business • attend at least one day each year of general awareness training or events.
1.08	Appendix 4 details progress made to date in relation to the CIPFA Knowledge and Skills Framework training. Whilst excellent progress has been made some Committee Members have outstanding modules to

	complete and officers will be in touch with those concerned to arrange suitable dates.
1.09	<p>Appendix 4 also includes training and various external events attended by Committee Members, Pension Board members and Senior Officers during 2015/16 as well as The Pension Regulator modules undertaken. Appendix 3 includes details of all future training planned including forthcoming events considered suitable for general awareness training. Members should note these and inform Senior Officers if they wish to attend. Further information will be circulated closer to the dates of the events.</p> <p>The Chief Executive will shortly be carrying out a training needs analysis with Committee members to assist in identifying any further training requirements.</p>
1.10	<i>Recording and Reporting Breaches Procedure</i> – The Fund’s procedure requires that the Clwyd Pension Fund Manager maintains a record of all breaches of the law identified in relation to the management of the Fund and this information will be reported to the Pension Fund Committee at each meeting. The register of breaches is now in place and a letter has been sent to all employers detailing their responsibilities and enclosing a return to be completed whenever a breach is being reported. Where necessary additional training is being provided to employers. Appendix 6 includes summary information in relation to the breaches identified since the last quarter. Information has been anonymised where necessary for data protection or commercial confidentiality.
1.11	<i>The Pensions Regulator’s Code of Practice</i> – Following a review of the Fund’s compliance with Code of Practice by the Independent Advisor, a checklist was produced identifying areas of full compliance, partial compliance and non-compliance. This is detailed in agenda item 6.
1.12	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting. Due to time constraints the Investment Regulations consultation response was not circulated to Committee Members before being sent to the DCLG. A copy is included at Appendix 5.</p>
1.13	<p>Calendar of Future Events</p> <p>Appendix 3 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	The governance risks facing the Fund are currently being reviewed and a report will be presented at the next Committee. However, the key governance risks for the Fund include not meeting our fiduciary responsibilities, that no decisions or inappropriate decisions are made, that objectives are not agreed or achieved, that risk is not defined and/or considered, that legal requirements or guidance are not complied with and that reportable breaches are not identified and/or reported.

5.00	APPENDICES
5.01	Appendix 1 - 2015/16 Business plan update Appendix 2 - Delegated responsibilities Appendix 3 - Calendar of events Appendix 4 - Training undertaken Appendix 5 - Response to Investment Regulations Consultation Appendix 6 - Breaches Register

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – Business Plan 2015/6 to 2017/18 – 24 March 2015
6.02	Counsel’s opinion on Local Pension Boards - http://www.lgpsboard.org/images/Guidance/Pension_Boards_opinion.pdf Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region. (b) Administering authority or scheme manager – Flintshire County

Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.

- (c) **PFC – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.
- (d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of.
- (f) **SIP – Statement of Investment Principles** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (g) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers’ contributions to the Fund.
- (h) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.
- (i) **NSAB – The National Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (j) **DCLG – Department of Communities and Local Government** – the government department responsible for the LGPS legislation.
- (k) **LGA – Local Government Association** – A politically-led, cross-party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government.
- (l) **Breaches Register** - There is a requirement to maintain a register of all breaches of the law which affect pension schemes. Where these breaches are likely to be of material significance to the Pensions Regulator there is an additional requirement to report them to the Pensions Regulator.

Business Plan 2015/6 to 2017/8 – Q3 Update

Governance

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. Actual 2015/16 figures are to end of Quarter 3 (31 December 2015)

Cashflows projections for 2015/16

	2013/14	2014/15	2015/16			
	£000s	£000s	£000s			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/over
Opening Cash	(15,874)	(30,520)	(43,735)	(43,735)		
Payments						
Pensions	46,858	50,415	53,600	39,212	53,600	0
Lump Sums & Death Grants	12,861	17,317	18,000	12,120	17,000	(1,000)
Transfers Out	3,260	2,036	2,800	1,212	1,700	(1,100)
Expenses (including In House)	2,436	2,691	3,450	3,255	4,450	1,000
Support Services	242	219	250	167	167	(83)
Total Payments	65,657	72,678	78,100	55,966	76,917	(1,183)
Income						
Employer Contributions	(27,451)	(29,608)	(31,765)	(23,921)	(31,765)	0
Employee Contributions	(14,629)	(14,532)	(15,200)	(10,877)	(15,200)	0
Employer Deficit Payments	(24,666)	(28,079)	(27,320)	(27,437)	(27,560)	(240)
Transfers In	(3,802)	(2,347)	(4,000)	(1,469)	(2,000)	2,000
Pension Strain	(1,104)	(3,030)	(2,350)	(1,974)	(2,500)	(150)
Investment Income	(2,901)	(3,070)	(3,000)	(1,987)	(2,610)	390
Total Income	(74,553)	(80,666)	(83,635)	(67,665)	(81,635)	2,000
In House Investments						
Draw downs	46,624	40,212	44,376	24,868	34,000	(10,376)
Distributions	(33,135)	(59,824)	(61,606)	(48,768)	(60,000)	1,606
Net Expenditure /(Income)	13,489	(19,612)	(17,230)	(23,900)	(26,000)	(8,770)
Net Purchases/(Sales)	(1,259)	(615)	(600)	(300)	(300)	300
Rebalancing Portfolio	(17,980)	15,000	40,000	68,194	64,700	24,700
Total Net Cash Flow	(14,646)	(13,215)	16,635	32,295	33,682	
Closing Cash	(30,520)	(43,735)	(27,100)	(11,440)	(10,053)	

Operating Costs

	2013/14	2014/15	2015/16			
	Actual £000s	Actual £000s	Budget £000s	Actual £000s	Projected for full year £000s	Projected under/ over £000s
Governance Expenses						
Employee Costs (Direct)	182	218	226	169	226	0
Support & Services Costs (Internal Recharges)	23	13	19	0	19	0
Premises	19	8	17	0	17	0
IT (Support & Services)	10	12	10	0	10	0
Other Supplies & Services)	47	49	56	35	47	(9)
Audit Fees	35	37	36	13	36	0
Actuarial Fees	148	205	192	101	192	0
Consultant Fees	229	403	341	186	341	0
Advisor Fees	0	142	156	144	218	62
Legal Fees	31	21	30	5	30	0
Performance Monitoring Fees	25	20	25	24	30	5
Total Governance Expenses	749	1,128	1,108	677	1,166	58
Investment Management Expenses						
Fund Manager Fees*	5,571	16,127	14,490	1,674	11,300	(3,190)
Custody Fees	17	32	34	17	34	0
Total Investment Management Expenses	5,588	16,159	14,524	1,691	11,334	(3,190)
Administration Expenses						
Employee Costs (Direct)	599	592	662	454	662	0
Support & Services Costs (Internal Recharges)	69	53	82	0	82	0
Outsourcing	0	32	800	182	370	(430)
Premises	78	33	75	0	75	0
IT (Support & Services)	223	218	250	151	250	0
Other Supplies & Services)	63	75	70	51	70	0
Miscellaneous Income	(2)	(1)	0	0	0	0
Total Administration Expenses	1,030	1,002	1,939	838	1,509	(430)
Total Costs	7,367	18,289	17,571	3,206	14,009	(3,562)

*Fund manager fees include elements now required to be disclosed by CIPFA. The 2015/16 budget for manager fees has been revised to £14.490m

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
*	Original item where the period has been moved or task deleted since original business plan

Governance Tasks

Ref	Key Action -Task	2015/6 Period				Later Years	
		Q1	Q2	Q3	Q4	2016/17	2017/18
G2	Service local Pension Board		x	x	x		
G3	Implement Training Policy	x	x	x	x		
G4	Review/Tender Actuarial Contract		x	x			xM
G7	Review Arrangements against TPR Code of Practice			x			
G8	Allow for impact of external factors	x	x	x	x	x	x
G10	Consider/implement any changes of governance arrangements from Annual Review by Independent Adviser or Local Board				x	x	x
G11	Review People Strategy		x	x			
G12	Implement breaches of law procedure and register			xN	xN	xN	xN

Governance Task Descriptions

G2 – Service local Pension Board

What is it?

Once the new Pension Board is established it will need ongoing support in carrying out its operational duties. As per the Board's Terms of Reference the responsibility for providing this support (e.g. arranging meetings, setting agendas, producing minutes etc.) will fall to the Board Secretary (the Pension Fund Manager) within the Council with it being chaired by the Independent Adviser (subject to confirmation). The Board Secretary will need to liaise closely with the Board members and, in particular, the Chair of the Board to ensure that Board meetings run as smoothly as possible.

Timescales and Stages

Board Secretary to liaise with Chair to determine support required:	2015/16 Q2
Board Secretary to determine support resource required:	2015/16 Q2/3
Ongoing support provided:	2015/16 Q2-4

Resource and Budget Implications

To be led by Pension Fund Manager with assistance from the Independent Adviser. All internal costs are being met from the existing budget and there will be external adviser costs associated with this exercise.

G3 – Implement Training Policy

What is it?

The Fund's Training Policy details how the Fund will ensure that training is delivered, and how the required training is identified for each member. A Training Plan will be submitted to the March 2015 Pension Fund Committee meeting. A new requirement is that the Pension Board members are legally required to have the appropriate level of knowledge and understanding to sit on the Board and, as such, will need to be appropriately trained. The Council will need to ensure that it implements the training in line with the Training Plan which will include training to Pension Committee members and senior officers in addition to the Pension Board members.

Timescales and Stages

Identify individual training needs for new board members:	2015/16 Q1/2
Source and ensure delivery of identified training needs:	2015/16 Q2/4
Keep appropriate records of training received:	2015/16 Q2/4

Resource and Budget Implications

Training requirements to be determined by Pension Fund Manager with assistance from the Independent Adviser. Other advisers and external sources may be used for delivering training. There will be external adviser costs associated with this exercise.

G4 – Review/Tender Actuarial Contract

What is it?

The Council needs to review its current actuarial contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. This review should include Funding Risk Management and also Benefit Consultancy Services. Following this review, and discussions with procurement, the Council needs to put the actuarial contract out to tender, perhaps using a national framework.

Timescales and Stages

Review current actuarial contract and identify tender process:	2015/16 Q2
Conduct tender for actuarial services:	2015/16 Q2/3

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget.

G7 – Review Arrangements against TPR Code of Practice

What is it?

The Public Service Pensions Act brought the Pensions Regulator’s oversight to the Public Sector as well as the Private Sector. As a result, the Pensions Regulator has produced a Code of Practice which has recently been finalised, which sets out guidance on the best practice that all LGPS Funds should operate. The Council therefore needs to review its current arrangements against this best practice guidance to ensure that it is following best practice in all instances. As a result of this review, should any areas come to light where the current approach is not best practice, the Council will consider implementing changes to bring them in to line with best practice.

Timescales and Stages

Review arrangements against Code of Practice:	2015/16 Q3
Identify areas currently not considered best practice:	2015/16 Q3
Implement any changes required:	To be decided

Resource and Budget Implications

To be led by Pension Fund Manager with assistance from the Independent Adviser. All internal costs are being met from the existing budget. There will be external adviser costs associated with this exercise.

G8 – Allow for impact of external factors

What is it?

We are aware of a number of national issues currently under various stages of discussion which will eventually impact on the Council. These include the Government’s 2014 Call for Evidence, Consideration of the Welsh CIV proposal, Local Authority Reorganisation in Wales and Scheme Advisory Board’s recommendations on separation from the administering authority role. The impact of these issues, and others that arise, will be formally brought into the business plan as and when they are known in more detail.

Timescales and Stages

To be confirmed

Resource and Budget Implications

Unknown.

G10 – Consider/implement any changes of governance arrangements from Annual Review by Independent Adviser or Local Board

What is it?

Every year the Independent Adviser will review the governance arrangements of the Pension Fund. In addition the local Pension Board in their oversight role may identify areas relating to the management of the Fund that they consider should be reviewed. Should either of these avenues recommend any governance changes, these will need to be considered, and if the Council agrees, the recommended governance changes will need to be implemented.

Timescales and Stages

Receive recommendations from Adviser or board:	Q42015/16 onwards
Consider any changes required from recommendations:	2016/17 onwards
Implement any agreed governance changes:	2016/17 onwards

Resource and Budget Implications

Unknown.

G11 – Review People Strategy

What is it?

The Council needs to review the continued appropriateness of the current operational staffing levels with the Pensions Administration department. In addition, annual appraisals need to be undertaken for all Pension Administration staff.

Timescales and Stages

Review staffing levels:	2015/6 Q1/2
Undertake appraisals:	2015/6 Q1/2

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget albeit any necessary changes to staffing levels or numbers may impact on the budget.

G12 – Implement Breaches of Law Procedure and Register

What is it?

The Council needs to implement a breaches of law procedure to comply with Section 70 of The Pensions Act 2004. All breaches will be recorded in a breaches register.

Timescales and Stages

Implement the breaches procedure and register:	2015/6 Q3
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Resource and Budget Implications

To be led by Pension Fund Manager with assistance from the Independent Adviser. All internal costs are being met from the existing budget. There will be external adviser costs associated with this exercise.

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
7.01	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PFC.	PFM and either the CFM or COPR, subject to agreement with Chairman and Deputy Chairman (or either, if only one available in timescale)	PFC advised of consultation via e-mail (if not already raised previously at PFC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PFC for noting.
<p>Action taken:</p> <ul style="list-style-type: none"> a) Local Government Pension Scheme: Investment Regulations – The DCLG issued a consultation on a draft Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; these replace the 2009 Regulations. The response to this consultation was not shared with Members due to severe time constraints. The response is included at Appendix 5 for information. b) It was agreed at the 26 November 2015 Committee to delegate the drafting of the initial proposals for pooling to Officers. These were shared with Members before sending to the DCLG. 			

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CLWYD PENSION FUND - CALENDAR OF EVENTS APRIL 2016 ONWARDS						
Month	Date	Day	Committee	Training	Pension Board	Location
Apr-2016	22-Apr	Friday		ESG Training		Cardiff
May	11-May	Wednesday		Actuarial Valuation (AM)		County Hall
	16-18-May	Mon - Wed		NAPF Local Authority Conference		Gloucestershire
	24-May	Tuesday	AM	tbc		County Hall
June	23-24-June	Thur-Fri		LGA Trustee Conference		Manchester
July	05-Jul	Tuesday		Investment Strategy Statement		County Hall
	06-Jul	Wednesday			PM	County Hall
September	27-Sep	Tuesday	AM	tbc		County Hall
	8-9-Sep	Thur-Fri		LGC Investment Summit		Newport
November	08-Nov	Tuesday	AM	tbc		County Hall
Feb-2017	16-Feb	Tuesday	AM	tbc		County Hall
March	21-Mar	Tuesday	AM (Special)	tbc		County Hall
June	13-Jun	Tuesday	PM	tbc		County Hall
NOTE: Committee dates to be confirmed at FCC AGM						
NOTE: Training will normally take place immediately before each Committee						

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	Cllr A Diskin	Cllr H Bateman	Cllr R Hampson	Cllr B Dunn	Cllr M Wright	Cllr H. Jones	Cllr S Wilson	A Rutherford	S Hibbert
Committees (3hrs)									
May 2015	✓	✓	✓	✓		✓	✓	✓	✓
November 2015	✓	✓	✓			✓	✓		✓
March 2016									
CIPFA Framework Requirements 2014/15 – 2016/17									
Governance (1 day)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Funding & Actuarial (1 day)		✓	✓	✓	✓	✓	✓	✓	✓
Investments (1 day)		✓	✓	✓	✓	✓	✓	✓	✓
Accounting (Included with Investments)		✓	✓		✓	✓	✓		✓
Additional Training & Hot Topics									
Budget Freedoms (2hrs)	✓	✓	✓	✓		✓	✓	✓	✓
Fees & Charges (2hrs)	✓	✓	✓	✓		✓	✓	✓	✓
Private Equity & Opportunistic (1hr)	✓	✓	✓	✓		✓	✓	✓	✓
Property, Infrastructure, Timber & Agriculture (1hr)	✓	✓	✓	✓		✓	✓	✓	✓
Pensions Regulator Code of Practice (2hrs)	✓	✓	✓	✓		✓	✓	✓	✓
Key Performance Indicators	✓	✓	✓			✓	✓		✓

	Cllr A Diskin	Cllr H Bateman	Cllr R Hampson	Cllr B Dunn	Cllr M Wright	Cllr H. Jones	Cllr S Wilson	A Rutherford	S Hibbert
Strategy Day (Business Plans, Risk, Administration Strategy)		✓	✓	✓		✓	✓	✓	✓
Alternative Delivery Models									
Actuarial Valuations									
Annual Employer Meeting (4hrs)		✓				✓	✓		
Pensions Regulator Modules									
Conflicts of Interest							✓	✓	✓
Managing Risk & Internal Controls									
Maintaining Accurate Member Data									
Maintaining Contributions									
Providing Information to Members & Others									
Resolving Disputes									
Reporting Breaches									
Conferences									
LGC Investment Summit (1.5 days) Sept 2015	✓	✓							
LAPFF Annual Conference (1.5 days) Dec 2015									✓
LGC Seminar (1.5 days) March 2016	✓	✓			✓		✓		

Clwyd Pension Fund
Training Plan - as at 9 March 2016

Title of session	Training Content	Timescale	Training Length	Audience
Budget Freedoms	Highlights of the Freedoms including protecting individuals via Transfer safeguards and protecting the tax payer via the reduction of transfer values.	21/5/15 PFC	1 hour	Committee and Fund officers
Pensions Board Basic Training - Day 1	Repeat elements of past Committee member CIPFA Knowledge and Skills training. Day 1 is governance and key legislation.	14 July 2015	Full day	Pensions Board
Pensions Board Basic Training - Day 2	Repeat elements of past Committee member CIPFA Knowledge and Skills training. Day 2 is funding and actuarial matters.	5th August 2015	10.30am (arrive 10am) to 3.30pm	Pensions Board
Pensions Board Basic Training - Day 3	Repeat elements of past Committee member CIPFA Knowledge and Skills training. Day 3 is investment, accounting and audit.	25th August 2015	11.30am to 4.30pm	Pensions Board
Pension Committee Basic Training	Catch up sessions for CIPFA Knowledge and Skills Framework (Note - although targeted as catch up sessions, all PFC members are welcome to attend if they wish to refresh their knowledge)	14 July (governance and regulations) + funding/ investment days during July - September 2015	As part of Pension Board Training	Certain Pension Committee members and Fund officers
Fees and Charges	Understanding investment management charges	22nd October 2015 - am	45 minutes	Committee, Fund officers and Pensions Board
In-house alternative asset classes - Private Equity and Opportunistic	A brief background, what we currently invest in and why, performance and the strategy going forward and why.	22nd October 2015 - am	1 1/4 hours	Committee and Pensions Board
In-house alternative asset classes - Real Assets (Property /Infrastructure /Timber /Agriculture)	A brief background, what we currently invest in and why, performance and the strategy going forward and why.	22nd October 2015 - am	1 1/4 hours	Committee and Pensions Board
The Pensions Regulator's Code of Practice	An overview of the key elements of the code of practice and any impact on Clwyd Pension Fund	22nd October 2015 - pm	Half day	Committee, Fund officers and Pensions Board
LGPS Key Performance Indicators	Overview of the National Fund Key Performance Indicators and League tables	26 November PFC	1 - 2 hours	Committee, Fund officers and Pensions Board
Alternative Delivery Models	Overview of Alternative Delivery Models including impact on the Clwyd Pension Fund.	January - March 2016	1 - 2 hours	Committee and Pensions Board
Employer Risk Management	Employer Risk Management including the monitoring framework (employer covenant, funding and protections).	January - March 2016	Half day	Committee, Fund officers and Pensions Board
Actuarial Valuations	Planning for the 2016 valuation, the valuation process and the funding strategy statement.	January - March 2016	Half day	Committee and Pensions Board
Pension Cost and Deficit Management	Overview of the Shadow Scheme Advisory Board's deficit and cost management project and implications.	If need arises	To be decided	Committee, Fund officers and Pensions Board
Business Plan and Administration and Communication Strategies workshop	Overview of the draft 2016/17 to 2018/19 business plan together with the draft Administration and Communication Strategies	23-Feb-16	Half day	Committee, Fund officers and Pensions Board
Catch-up Fees, Inhouse Investments & the Pensions Regulator	A catch up training session covering the in-house investments and The Pension Regulator Code of Practice compliance checklist	24-Feb-16	To be decided	Committee and pension Board
LGC Investment Seminar, Carden Park	This seminar covers a variety of topics around investing, governance and pooling together with topical updates	3rd to 4th March 2016	2 days	Committee, Fund officers and Pensions Board
Pooling	A briefing on pooling arrangements	22-Mar-16	1 hour	Committee, Fund officers and Pensions Board

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CLWYD PENSION FUND

Consultation Response

LGPS (Management and Investment of Funds) Regulations

Introduction

This is a response on behalf of the Clwyd Pension Fund (administered by Flintshire County Council) to the proposed revisions to the investment regulations which aim to:

1. Give funds the flexibility to determine a suitable investment strategy that appropriately takes account of risks.
2. Introduce the power of intervention to the Secretary of State to ensure that funds take advantage of scale by pooling and deliver investment strategies that adhere to regulation and guidance.

The comments made are by exception, on significant items only.

No legal advice has been sought by the Fund on the revised regulations.

Proposal 1

- Q1. DOES THE PROPOSED DEREGULATION ACHIEVE THE INTENDED POLICY AIM OF REMOVING ANY UNNECESSARY REGULATION WHILE STILL ENSURING THAT AUTHORITIES' INVESTMENTS ARE MADE PRUDENTLY AND HAVING TAKEN ADVICE?

Governance – Proper Advice

The definition of 'proper advice' para 2 (1) should be reviewed. We have officers who meet the current definition of being 'qualified by their ability in the practical experience of financial matters', to which investment decisions are delegated. However, they must still also take advice from a suitably 'qualified and authorised' person in our scheme of delegation. This gives comfort to the Committee that all investment decisions are being effectively scrutinized by a qualified investment expert. This does not prevent a fund from directly employing such a person or via a new pool but for a fund of our size employing such advice from an investment consultancy firm remains the most cost effective option.

Strengthening this requirement across the LGPS, to match private sector requirements, should also assist the Secretary of State on determinations around Proposal 2 (Q5) and also should make the requirement of intervention less likely in the first place.

In addition, the potential issues under MiFiD II of LGPS funds being classed as retail investors could be overcome as most investment managers would be willing to 'up' funds to professional status if they are receiving independent advice from qualified individuals.

Also, the definition currently only applies to 'financial matters'. This should be extended to investment, actuarial and legal matters. For example, in para 9 (3) – 'terms on which appointment is made' we would require 'proper' legal advice.

A further suggestion is that there is a requirement to measure the effectiveness of the advice provided over a suitable period of time.

Investment Strategy Statement (ISS)

There is an opportunity within the new ISS for an additional requirement for the authority to publish a Scheme of Delegation from Committee to sub committees, to officers, to advisors and also 'pools' for investment and funding decisions. Again this should assist the Secretary of State with Proposal 2 (Q5).

Para 7 (1) states 'An authority must, after taking proper advice, form an investment strategy which must be in accordance with guidance issued by Secretary of State.' This could be extended to state 'on the proper governance of a local government pension fund' or some other phrase that would equally avoid a future administration dictating strategy that suited that administration rather than ensuring the LGPS is managed in the interest of all its stakeholders.

It may also be advisable to explicitly state somewhere within these Regulations the overriding fiduciary duty to stakeholders which is discussed in paragraphs 2.12 to 2.22 of your consultation document.

Investments

Para 3 (3) After advice from our investment consultants, this definition could, they believe, restrict funds like ourselves from using 'swap' contracts to implement a Liability Driven Investment strategy as these instruments are 'Over the Counter' instruments and not traded on a recognised stock exchange. Therefore the definition needs to be amended appropriately.

Q2. ARE THERE ANY SPECIFIC ISSUES THAT SHOULD BE REINSTATED? PLEASE EXPLAIN WHY.

None.

Q3. IS SIX MONTHS THE APPROPRIATE PERIOD FOR THE TRANSITIONAL ARRANGEMENTS TO REMAIN IN PLACE?

From a practitioner view point, a 12 month transition period, which may both assist with incorporating the new pooling arrangements within our ISS and linking the completion of the ISS with the Funding Strategy Statement, would be helpful.

Q4. SHOULD THE REGULATION BE EXPLICIT THAT DERIVATIVES SHOULD ONLY BE USED AS A RISK MANAGEMENT TOOL? ARE THERE ANY OTHER CIRCUMSTANCES IN WHICH THE USE OF DERIVATIVES WOULD BE APPROPRIATE?

Given the importance of this to the Clwyd Fund, advice was sought from our investment consultant who stated:

*We **do not** believe that derivatives should be used **only** as a risk management tool. In our view, they should be used for **efficient and effective portfolio management**. In a number of cases it can be of lower cost to use derivative instruments rather than purchase physical securities.*

There are also certain asset classes where derivatives are prevalent at an underlying level (e.g. Managed Futures). We believe the inclusion of such asset classes can form an effective tool in portfolio construction and therefore would support the ability for LGPS Funds to potentially invest in them, albeit via a third party such as an asset/investment manager (and not on a direct basis).

For currency hedging for example then provided appropriate advice is taken, the direct use of derivatives should be permissible.

Therefore, the wording 'efficient and effective portfolio management' should be included in the regulations.

Proposal 2

Q5. ARE THERE ANY OTHER SOURCES OF EVIDENCE THAT THE SECRETARY OF STATE MIGHT DRAW ON TO ESTABLISH WHETHER AN INTERVENTION IS REQUIRED?

A suggestion is that as part of the annual audit by External Auditors they should be required to receive a statement from the fund's external advisors i.e. actuary and investment consultant justifying the investment and funding strategy and approach (to cover pooling) and stating where the fund has not accepted 'proper advice' provided or not followed regulations or related guidance. These statements should be published in the fund's annual report and material matters of 'non-compliance' reported by the External Auditor to the Secretary of State.

Q6. DOES THE INTERVENTION ALLOW AUTHORITIES SUFFICIENT SCOPE AND TIME TO PRESENT EVIDENCE IN FAVOUR OF THEIR EXISTING ARRANGEMENTS WHEN EITHER DETERMINING AN INTERVENTION IN THE FIRST PLACE, OR REVIEWING WHETHER ONE SHOULD REMAIN IN PLACE?

Given that this should be an exceptional circumstance and each case will be different, silence on timescales in regulation seems the most appropriate, albeit we have not taken legal advice on this point.

Q7. DOES THE PROPOSED APPROACH ALLOW THE SECRETARY OF STATE SUFFICIENT FLEXIBILITY TO ENSURE THAT HE / SHE IS ABLE TO INTRODUCE A PROPORTIONATE INTERVENTION?

There is no obvious reason why the regulation as drafted does not give sufficient flexibility to introduce proportionate intervention albeit we have not taken legal advice on this point.

Q8. DO THE PROPOSALS MEET THE OBJECTIVES OF THE POLICY, WHICH ARE TO ALLOW THE SECRETARY OF STATE TO MAKE A PROPORTIONATE INTERVENTION IN THE INVESTMENT FUNCTION OF AN ADMINISTERING AUTHORITY IT HAS NOT HAD REGARD TO BEST PRACTICE, GUIDANCE OR REGULATION?

Yes, with the caveat of changing paragraph 7 (1) as explained above, albeit no legal advice has been taken.

Finally, the Members of the Investment Regulation Review Group in Annex A should be congratulated on the draft regulation which, with some minor adjustments covered above and by others, both meet the objectives set and should re-assure stakeholders that LGPS investments across all funds are managed in a professional manner, following best practice and guidance.

Philip Latham

Clwyd Pension Fund Manager

19th February 2016.

CURRENT BREACHES OF THE LAW

Reference	01	Date recorded	11/3/2016	Date breach resolved	Ongoing
Category	Administration	Owner	H Burnham	Reported to TPR	No
Description and cause of breach	Notification of deferred benefit entitlement for those who have left the scheme not sent within the legally prescribed timescale. Whilst it is acknowledged that there are a number of these breaches there is no detail yet available regarding numbers affected.				
Possible effect and wider implications	The impact of the breach will vary dependant on the individuals concerned but as a minimum will mean they do are not fully aware of the benefits they will eventually become entitled to.				
Reaction to breach	Still trying to identify cases. Backlog project put in place including using external resource (Mercers) to assist with rectifying the situation as soon as possible. Methods of internal working reviewed to focus on older cases including greater focus on identifying cases and monitoring.				
Outcome of report and/ or investigations	Ongoing				
Outstanding actions	Information being collated to quantify deferred benefit notifications over 2 months late together with reasons why there is a delay and what steps are being taken to prevent a recurrence of the breach.				

Reference	02	Date recorded	11/3/2016	Date breach resolved	Ongoing
Category	Administration	Owner	H Burnham	Reported to TPR	No
Description and cause of breach	There is a potential Admitted Body which is due to become one of our employers with effect from January 2016. Since having dialogue with the company in question it transpired that 2 members TUPE transferred over to this company in December 2014 and therefore the body should have arranged access to the LGPS from that date. We were not made aware of this. Instead the company got the individuals to sign and enter into their Auto Enrolment Scheme, and subsequently are now wanting them to join the LGPS.				
Possible effect and wider implications	Unclear until legal advice received but it is possible these members will miss out on approximately 1 year's LGPS benefits.				
Reaction to breach	We are taking legal advice on how next to proceed.				
Outcome of report and/ or investigations	Ongoing				
Outstanding actions	Legal advice is being sought to determine an equitable solution.				

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Administration and Communications Strategy Statements
Report Author	Chief Executive

EXECUTIVE SUMMARY

As part of the 2015/16 business plan, it was agreed to develop administration and communication strategies for the Fund with the aim of implementing them from 1 April 2016. These were developed and then consulted on in a number of ways with various stakeholders including the Pension Board, Pension Committee, scheme members and employers. The final proposed strategy statements are enclosed in Appendices 1 and 2.

The Pensions Administration Team have been fundamentally redesigning their management and monitoring of work in advance of the strategies going live. Monitoring information will be available in relation to administration tasks at each Pension Fund Committee meeting. The remaining performance monitoring (for example, the results of satisfaction surveys) will be reported to the Pension Fund Committee on at least an annual basis.

The proposed strategies are aspirational. They incorporate a range of improvements and efficiencies compared with the services provided in recent years, and also include the introduction of some new systems. The Pensions Administration Team believe that, in due course, they will be able to meet the targets set out in the strategies.

RECOMMENDATIONS

1	That Committee Members discuss the attached draft Administration and Communication Strategy Statements, including the proposed aims and objectives and how they will be monitored.
2	That Committee Members agree any amendments resulting from the discussions.
3	That Committee Members approve the Administration and Communication Strategy Statements (with amendments, if necessary).

REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATION STRATEGY STATEMENTS
1.01	<p>The Fund currently has a communications strategy that is updated annually and a service level agreement with employers. However, to date it has not had an administration strategy. An administration strategy is key to ongoing engagement and partnership working with employers. Further, the communication strategy has not had a fundamental review for a number of years. As part of the 2015/16 business plan, it was therefore agreed to develop these strategies with the aim of implementing them from 1 April 2016.</p>
1.02	<p>Draft administration and communications strategies were developed and then consulted on in a number of ways:</p> <ul style="list-style-type: none"> • They were shared with the Pension Board in October 2015. Following discussions, a number of amendments were made to the drafts based on the Pension Board's feedback. • A communications focus group met in December 2015 with the main conclusion being that different stakeholders have different requirements, and it is therefore not appropriate to move to one single method of communication (e.g. electronic) for all stakeholders. • They were consulted on with the Fund's employers. Only one response was received, which resulted in some minor changes. This response also highlighted that the performance targets are ambitious. • Finally, they were then discussed with Pension Fund Committee and Pension Board members at the business planning workshop in February, and circulated to all members immediately thereafter. Following this, one member highlighted that we should ensure that satisfaction surveys are positioned appropriately. <p>The final proposed strategy statements are enclosed in Appendices 1 and 2.</p>
1.03	<p>The Pensions Administration Team have been fundamentally redesigning their management and monitoring of work in advance of the administration strategy going live, as well as considering how the remaining monitoring (e.g. communications) will be dealt with. This includes some discussions with the software provider (Aquila Heywood) to try to ensure that all administering authorities using the Altair software are measuring legal requirements consistently. This meeting's quarterly administration update includes some of the new data that will be provided, focussing on the number of tasks that are being received and being completed.</p> <p>At the next meeting, the quarterly update will be expanded to include the first analysis of work completed against the administration strategy key performance indicators i.e. for the period from April 2016. The remaining performance monitoring (for example, the results of satisfaction surveys) will be reported to the Pension Fund Committee on at least an annual basis.</p>
1.04	<p>It is worth highlighting that the proposed strategies are aspirational. They incorporate a range of improvements and efficiencies compared with the services provided in recent years, such as some quite radical changes in communication through the implementation of the member's self-service</p>

	<p>functionality and greater efficiencies for employers and the Pensions Administration team through the implementation of the i-connect software.</p> <p>The key changes were incorporated in the 2015/16 business plan and continue through to the 2016/17 business plan (and in some places, into future years). Many of these, such as the review of the administration structure and how work is managed, have already been implemented. Given the major changes to the LGPS in 2014, which resulted in a further backlog of work, it is also worth highlighting that the initial reporting (to be provided at the next meeting) against the key performance indicators is expected to highlight a number of areas where the targets are not being met. However, the Pensions Administration Team believe that, in due course, they will be able to meet these targets.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	There are no resource implications as a result of this report at this time. However, the implementation of these strategies and the monitoring against their objectives will assist in highlighting any under or over resourcing.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	As outlined in paragraph 1.02.

4.00	RISK MANAGEMENT
4.01	The key administration and communications risks are highlighted within the strategy statements. These will be monitored on an ongoing basis as part of the Fund's risk management procedures. The administration and communications risk register is currently being reviewed and will be brought to the next Pension Fund Committee meeting.

5.00	APPENDICES
5.01	Appendix 1 – draft Administration Strategy Statement Appendix 2 – draft Communications Strategy Statement

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None
	<p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) SIP – Statement of Investment Principles – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund</p> <p>(g) FSS – Funding Strategy Statement – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(h) TPR – The Pensions Regulator – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(i) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.</p> <p>(j) DCLG – Department of Communities and Local Government – the government department responsible for the LGPS legislation.</p> <p>(k) Administration Cases – an area of work that needs to be completed (the overall process), for example, a retirement of a scheme member.</p> <p>(l) Administration Tasks – the stages within a case, for example, a retirement may have a number of stages including calculating the benefit, checking the calculation, and then sending it out to the scheme member.</p>

Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

ADMINISTRATION STRATEGY

April 2016

ADMINISTRATION STRATEGY

Introduction and Background

This is the Statement outlining our Pension Administration Strategy for the Clwyd Pension Fund (“the Fund”) and has been developed following consultation with employers in the Fund, Pension Board members and other interested stakeholders.

The aim of the administration strategy is to ensure both the Administering Authority (“AA”) and the employers are fully aware of their responsibilities under the Scheme, and to outline the performance standards they are expected to meet to ensure the delivery of a high-quality, timely and professional administration service. These performance standards are explained further in the employer service level agreement.

Flintshire County Council (the "administering authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme (“the LGPS”). The Fund comprises around 30 employers with active members, and approximately 40,000 scheme members (including active members, deferred and pensioner members).

Delivery of a high standard of administration service is not the responsibility of one person or organisation, but rather of a number of different parties, who between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership.

This Strategy applies to all existing employers in the Fund, and all new employers joining the Fund after the effective date set out on page 12. The Statement sets out the expected levels of administration performance of both the administering authority and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

Implementation

This Strategy outlines the level of service the administering authority would like to provide to scheme members and employers, as well as the role employers will need to play in providing that quality of service. It is recognised that the aims and objectives in this Strategy are ambitious in some cases and meeting these is dependent on the implementation of some quite radical changes in the existing ways of working, not least introducing some major new on-line functionality. This Strategy is being implemented during a time which continues to present a number of challenges, not least:

- ongoing work to clear administrative backlogs accumulated during recent years
- the need to carry out a major scheme reconciliation exercise as a result of the introduction of the new State Pension
- continuing pressure on resources and budgets for employers and the administering authority

As part of the 2015/16 business plan, progress has already been made in implementing improvements in the Clwyd Pension Fund Administration Section including:

- initial work towards implementing i-Connect with one major employer (i-Connect is new software that will allow employer data to be loaded directly, and therefore more efficiently, into the pension administration software)
- reviewing the pension administration system work flow functionality
- developing more advanced work flow and management reporting functionality within the administration system
- initial work on a major review of the Fund's website

The 2016/17 and 2017/18 business plans include further improvements to help deliver this Strategy including:

- implementing i-Connect with all other major employers
- implementing self-service web functionality to scheme members
- developing on-line procedures for pensions administration staff

This Strategy will be effective from 1 April 2016 and the performance indicators mentioned herein will demonstrate ongoing progress towards the Strategy's aims and objectives.

Regulatory Basis

The LGPS is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 provide the conditions and regulatory guidance surrounding the production and implementation of Administration Strategies.

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004 and 2011 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Data Protection Act 2003
- Finance Act 2013 and
- Relevant Health and Safety legislation.

As a result of the Public Service Pensions Act 2013, the Pensions Regulator now has responsibility for oversight of a number of elements of the governance and administration of Public Sector pension schemes including the LGPS. The Regulator has the power to issue sanctions and fines in respect of failings caused by the administering authority and also where employers in the Fund fail to provide correct or timely information to the administering authority. Should this happen, the administering authority would recharge any costs back to employers as set out later in this strategy.

More information relating to requirements of the Local Government Pension Scheme Regulations is included in Appendix A. This statement has been developed to include the information required by those provisions and to describe our approach in relation to meeting these requirements in the delivery of administration.

Our Aims and Objectives

Mission Statement

The Clwyd Pension Fund Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused, reputable and credible service to all customers
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget
- to work effectively with partners, being solution focused with a 'can do' approach

In addition, we have specific aims and objectives in relation to our administration responsibilities as set out below.

Administration Aims and Objectives

The purpose of this strategy statement is to set out the quality and performance standards expected of Flintshire County Council in its role of administering authority and employer, as well as all other employers within the Fund.

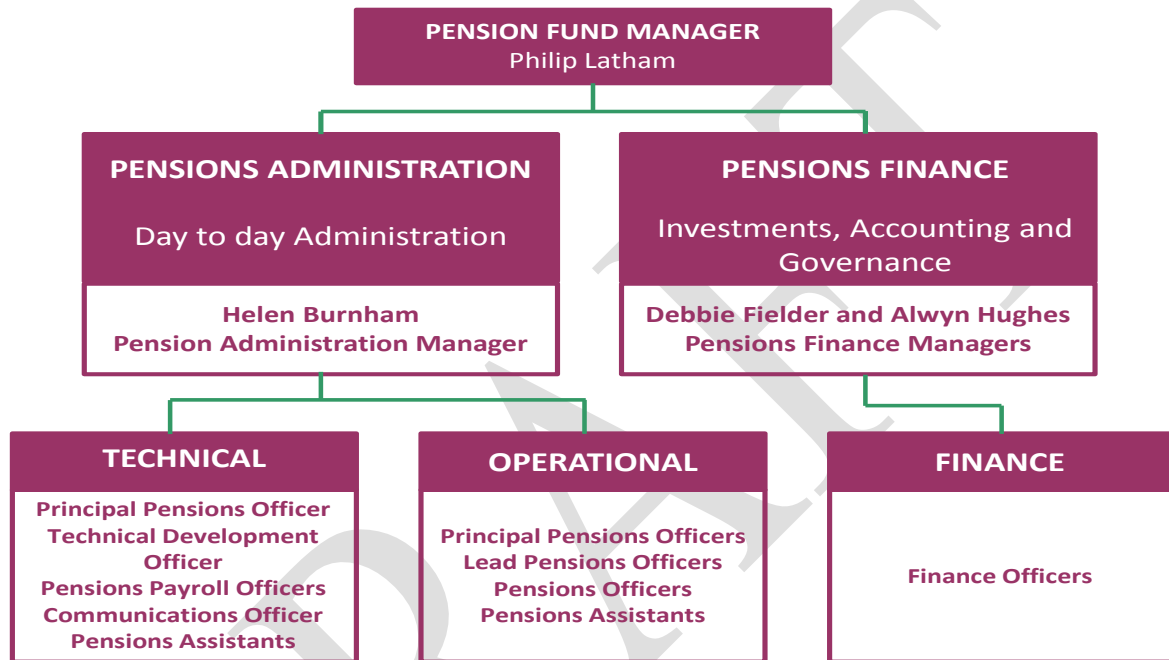
The Administration Strategy has a number of specific objectives, as follows;

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

Delivery of Administration

Flintshire County Council has delegated responsibility for the management of the Pension Fund to the Clwyd Pension Fund Committee, taking into consideration advice from the Pensions Advisory Panel and the Pensions Board. The Committee will monitor the implementation of this Strategy on a regular basis as outlined later in this statement.

Operationally, the administration of the Fund is undertaken 'in-house' within the Fund. The operational structure of the Pension Fund is illustrated in the schematic diagram below:



Most LGPS administering authorities provide the administration service from internal teams, although some have outsourced (or partially outsourced) their administration, and some utilise shared service administration arrangements across more than one Fund. The Administering Authority may, in exceptional circumstances, consider outsourcing some of those services.

In addition, the Administration Section will look for opportunities to work collaboratively with other administering authorities so as to reduce development costs and enhance the quality of information. This might include:

- working with other administering authorities through the Pensions Officer Group networks or the All Wales network to produce communications, which can then be customised further where necessary to the needs of the Fund
- participating in joint training sessions with other administering authorities.

Performance Standards – Quality

Local Standards

The legislative and regulatory requirements are set out previously and in Appendix A. On top of these, the Fund and employers ensure that all administration functions and tasks are carried out to agreed local quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the employer service level agreement and this Administration Strategy Statement
- information to be provided in the required format and/or on the appropriate forms contained within the employer service level agreement
- information to be legible and accurate
- communications to be in a plain language style
- information provided or actions carried out to be checked for accuracy* by an appropriately trained member of staff
- information provided or actions carried out to be authorised by an agreed signatory, and
- actions carried out, or information provided, within the timescales set out in this strategy statement

* accuracy is defined as when we have received information, for example, from an employer, with **all** required areas completed **and** with no contradictory information which needs to be queried.

Secure Data Transfer

The Fund and its employers follow Flintshire County Council's data security guidelines when sending any personal data. Flintshire County Council uses Egress Switch to securely send data when required, which offers a combination of policy based gateway and desktop email encryption software to secure and control information sent to third parties. Egress Switch also uses;

- an authentication process
- password protection, and
- confirmation of receipt

to prevent any sensitive information from being accidentally sent to unauthorised recipients.

A key method of data transfer relating to the Fund's administration, is the receipt of information from employers in relation to scheme members. In order to meet the requirements set out in this document in a secure and efficient way (for both employers and the administering authority), Clwyd Pension Fund is launching a secure data system known as i-Connect for its larger employers (and acknowledges that it would not be cost effective to require smaller employers to use this). Any larger employers not submitting data using this data system, once it is made available to them, may risk compromising data security.

Oversight of Compliance and Quality

Ensuring compliance is the responsibility of the administering authority and the employers in the Fund. The administering authority has a range of internal controls in place to assist with ensuring compliance and which are articulated in the Fund's risk register. However there are ways in which they are subject to elements of scrutiny or oversight:

Audit

The Fund is subject to a regular annual audit of its processes and internal controls. The administering authority, the Fund and the employers are expected to fully comply with any reasonable requests for information from both internal and external auditors. Any subsequent recommendations made will be considered by the Pension Fund Committee, and where appropriate duly implemented (following discussions with employers where necessary).

Local Pension Board (LPB), the national Scheme Advisory Board (SAB) or the Pensions Regulator

The Public Service Pensions Act 2013 introduced greater oversight through these entities. As a result the LPB of the Clwyd Pension Fund was established from 1 April 2015. In addition, the Pensions Regulator's remit was extended to include the public sector, and a national Scheme Advisory Board was created. The administering authority and the employers are expected to fully comply with any guidance produced by the SAB and the Pensions Regulator. Any recommendations made from these entities will be considered by Flintshire County Council, in its role as administering authority, and where appropriate, duly implemented following discussions with employers where necessary.

Performance Standards – Timeliness and Accuracy

Overriding legislation, including The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. Further, the LGPS itself sets out a number of requirements for the administering authority or employers to provide information to each other, to scheme members and to prospective scheme members, dependants, other pension arrangements or other regulatory bodies. In addition to these legal requirements, local performance standards have been agreed which cover all aspects of the administration of the Clwyd Pension Fund. In many cases these go beyond the overriding legislative requirements.

The locally agreed performance standards for the Fund are set out in Appendix B. These standards are not an exhaustive list of the administering authority's and employers' responsibilities. Employers' responsibilities are provided in more detail in the employers' service level agreement.

The locally agreed performance standards will be monitored on an ongoing basis by the administering authority, the key standards which will be publicly reported on are extracted and shown in the table below.

These elements are measured against:

1. any legal timescale that should be met ("Legal requirement")
2. the overall locally agreed target time ("Overall case target")
3. the locally agreed target time for the administering authority to complete that task ("CPF Administration element target")

Generally the CPF Administration element target will be a shorter procedure within the overall case which is being measured by the Legal requirement and Overall case targets. This is because the Legal requirements and Overall case targets will generally include periods of time when the Fund is waiting for information to be provided by an employer or scheme member. The CPF Administration element target then measures the period of time it takes the Fund to carry out their element of work once the accurate* information has been received.

* accurate is defined as when we have received information, for example, from an employer, with **all** required areas completed **and** with no contradictory information which needs to be queried.

Key Performance Indicators (KPIs)

Process	Legal requirement	Overall case target	CPF Administration element target
To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled ¹	45 working days from initial notification	15 working days from receipt of all information
To inform members who leave the scheme of their deferred benefit entitlement	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member) ²	40 working days from date of leaving	15 working days from receipt of all information
Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request ¹	40 working days from date of request	20 working days from receipt of all information
Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate) ³ or within a reasonable period (cash transfer sum) ⁴	30 working days from date of request	20 working days from date of request
Notification of amount of retirement benefits and notification of payment of tax free cash sum	1 month from date of retirement if on or after Normal Pension Age ¹ 2 months from date of retirement if before Normal Pension Age ¹	23 working days from date of retirement	7 working days from receipt of all information
Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months ¹	40 working days from date of request	15 working days from receipt of all information
Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months to beneficiary from date of becoming aware of death, or from a date of request by a third party (e.g. personal representative) ¹	25 working days from date of death	7 working days from receipt of all information

1 - The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended

2 - The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991

3 – Occupational Pension Schemes (Transfer Value) Regulations 1996

4 – Pension Schemes Act 1993

Improving Employer Performance (where necessary)

This Strategy is focussed on good partnership working between the administering authority and the Fund's employers. However, it is recognised there may be circumstances where employers are unable to meet the required standards. The Principal Pensions Officer (either in the Technical or the Operations Team as appropriate) will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance or misunderstanding, provide opportunities for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

It is expected that it will be extremely rare for there to be ongoing problems but, where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and/or unwillingness is shown by the employer to resolve the identified issue, we set out below the steps we will take in dealing with the situation in the first instance:

- The designated Principal Pensions Officer will issue a formal written notice to the person nominated by the employer as their key point of contact, setting out the area(s) of poor performance.
- The Principal Pensions Officer will meet with the employer to discuss the area(s) of poor performance, how they can be addressed, the timescales in which they will be addressed and how this improvement plan will be monitored.
- The designated Principal Pensions Officer will issue a formal written notice to the person nominated by the employer, setting out what was agreed at that meeting in relation to how the area(s) of poor performance will be addressed the timescales in which they will be addressed.
- A copy of this communication will be sent to:
 - The Pension Administration Manager
 - The Director of Finance or other senior officer at that employer.
- The Principal Pensions Officer will monitor whether the improvement plan is being adhered to and provide written updates at agreed periods to the person nominated by the employer, with copies being provided to the Pension Administration Manager and the Director of Finance (or alternative senior officer) at that employer.

- Where the improvement plan is not being delivered to the standards and/or timescales agreed, the Principal Pensions Officer will escalate the matter to the Pension Administration Manager who will determine the next steps that should be taken. This may include (but is not limited to):
 - Meetings with more senior officers at the employer
 - Escalating to the Clwyd Pension Fund Advisory Board, Pension Fund Committee and/or Pension Board, including as part of the Fund's Procedure for Recording and Reporting Breaches of the Law
 - Reporting to The Pensions Regulator or Scheme Advisory Board, as part of the Fund's Procedure for Recording and Reporting Breaches of the Law.

Circumstances where the Administering Authority may levy costs associated with the Employers poor performance

The Fund will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy Statement. The Fund will work with each employer to ensure that overall quality and timeliness is continually improved.

The 2013 LGPS Regulations provide that an administering authority may recover from an employer, any additional costs associated with the administration of the scheme, incurred as a result of the unsatisfactory level of performance of that employer.

Where an administering authority wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the employer's level of performance contributed to the additional cost.
- The amount the administering authority has determined the employer should pay.
- The basis on which this amount was calculated.
- The provisions of the Administration Strategy Statement relevant to the decision to give notice.

The administering authority will generally not recharge to an employer, any additional costs incurred by the Fund in the administration of the LGPS, as a direct result of such unsatisfactory performance. However, in instances where the performance of the employer results in:

- fines being levied against the administering authority by the Pensions Regulator, Pensions Ombudsman or other regulatory body, an amount no greater than the amount of that fine will be recharged to that employer.

- the improvement plan as outlined in the last section of this statement is not being adhered to, the Pension Fund Committee may determine that any other additional costs will be recharged. In these circumstances, the Pension Fund Committee will determine the amount to be recharged and how this is to be calculated. The employer in question will be provided with a copy of that report and will be entitled to attend the Pension Fund Committee when this matter is being considered.

Whether or not interest will be charged on late contributions will be stated within the administering authority's separate policy on discretionary provisions.

Measuring the Fund against the Administration Objectives

The Administering Authority will monitor the performance of the Fund in carrying out its responsibilities in relation to the scheme, and will regularly monitor performance by benchmarking against other Funds, using benchmarking clubs and other comparators available. How well the Fund performs will be reported in the Fund's Annual Report based on the statistics available at that time.

In addition, the Fund will monitor success against the administration objectives in the following ways:

Objectives	Measurement
Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders.	Key Performance Indicators achieved in 95% of cases*. Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.
Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money.	Cost per member is not in upper or lower quartiles when benchmarked against all LGPS Funds using national data (either SF3 or SAB)

Objectives	Measurement
<p>Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund.</p>	<p>Annual data checks (including ongoing reconciliations) resulting in few issues that are resolved within 2 months.</p> <p>Key Performance Indicators achieved in 95% of cases*.</p> <p>Issues included in formal improvement notices issued to employers resolved in accordance with plan.</p> <p>Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.</p> <p>All employers have signed up to their Service Level Agreements</p>
<p>Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.</p>	<p>Positive results in audit and other means of oversight/scrutiny.</p> <p>Key Performance Indicators achieved in 95% of cases*.</p> <p>Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.</p>
<p>Maintain accurate records and ensure data is protected and has authorised use only.</p>	<p>Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months</p> <p>No breaches of data security protocols</p> <p>Positive results in audit and other means of oversight/scrutiny</p>

An overview of the Fund's performance against these objectives, in particular, the target standards for turnaround times, will be reported within the Fund's annual report and accounts. It will be reported, on an ongoing basis, to the Pension Fund Committee and Pension Board. In addition, these will be reported to The Pensions Regulator (if deemed appropriate) under the Procedure for Recording and Reporting Breaches of the Law (Breaches Procedure Policy).

If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the administering authority will formulate an improvement plan. This will be reported to the Pension Fund Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Pensions Administration Manager and other officers will work with the Pensions Advisory Panel, Pension Fund Committee and Pension Board in monitoring these and other key risks and consider how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day to day delivery
- Significant external factors, such as national change, impacting on workload
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment.
- Failure to administer the scheme in line with regulations as listed under 'Regulatory Basis' in this Statement. This may relate to delays in enhancement to software or regulation guidance.
- Failure to maintain records adequately resulting in inaccurate data.
- Use of external printers/distributors resulting in possible data mismatch errors
- Unable to deliver an efficient service to pension members due to system unavailability or failure
- Failure to maintain employer contact database leading to information being sent to incorrect person

Approval, Review and Consultation

This Strategy Statement was approved in March 2016 by the Clwyd Pension Fund Committee. It is effective from 1 April 2016.

It will be formally reviewed and updated at least every three years or sooner if the administration management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

In preparing this Strategy we have consulted with the relevant employers, the scheme member and employer representatives on the Clwyd Pension Board and other persons considered appropriate.

This Strategy Statement will be included within the Fund's Annual Report and Accounts and available on our website at: www.clwydpensionfund.org.uk

Costs

All additional costs relating to this Strategy Statement are met directly by the Fund unless mentioned otherwise.

Further Information

Any enquiries in relation to the day to day administration of the Fund or the principles or content of this Strategy should be sent to:

Helen Burnham, Pensions Administration Manager
Flintshire County Council
County Hall,
Mold,
Flintshire
CH7 6NA
e-mail - helen.burnham@flintshire.gov.uk
Telephone - 01352 702872

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Administration Legal Requirements within the LGPS

Regulations 72, 74 and 80 of Local Government Pension Scheme Regulations 2013 require the following:

Employer Responsibilities:

- To decide any rights or liabilities of any person under the LGPS (for example, what rate of contributions a person pays and whether or not a person is **entitled** to any benefit under the scheme) as soon as is reasonably practicable*
- To formally notify that person of the decision in relation to their rights or liabilities in writing as soon as is reasonably practicable (including a decision where a person is not entitled to a benefit and why not), including information about their internal dispute resolution procedure
- To inform the administering authority of all such decisions made
- To provide the administering authority with such information it requires so it can carry out its functions including, within three months of the end of each Scheme year**, the following information in relation to any person who has been an active member of the scheme in the previous year:
 - name and gender
 - date of birth and national insurance number
 - a unique reference number relating to each employment in which the employee has been an active member
 - in respect of each individual employment during that year:
 - the dates during which they were a member of the scheme
 - the normal pensionable pay received and employee contributions paid
 - the pensionable pay received and employee contributions paid whilst there was any temporary reduction in contributions
 - the normal employer contributions paid
 - any additional employee or employer contributions paid
 - any Additional Voluntary Contributions paid by the employee or employer
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to employer decisions (or a lack of a decision)***

**And at the latest within 1 month of the need for a decision*

***Note that, in practice, the Administering Authority will require this information by a specific date as outlined in the Service Level Agreement in order to meet statutory deadlines on benefit statements*

****Note that, in practice, employers in the Clwyd Pension Fund may use the same person to consider stage 1 IDRPs complaints as used by the Administering Authority*

Administering Authority Responsibilities:

- To decide the **amount** of benefits that should be paid, including whether the person is entitled to have any previous service counting towards this for LGPS purposes, as soon as is reasonably practicable
- To formally notify that person of the decision in relation to the amount of their benefits in writing as soon as is reasonably practicable, including a statement showing how they are calculated and information about their internal dispute resolution procedure
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to administering authority decisions (or a lack of a decision)
- To appoint a person to consider complaints under stage 2 of the internal dispute resolution procedure (which covers both employer and administering authority decisions or lack of decisions)
- To provide on request any information to an employer about a complaint under the internal dispute resolution procedure that may be required by an employer

Regulation 59(1) enables an LGPS administering authority to prepare a written statement ("the pension administration strategy") to assist in delivering a high-quality administration service to its scheme members and other interested parties. It sets out local standards which often go beyond the minimum requirements in overriding legislation as outlined above, and which the administering authority and employers should comply with.

The statement may contain matters mentioned below, as considered appropriate:

- Procedures for liaison and communication with the relevant employers in their Fund.
- The establishment of levels of performance which the administering authority and the employers are expected to achieve in carrying out their functions under the LGPS by:
 - i. the setting of performance targets;
 - ii. the making of agreements about levels of performance and associated matters; or
 - iii. such other means as the administering authority consider appropriate;
- Procedures which aim to secure that the administering authority and the employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication of information, relating to those functions, between the administering authority and the employers.
- The circumstances in which the administering authority may consider giving written notice to an employer on account of poor performance in carrying out its functions under the LGPS Regulations when measured against the agreed performance levels.

- The publication of annual reports, by the administering authority, dealing with:
 - i. the measurement of the administering authority and the employers achievements against the agreed performance levels, and
 - ii. such other matters arising from its pension administration strategy as it considers appropriate
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

Regulation 59(2)e allows an administering authority to recover additional costs from an employer, where the costs are directly related to the poor performance of that employer. Where this situation arises, the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

In addition, regulation 59(6) also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employers as well as to the Secretary of State. The Administering Authority must review this statement and make such revisions as are appropriate. It is a requirement that, in preparing or revising any pension administration strategy, that the administering authority must consult its relevant employers and such other persons as it considers appropriate.

Both the administering authority and employers must have regard to the current version of the pension administration strategy when carrying out their functions under the LGPS Regulations.

Performance Standards

New Appointments	
Employer's responsibility	Target Service Standard
To ensure that pensions information is included as part of any induction process	
To provide each new employee with basic scheme information	Within one month of joining

New Scheme Members	
Employer's responsibility	Target Service Standard
Provide new members with starter forms and scheme guides, where not delegated to the Administering Authority	10 working days
Decide and ensure the correct employee contribution rate is applied	Immediately on joining in line with employer's policy, and each April thereafter (as a minimum)
Provide new starter information to the administering authority for each new employee joining the LGPS	10 working days
Forward completed starter forms completed by scheme members to the administering authority	3 working days from date of first deduction of contributions
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	5 working day from receipt of all relevant information (or within 1 week for bulk uploads)
To apply for any transfer value details from a previous fund or scheme	5 working days from receiving all information
To send a Notification of Joining the LGPS to a scheme member	15 working days

Changes in circumstances	
Employer's responsibility	Target Service Standard
Arrange for reassessment of employee contribution rate in line with employer's policy	If applicable, as per employer's policy
Notify the administering authority of any eligible employees who opt out of the scheme within three months of appointment.	10 working days from date of receiving opt out
Send a Notification of Change (or equivalent) if legally required to a scheme member	15 working days from date of change
Notify the administering authority of all other relevant changes in the circumstances of employees	15 working days from date of change
Refund any employee contributions deducted in error, or where the member opts out in	Month following the month of election

writing within 3 months with no previous LGPS membership.	
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	5 working days
To send a Notification of Change (or equivalent) if legally required	15 working days from receiving information

Retirement Estimates (including ill-health)	
Employer's responsibility	Target Service Standard
Provide pay (and other membership) details when a member requests an early retirement estimate	8 working days
Administering Authority's Responsibility	
Providing quotations on request for retirements	15 working days from receipt of all relevant information
Providing provisional statement of retirement benefits for deferred members	1 month before retirement

Actual Retirements (including ill-health)	
Employer's responsibility	Target Service Standard
Notify the Fund when members are due to retire and reason for retirement (and authorisation where appropriate)	As early as possible and no later than 15 working days before date of retirement
Notify the Fund when a member leaves employment, including an accurate assessment of final pay	8 working days from members final pay date
Send a Notification of Entitlement to Benefit if legally required to a scheme member (including determining tier of ill-health retirement if applicable)	No later than 5 working days before date of retirement
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	5 working days from receipt of all relevant information
Notification of amount of retirement benefits and payment of tax free cash sum	7 working days from receipt of all relevant information
Notification of amount of recalculated retirement benefits and payment of any balance tax free cash sum following updated information	7 working days from receipt of all relevant information

Ill-Health Retirements (additional responsibilities)	
Employer's responsibility	Target Service Standard
Appoint a qualified independent medical practitioner (from the approved list provided by the Administering Authority) in order to consider all ill health retirement applications, and agree this appointment with the Fund.	Within one month of becoming an employer within the Fund
To keep a record of all Tier 3 ill-health cases and to review these cases after 18 months	
Notify the Fund of the results of any review of Tier 3 ill-health cases with appropriate information to allow the Fund to recalculate benefits if necessary	5 working days of results of review
Send a Notification of Entitlement to Benefit (or change in benefit) to a scheme member following the review of his/her Tier 3 ill-health benefits	5 working days of results of review
Administering Authority's Responsibility	
To notify employers prior to scheduled discontinuation of benefit payments, and before updating the member records to "pensioner with deferred benefits".	3 months prior to scheduled discontinuation date

Members leaving before retirement	
Employer's responsibility	Target Service Standard
Notify the Fund of the member's date of (and reason for) cessation of membership, and all other relevant information.	8 working days from member's most recent pay date
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	5 working days from receipt of all relevant information
To inform members who leave the scheme of their deferred benefit entitlement	15 working days from receipt of all relevant information
Provide a refund of contributions where requested	10 working days from receipt of all relevant information
Provide a statement of current value of deferred benefits on request	15 working days

Death Benefits	
Employer's responsibility	Target Service Standard
Notify the Fund of the death of a member and provide details of next of kin where available	8 working days of being notified
Administering Authority's Responsibility	
Write to next of kin or other contact requesting information following the death of a scheme member	5 working days from notification
Calculate and notify dependant(s) of amount of death benefits	7 working days from receipt of all relevant information
Decide who should be recipient(s) of death grant and pay death benefits appropriately as directed	7 working days from receipt of all relevant information

Transfers	
Administering Authority's Responsibility	
Obtain transfer details for transfer in, and calculate and provide quotation to member	20 working days from receipt of all relevant information
Request transfer value upon acceptance of transfer in	5 working days
Notify scheme member of benefits purchased by transfer in on receipt of payment	15 working days
Provide details of transfer value for transfer out, on request	20 working days from receipt of all relevant information
Provide payment of transfer value to appropriate recipient.	10 working days

Additional Benefits (APCs and AVCs)	
Employer's responsibility	Target Service Standard
Commence, cease or amend (as appropriate) deduction of APCs and AVCs	In month following election
Administering Authority's Responsibility	
To provide information on APCs / AVCs on request to members and employers.	10 working days from request

Various Financial Obligations	
Employer's responsibility	Target Service Standard
Pay the Fund all employee contributions deducted from payroll and all employer contributions.	Immediately when deducted from pay but at the latest by the 19 th day of the following month.
Pay all rechargeable items to the Fund, including additional fund payments in relation to early payment of benefits.	20 working days from receiving invoice (within standard invoicing terms of 28 calendar days)
Pay all additional costs to the Fund associated with the unsatisfactory performance of the employer	20 working days from receiving invoice (within standard invoicing terms of 28 calendar days)
Administering Authority's Responsibility	
To allocate the received contributions to each employer's cost centre	Prior to closing month end
Issue invoice in relation to additional fund payments in relation to early payment of benefits	10 working days of employer costs being confirmed
Inform the employers of any new contribution banding	At least 1 month prior to the new contribution bands being introduced
Notify calculation and new value of pension following annual pensions increase	At least 2 working days before payment of revised pension

Annual Return, Valuation and Annual Benefit Statements	
Employer's responsibility	Target Service Standard
Provide the Fund with yearend information to 31 March each year, and any other information that may be required for the production of Annual Benefit Statements.	By 30 April annually
Administering Authority's Responsibility	
Process employer year end contribution returns	Within 1 month of receipt
Produce annual benefit statements for all active and deferred members.	In line with LGPS regulations timescales
Provide information to the Actuary (or GAD as appropriate) for both the triennial valuation and for accounting purposes.	As agreed between the Fund and the Actuary.
Provide an electronic copy of the valuation report and associated certificate to each employer, and to answer any questions arising.	10 working days from publication of report

General	
Employer's responsibility	Target Service Standard
Confirm a nominated representative to receive information from the Fund, and to take responsibility for disseminating it within the organisation.	By effective date of admission or within 5 working days of previous representative leaving
Formulate and publish policies regarding all discretions that the employer may exercise, and provide a copy to the Fund.	Within 2 months of joining and also provided to administering authority every 3 years or whenever amended
Respond to enquiries from the Fund.	10 working days
Notify the Fund if the employer intends to outsource services that will involve TUPE transfers of staff, and work with the Fund to ensure an admission agreement is put in place and complied with or a bulk transfer arranged.	Initial notification immediately upon becoming aware of potential outsourcing, and at least 3 months prior to the start of the contract
Distribute any information provided by the Fund to members / potential members	5 working days
Put in place a Stage 1 Internal Dispute Resolution Procedure	Within 1 month of joining and before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Administering Authority's Responsibility	
Arrange for the setting up of an admission agreement where required	Within 3 months of all information being provided
Publish and keep up to date the Short Scheme Guide and Employers' Procedural Guide.	Updates made within 10 working days of any legislation changes but preferably before effective date
Publish and keep up to date all forms that members, prospective members and employers are required to complete.	Updates made within 10 working days of any legislation changes but preferably before effective date
Publish the Fund's annual report and accounts and any report from the auditor	In line with CIPFA Guidance
Provision of other responses to general enquiries from scheme members and employers	10 working days to provide initial response
Put in place a Stage 1 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Put in place a Stage 2 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)

Pension Payments	
Administering Authority's Responsibility	Target Service Standard
Issue pension payments to designated bank accounts	To arrive on due date
Issue payslips to home addresses for those pensions where net pay has changed by £5 or more	Posted so as to arrive on the due date
Investigate returned payments and action appropriately	10 working days from receipt of return
Respond to pensioner queries in writing	10 working days from receipt of query
Implement a change to pension in payment	By next payroll period where change occurs more than 5 days prior to the payment date

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Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

COMMUNICATIONS STRATEGY

April 2016

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COMMUNICATIONS STRATEGY

Introduction and Background

This is the Statement outlining our Pension Communication Strategy for the Clwyd Pension Fund (“the Fund”) and has been developed following consultation with employers in the Fund, scheme member representatives, Pension Board members and other interested stakeholders.

The aim of this Communication Strategy is to ensure that scheme members appreciate the benefits of the scheme and all stakeholders are kept informed of developments within the Pension Fund, and effective communications will also help to maintain the efficient running of the Scheme.

Flintshire County Council (the "administering authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme (“the LGPS”). The Fund comprises around 30 employers with active members, and approximately 40,000 scheme members (including active members, deferred and pensioner members).

The Statement sets out who we will communicate with, how this will be done and how the effectiveness of that communication will be monitored. It outlines the type of communications the administering authority would like to provide to its stakeholders.

The Clwyd Pension Fund recognises that there are several distinct stakeholder groups, such as;

- Scheme Members (active, deferred, pensioner and dependant members) and prospective Scheme Members
- Scheme Employers and prospective Scheme Employers
- Pension Fund Committee and Pension Board members
- Pension Fund Staff
- Other interested organisations including Government Departments, Scheme Advisory Board and Advisors to the Pension Fund.

The main means of communication with these key stakeholders are outlined in this statement, which includes making more use of technology to provide quicker and more efficient communications for the Fund's stakeholders.

Implementation

The Clwyd Pension Fund's business plan for 2016/17 to 2018/19 includes a number of projects which will improve communications and help meet the aims and objectives of this Statement.

These include:

- a major review of the Fund's website
- implementing self-service web functionality to scheme members

- implementing new software that will allow employer data to be loaded directly, and therefore more efficiently, into the pension administration software – this in turn will assist in more timely communication with scheme members.

This Statement will be effective from 1 April 2016 and the performance indicators mentioned herein will demonstrate ongoing progress towards the Strategy's aims and objectives.

Regulatory Basis

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 61 of the Local Government Pension Scheme Regulations 2013, reproduced below, provides the conditions and regulatory guidance surrounding the production and implementation of Communications Strategies:

Statements of policy concerning communications with members and Scheme employers

61. (1) *An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with —*

- (a) members;*
- (b) representatives of members;*
- (c) prospective members; and*
- (d) Scheme employers.*

(2) In particular the statement must set out its policy on —

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;*
- (b) the format, frequency and method of distributing such information or publicity; and*
- (c) the promotion of the Scheme to prospective members and their employers.*

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

This statement has been developed to include the information required by those provisions and to describe our approach in relation to meeting these requirements in the delivery of communications.

The Clwyd Pension Fund ensures it complies with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

Our Aims and Objectives

Mission Statement

The Clwyd Pension Fund Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused, reputable and credible service to all customers.

- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a ‘can do’ approach.

In addition, we have specific aims and objectives in relation to our communication responsibilities as set out below.

Communication Aims and Objectives

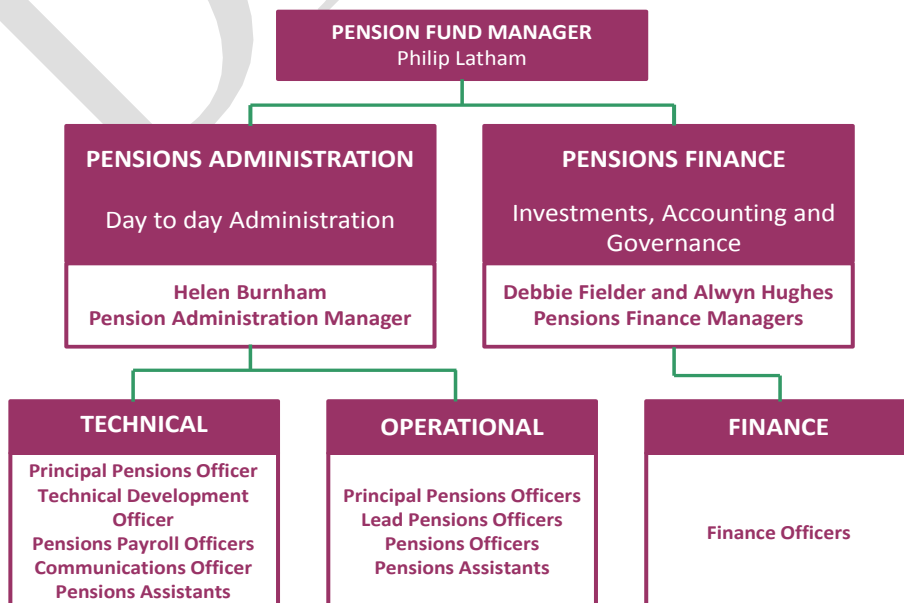
This Communications Strategy has a number of specific objectives relating to how we communicate with our stakeholders, as follows;

- Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- Communicate in a clear, concise manner
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- Look for efficiencies in delivering communications through greater use of technology and partnership working.
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

Delivery of Communications

Flintshire County Council has delegated responsibility for the management of the Pension Fund to the Clwyd Pension Fund Committee, taking into consideration advice from the Pensions Advisory Panel and the Pensions Board. The Committee will monitor the implementation of this Strategy on a regular basis as outlined later in this statement.

The communication aspect of the Fund is undertaken ‘in-house’ by a dedicated Communications Officer. The operational structure of the Clwyd Pension Fund is illustrated in the schematic diagram below:



The Clwyd Pension Fund may consider using external means to provide some of their communication services. In particular, the Pension Administration Section will look for opportunities to work collaboratively with other funds so as to reduce development costs and enhance the quality of information. This might include:

- Working with other funds through the Pensions Officer Group networks or the All Wales network to produce communications, which can then be customised further where necessary to the needs of the Clwyd Pension Fund
- Participating in joint training sessions with other funds.

How we Communicate

Ensuring that key stakeholders are well informed about the LGPS is of paramount importance. The Fund recognises that communicating in a clear informative style is vital in achieving this aim.

Diversity and Effectiveness of Communication

The Clwyd Pension Fund always aims to use the most appropriate communication medium for the audience receiving the information. This may involve using more than one method of communication based on the intended audience.

The frequency of each communication is not restricted and may vary depending on the urgency of the information being conveyed.

All of the Clwyd Pension Fund's generic scheme member communication material is bilingual. Scheme members are also able to receive all personal correspondence in Welsh should that be their preferred language. The Fund's information is also available in alternative formats for example, Braille, large print, BSL Video/DVD, audio tape and other languages on request.

Methods of Communication

a) With Scheme Members and Prospective Scheme Members

Effective communication promotes the LGPS as a benefit, therefore reducing the impact of misleading media information.

<i>Website</i>	The Fund's website (http://www.cronfabensiyauclwyd.org.uk (Welsh) or http://www.clwydpensionfund.org.uk (English)) is available to everyone. It contains information about the Fund and the LGPS. Members are able to download scheme literature and forms. More detailed information on the scheme can also be obtained at http://www.lgps2014.org/ .
<i>Annual Benefit Statements</i>	These statements are currently distributed annually to all active and deferred scheme members at their home addresses in order to comply with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. The format of the statement has recently been reviewed in order to accommodate the new scheme information requirements and is presented as a single sheet with brief notes and an extended set of notes available online and on request.

<p><i>Newsletters</i></p>	<p>The Fund issues a periodic newsletter called Penpal to contributing members, bringing to their attention information such as changes to scheme rules, and including important Facts & Figures from the Annual Report. The Fund also sends an annual newsletter to its pensioners entitled Clwyd Catch Up. This is sent with the annual pensions increase notification and explains how their new annual rate of pension has been calculated. It also includes topical information such as relating to the budget and State benefits. Both newsletters are currently distributed to home addresses or via employers where appropriate in order to comply with the disclosure regulations. In the future the Fund hopes to be able to email members direct with generic information.</p> <p>In addition, Pensions Extra is a newsletter that is used to notify members of urgent issues concerning the LGPS.</p> <p>All newsletters are available to view on the website.</p>
<p><i>Pension Presentations/ Road-shows/Drop-in Sessions</i></p>	<p>The Fund offers LGPS presentations, Road-shows, and drop-in sessions throughout the year on pension related matters as part of pre-retirement planning. Employers can also request for an Officer from the Fund to visit and speak with their staff about the LGPS. The information given out at these events is constantly reviewed to ensure that it is up-to-date and takes into account any changes in the pension regulations. LGPS literature, ranging from scheme booklets to death grant expression of wish forms, is always available at these events.</p>
<p><i>Telephone and email</i></p>	<p>All members and prospective members have the opportunity to telephone the pension helpdesk, fax or email the Fund for information. This is in addition to the other lines of communication open to them.</p>
<p><i>Pre-Retirement Courses</i></p>	<p>The Communication Officer attends regularly organised pre-retirement courses to inform members who are approaching retirement age about Local Government retirement procedures. The courses are run in partnership with Gwynedd County Council and are offered to all North Wales LGPS employers.</p>
<p><i>Literature</i></p>	<p>The Fund ensures pension-related literature is available to scheme members, including:</p> <ul style="list-style-type: none"> • A Short Scheme Guide to the Local Government Pension Scheme, which is sent to all members upon joining the Clwyd Pension Fund. • A retirement pack sent to all members about to retire. • Your Pension at Retirement, which is distributed to all new employees alongside their contract of employment. • Fact-sheets on numerous areas including ill-health retirement, maternity leave, flexible retirement and commutation. They are produced on an All Wales basis. <p>All Fund literature is available on the website enabling 24 hour access.</p>

<i>Pensions Taxation Correspondence</i>	Where appropriate, letters are distributed to all higher earning members, explaining changes to taxation rules and how this may affect their pension savings. This allows members to plan any action required to ensure they do not have pension savings in excess of the Annual and Lifetime Allowances. The Fund facilitates services offered by Prudential to offer presentations at Senior Management Team level.
<i>Annual Report</i>	The Annual Report is published to highlight how the Fund has performed during the previous financial year. It also includes statements with regards to investment principles, funding strategy, risk, governance, audit and administration. It is available on the Fund's website.

b) With Employers

Effective communication between the Fund and its employers reduces errors, improves efficiency and leads to good working relationships. The main means of communication with employers are outlined below.

<i>Employer key contact officers and meetings</i>	<p>We expect each employer in the Fund to designate a named individual to act as their key contact officer; this individual will be the main contact with regard to any aspect of administering the LGPS and the employer must keep the Fund aware of the contact details for that person.</p> <p>The Operations Section consists of teams led by Principal Pensions Officers. Each team is responsible for the day to day operations for specific employers. The designated Principal Pensions Officer, will contact, and where relevant, meet with the employer's key contact officer to discuss any issues relating to the LGPS and/or raise any issues around the performance of the employer or services provided by the Fund. Further meetings will be arranged if necessary, and may be escalated to include the Pensions Administration Manager.</p>
<i>Annual Employer Meeting</i>	Employers have the opportunity to meet with members of staff from the Clwyd Pension Fund and receive updates and presentations from selected speakers who address the current issues and changes to the LGPS. This meeting takes place on the morning of the Annual Joint Consultative Meeting.
<i>Annual Joint Consultative Meeting (AJCM)</i>	The AJCM invites employers and Trade Union representatives to discuss the latest pension issues and to keep up-to-date with Local Government Pension Scheme regulations. The AJCM is attended by the Fund Actuary and Investment Managers and includes presentations summarising the main aspects of the Fund's annual report and accounts.
<i>Training Sessions</i>	Training sessions are offered to each employer. The sessions include training on the LGPS regulations and administration procedures and are offered to all relevant staff.
<i>Administration Strategy</i>	Introduced in April 2016, the administration strategy provides an overview of how the administering authority and employers will work together to

	achieve a high quality service. It sets out, in detail, the obligations and responsibilities of both the Fund and the employer to achieve set performance standards. The performance standards are set in order to comply with the Local Government Pension Scheme Regulations 2013 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. This is available on the Fund's website.
<i>Service Level Agreements (SLAs)</i>	SLAs ensure best practice and also comply with audit requirements. The SLA sets out, in detail, the obligations and responsibilities of the Employer, concerning all aspects of LGPS administration. These Agreements are reviewed and updated annually taking into account changes made to the regulations and feedback from the Fund's employers.
<i>Website</i>	All Employers have access to the Fund's website (http://www.cronfabensiynauclwyd.org.uk (Welsh) or http://www.clwydpensionfund.org.uk (English)) which includes a range of information relating to the scheme benefits and also management of the Clwyd Pension Fund. The employers also have their own website section (www.cronfabensiynauclwyd.org.uk/Employers (Welsh) or www.clwydpensionfund.org.uk/en/Employers (English)) that they can visit to find out how to implement LGPS regulations. They are able to download password protected pensions forms which must be completed by the employer in order for pension benefits to be calculated.
<i>Email Updates</i>	The Fund communicates with employers using an email distribution list including key staff from all employers. This distribution list is used to highlight general updates about the LGPS and to remind employers of facilities available to them and their staff, i.e. pension presentations and drop-in sessions. The Fund emails employers to inform them when a news alert is added to the website.
<i>Employer Bulletins</i>	The Clwyd Pension Fund Employer Bulletin is emailed to employers annually to inform them of important LGPS issues. It is also used to summarise all of the LGPS changes for the past 12 months and also includes updates on any major changes expected. Additional Employer Bulletins are issued throughout the year if urgent information needs to be sent to our employers.

<i>i-Connect</i>	i-Connect is the software that the larger employers in the Fund will be required to use to submit information to the Pension Administration Section. The system provides for efficient and timely data submission due to the automated validation it provides. Any employer (once i-Connect has been made available to them) not providing data using i-Connect will be charged additional administration costs due to the fact that other methods can result in great time spent validating data and hence significant delays in processing, which in turn impact the quality and timeliness of information provided to scheme members. On request, training will be provided by the Technical Team to ensure all employer key contact officers understand how to use the system. i-Connect will be rolled out to the larger Fund employers during the years 2016 and 2017, after which we will roll it out to other Fund employers.
<i>Employer specific events</i>	A Fund Officer is available to attend any employer specific events to assist employers understand their responsibilities.

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c) With Pension Fund Committee and Pension Board members:

Effective communication ensures that Pension Fund Committee and Pension Board members are appropriately knowledgeable and able to act in the best interests of the Fund and its members.

Members are provided with regular reporting on all areas relevant to pensions, including investment, funding, audit, governance, administration and risk. This is communicated in a variety of formats including via the external website, the infonet, the annual report and accounts, through committee meetings and through regular training in line with the Fund's training policy. The majority of reports provided to Pension Fund Committee members, together with the meeting minutes, are available on the Council's website - <http://cyfarfodyddpwyllgor.siryfflint.gov.uk/ieListMeetings.aspx?CId=445&Year=0&LLL=undefined>.

d) Information for Fund Staff:

Effective communication ensures that Fund staff are confident and prepared to undertake their role, as follows:

<i>Clwyd Pension Fund Manager</i>	The Clwyd Pension Fund Manager maintains an open-door policy and is available to all Fund staff. In addition, staff have unrestricted access to their supervisors and senior colleagues to discuss and resolve work related issues.
<i>Pensions Administration/Finance Manager</i>	The Pensions Administration/Finance Managers maintain an open-door policy and are available to all Fund staff. In addition, staff have unrestricted access to their supervisors and senior colleagues to discuss and resolve work related issues.
<i>Administration Section Meetings</i>	Held on a monthly basis to discuss operational and technical issues, ensuring there is a shared understanding of any issues and developing a consistent approach towards addressing them. In addition, the Pensions Administration Management team meet fortnightly.
<i>Appraisal and Training</i>	All new members of staff undergo an induction procedure to acquaint them with the operational running of the Fund. Subsequently, all pension staff also receive both in-house and external training. Staff at all levels in the Fund have annual assessments, with a mid-year review, during which there are open discussions of work issues and areas for development. This dialogue is supplemented by regular one-to-one meetings within team structures.

e) Communicating with other bodies:

There are a number of other interested parties with whom we communicate as required, including:

<i>The Department for Communities and Local Government (DCLG)</i>	The Fund has regular contact with DCLG as a responsible LGPS Fund, participating and responding to consultations, as required.

<i>Scheme Advisory Board (SAB)</i>	The national SAB was established following the Public Services Pensions Act 2013. It provides advice to the Fund and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme and their funds. We therefore liaise with the SAB as appropriate.
<i>The Pensions Regulator</i>	The Pensions Regulator's remit has been extended to the Public Sector as a result of the Public Services Pensions Act 2013. The Fund liaises with the Regulator as required to ensure that it is compliant with the Pensions Regulator's Code of Practice.
<i>Trade Unions</i>	The Fund works with relevant trade unions to ensure the Scheme is understood by all interested parties. Efforts are made to ensure all pension related issues are communicated effectively with the trade unions. The trade unions are represented on the Pension Fund Committee and Pension Board.
<i>Employer Representatives</i>	The Fund communicates with relevant employer representative bodies to ensure that the Fund's views are represented to employer groups. Employers are represented on the Pension Fund Committee and Pension Board.
<i>AVC Provider</i>	Additional Voluntary Contributions (AVC) are held and invested separately from the LGPS. The Fund's current AVC providers are Prudential and Equitable Life (closed). The Communication Officer and other Pensions Officers meet with the Prudential for a quarterly update.
<i>Pension Fund Investment Managers, Advisers and Actuaries</i>	<p>The Clwyd Pension Fund Manager and Finance Managers have regular meetings with;</p> <ul style="list-style-type: none"> - the Fund Managers who invest funds on behalf of the Fund - Investment Advisers who provide help and advice on the asset allocation and investments of the Fund - the Fund Actuary to discuss funding levels, employer contributions and valuation of the assets and liabilities of the Fund <p>The Independent Advisers, the Fund Actuary and the Investment Adviser are all members of the Pension Fund Advisory Panel, and attend all Pension Fund Committee meetings.</p>
<i>Welsh Government</i>	The Fund sometimes needs to liaise with Welsh Government on matters that might impact the delivery of the LGPS, such as local government reorganisation.
<i>Asset pooling partners</i>	Going forward there will be greater focus on the pooling of assets between LGPS Funds. As part of this the Fund will likely have ongoing relationships with a number of LGPS Funds and organisations managing those asset pools.
<i>Pension Fund Custodian</i>	The Fund's Custodian ensures the safekeeping of the Funds investment transactions and all related share certificates.

<i>Pensions and Lifetime Savings Association (PALSA)</i>	The Fund is a member of PALSA, which provides an opportunity for administering authorities to discuss issues of common interest and share best practice.
<i>Class User Group</i>	The Pension Administration Manager and other Pensions Officers attend the Class User Group meetings twice a year to discuss software issues and required upgrades.
<i>Local Authority Pension Fund Forum (LAPFF)</i>	The Fund is a member of LAPFF which was established to help local authority funds share information and ideas about socially responsible investing.
<i>Regional Forums</i>	The Shrewsbury Pension Officers Group takes place quarterly. It is an opportunity for the Pensions Administration Managers and other Pension Officers from LGPS Funds in the region, to share information and ensure uniform interpretation of the LGPS, and other prevailing regulations.
<i>Partnership Meetings with the 8 Pension Funds in Wales</i>	The Pensions Administration Manager and other Pension Officers regularly meet representatives from the other LGPS Pension Funds in Wales to discuss best practice, to ensure that all Welsh Funds have a consistent approach to their administration procedures. In addition, all of the Communication Officers from the Welsh Pension Funds meet annually to share ideas about forms of communication.
<i>Shared Services Communications Group</i>	The Communication Officer and other Pension Officers also attend a Communication Group in the Midlands, on a quarterly basis, to ensure continuity and share ideas about forms of communication.
<i>Requests for information</i>	Requests for information either under the Freedom of Information Act or otherwise, will be dealt with as openly and swiftly as allowed providing that such information does not breach confidentiality, by the Flintshire County Council Freedom of Information Officer.
<i>Consultations</i>	There are occasions when the Fund will consult with interested parties either as a result of potential changes to the regulations governing the LGPS or specific policy changes relating to the Fund. In these instances, the most effective way of communicating with interested parties is to hold a period of consultation, during which, they are given the opportunity to respond to specific changes. Interested parties and representative groups will be approached to provide feedback to the policy changes before amendments are enacted.
<i>Press releases and comments</i>	Press releases or comments regarding the Clwyd Pension Fund are made either via the Corporate Communications team within Flintshire County Council or in collaboration with them.

Measuring whether we meet our Communication Objectives

The Fund will monitor success against our communication objectives in the following ways:

Objectives	Measurement
Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits.	Annual satisfaction surveys with scheme members achieving 90% of scores in positive responses in these areas.
Communicate in a clear, concise manner.	Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.
Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders.	Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.
Look for efficiencies in delivering communications including greater use of technology and partnership working.	Evidence of consideration given towards available technology solutions. Proof of utilising partnership opportunities relating to communications with other LGPS Funds with similar values and approaches.
Regularly evaluate the effectiveness of communications and shape future communications appropriately.	Satisfaction survey is undertaken annually (as a minimum). Results from satisfaction survey are thoroughly analysed and investigated, and trends monitored from previous years. Detailed analysis of survey results is used to identify areas to improve communications in future.

An overview of our performance against these objectives will be reported within the Fund's annual report and accounts and also reported on an ongoing basis to the Pension Fund Committee and Pension Board.

If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the Fund will formulate an improvement plan. This will be reported to the Funds' Pension Fund Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Clwyd Pension Fund Manager, the Pensions Administration Manager and other officers will work with the Pensions Advisory Panel, Pension Fund Committee and Pension Board in monitoring these and other key risks and considering how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day to day delivery

- Significant external factors, such as national change, impacting on workload
- Issues in production of annual benefits statements, e.g. wrong address and printing errors due to external supplier
- Issuing incorrect or inaccurate communications
- Failure to maintain employer database leading to information not being sent to correct person
- Lack of clear communication to employers, scheme members and pensioners

Approval, Review & Consultation

This Strategy Statement was approved in March 2016 by the Clwyd Pension Fund Committee. It is effective from 1 April 2016.

It will be formally reviewed and updated at least every three years or sooner if the communication management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

In preparing this Strategy we have consulted with the relevant employers, the scheme member and employer representatives on the Clwyd Pension Board and other persons considered appropriate.

This Strategy Statement will be included within the Fund's Annual Report and Accounts and available on our website at: www.clwydpensionfund.org.uk

Costs

All additional costs relating to this Strategy Statement are met directly by the Fund unless mentioned otherwise.

Further Information

Any enquiries in relation to the Fund's communications or the principles or content of this Strategy Statement should be sent to:

Helen Burnham, Pensions Administration Manager
Flintshire County Council
County Hall,
Mold,
Flintshire
CH7 6NA

e-mail - helen.burnham@flintshire.gov.uk

Telephone - 01352 702872



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	LGPS Current Issues
Report Author	Chief Executive

EXECUTIVE SUMMARY

The purpose of the report is to provide an update on the key issues affecting the LGPS as at February 2016 and makes recommendations for Members to review the following:

- The large number of current issues ongoing for the Fund as per Appendix 1
- The Chancellor delivers his Budget on 16th March 2016 and a verbal update will be provided at the meeting
- The implementation of the new State Pension will have implications for costs for employers through increased National Insurance and indexation of GMP pensions for certain members
- The GMP reconciliation exercise will require significant resource and cost to implement for the CPF

RECOMMENDATIONS

1	It is recommended that all PFC members note this report and make themselves aware of the various current issues affecting the LGPS, some of which are significant to the operation of the CPF.
2	In particular, members are asked to note the recent developments with regard to the additional costs arising for the LGPS relating to the responsibility for paying pension increases on GMP benefits for members reaching State Pension Age between 6 April 2016 and 5 December 2018.
3	Members are also asked to note that a GMP reconciliation exercise has already begun in relation to the CPF.

REPORT DETAILS

1.00	LGPS Current Issues
1.01	<p>The purpose of this report is to provide a general update to PFC Members on various current issues affecting the LGPS.</p> <p>Appendix 1 sets out a brief update on a number of significant specific issues, and also wider issues affecting the whole of the pensions industry.</p>
1.02	<p>At the time of preparing this report, the implications of the Chancellor's budget which he will deliver on 16 March 2016 are not yet known. A verbal update on any pension related issues will therefore be given to members at the PFC meeting.</p>
1.03	<p>One of the main areas covered in the report is with regard to State Pension reforms given there are number forthcoming changes ahead (and associated deadlines), including:</p> <ul style="list-style-type: none">• The introduction of a flat-rate state pension,• GMP reconciliation exercises• The abolition of contracting-out and increase National Insurance Contributions• LGPS will be required to fully inflation proof GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 December 2018• A review of the State Pension Age

2.00	RESOURCE IMPLICATIONS
2.01	<p>Some of the actions arising out of the issues identified will take significant input from Fund officers.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>None directly as a result of this report but noting the consultation on exit payments for public sector workers.</p>

4.00	RISK MANAGEMENT
4.01	<p>Some key risks need to be considered. In particular the cost impact of the new State Pension reforms and the resource requirements to deal with the matters arising. This report also is also intended to support the Knowledge & Understanding of the PFC and officers thereby reducing risk around decision making.</p>

5.00	APPENDICES
5.01	Appendix 1 – LGPS Current Issues

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>LGPS Current Issues document, tabled at 23 September 2015 PFC meeting.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) Actuarial Valuation - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.</p> <p>(g) GMP – Guaranteed Minimum Pension – This is the minimum level of pension which occupational pension schemes in the UK have to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997.</p>

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| <p>(h) CARE – Career Average Revalued Earnings – With effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.</p> <p>(i) Annual Allowance – the annual allowance is a limit on the amount that individuals can contribute to their pension each year, while still receiving tax relief.</p> |
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MARCH, 2016

LGPS CURRENT ISSUES

NEWS IN BRIEF

PENSION INCREASES / REVALUATION OF CARE BENEFITS

Given that UK inflation, as measured by the Consumer Prices Index (CPI), fell by -0.1% in the period September 2014 to September 2015, those members in the LGPS who have retired/left service, will receive no increase to their benefits with effect from April 2016.

With regard to members in service, on 1 February 2016, a draft of The Public Service Pensions Revaluation (Prices) Order 2016 was [published](#), which specified that a decrease of -0.1% should come into effect from 1 April 2016. Therefore, whilst this has yet to be laid, it is looking likely that HM Treasury will choose to use their powers under the legislation and apply a reduction to post 2014 CARE benefits.

The very low CPI figure will also have an effect on the 2016/17 Annual Allowance calculations.

IN THIS ISSUE

- News in Brief
- State Pension Reform
- Dates to Remember
- Contacts



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EQUITABLE LIFE DEVELOPMENTS

There have been a number of recent developments at Equitable Life with regard to the various investment Funds available to members. A number of changes have already taken place.

In short, Equitable Life is increasing the annual management charges it applies to various funds, and also halving its overall fund range, with assets being disinvested and reinvested in one or more of the remaining funds. Whilst we would expect that the majority of LGPS members with Equitable Life policies to not be affected (given they will be invested in With-Profits funds which are not subject to any of the changes announced), LGPS Funds, which have members with Equitable Life Policies, still need to consider what action they should take.

In particular, administering authorities need to be aware that any automatic reinvestment performed by Equitable Life, could be deemed to be an investment decision by the administering authority on behalf of members.

We will be producing a separate note on the options available and what steps should be taken.

SINGLE FRAUD INVESTIGATION SERVICE BULK TRANSFERS

The Single Fraud Investigation Service (SFIS) involves the transfer of a handful of local authority staff from each LGPS Fund to the PCSPS.

We understand that members are currently being provided with the details of their options on joining the PCSPS and in some cases the transfers will be paid shortly. For other funds, once members have made their decisions we will be in touch with Funds to agree the amounts of any transfers to be paid.

EUROPEAN UNION REFERENDUM

The Prime Minister has announced that the European Union (EU) Referendum will be held on 23 June 2016.

The most important immediate impact that the EU Referendum will have on pension schemes will be the impact on the financial markets (e.g. potential volatile equity prices and bond yields) both before the Referendum, depending on how close the vote is predicted to be, and afterwards, should the vote be to leave the EU. Markets are currently expecting the UK to stay in the EU, so if there is an exit, it is difficult to predict the outcome.

Such volatility and uncertainty in the markets will have a knock-on effect on funding positions and for LGPS Funds in England and Wales, this may need to be considered carefully as the outcome of the referendum will be announced right in the middle of the 2016 valuation process.

In addition to market volatility, given that UK pension law has been brought into line with various EU directives e.g. gender/age discrimination etc, in theory a vote to leave the EU could pave the way for the UK to change its legislation in certain areas, although whether any major changes will be brought in is perhaps doubtful.

2016 ACTUARIAL VALUATION (ENGLAND AND WALES)

We are now less than a month away to 31 March 2016, the effective date of the next round of actuarial valuations for English and Welsh Funds. There will be a number of challenges facing Funds, Employers (and advisors!) in relation to this exercise, in particular given it will be the first valuation in the Post 2014 environment, and also with regard to the greater level of scrutiny that the LGPS is now under.

Preparatory work is already underway on a number of fronts and we will be producing a separate note to consider some of these in more detail.

INFRASTRUCTURE AND INVESTMENT POOLING IN THE LGPS

The Chancellor made a statement back in October that referred explicitly to infrastructure investment and investment pooling in the LGPS. The statement provided the clearest sign yet of the scale of ambition that the LGPS has been tasked to achieve.

Alongside the deadline for responses to the Consultation on the Investment Regulations (as referred to below), LGPS Funds had to submit by 19 February 2016 details of what progress they had made to date in terms of pooling with other authorities. As we understand, there are now 7 pools in the process of being established.

The next deadline for Funds to consider is 15 July 2016. By this date, Funds will have had to make a final submission to the government describing the proposed structure and governance of any pooling arrangement, what costs (and importantly savings) are expected, and also how this will be implemented e.g. transition profile for the assets involved. Unlike the initial submissions (which could have been submitted jointly by Funds), final submissions need to be on an individual basis.

If done in the right way, pooling could have significant investment and governance benefits to the LGPS and wider society. However, we should not lose sight of the LGPS's ultimate objective of providing pensions in a cost effective manner, which requires a holistic approach encompassing credible and transparent funding plans, effective cost management, best in class governance, return generation and risk management. There is no silver bullet therefore and continuous effort on all these fronts is needed.

INVESTMENT REGULATIONS' CONSULTATION

The deadline for responses to the Government's consultation on revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ended on 19 February 2016 and responses are now being considered.

In summary the main changes proposed centred around:

- Pooling of assets to increase scale and reduce costs possibly through more internal management e.g. the Common Investment Vehicle being implemented by the London Boroughs.
- Improving governance by ensuring strategies are adhering to regulation and guidance
- Increasing flexibility for Administering Authorities to determine an appropriate risk based investment strategy
- Allowing the Secretary of State to intervene where Funds are not taking advantage of pooling and/or not delivering appropriate risk based investment strategies

Mercer has responded to the consultation, please contact your usual Mercer contact if you would like a copy.

UPDATE ON IMPLICATIONS OF THE STATE PENSION REFORM

Time is potentially running out to prepare for state pension reform, and actions need to be taken before 6 April 2016.

There are a number of implications for LGPS funds and employers as a result of the reform and we have considered this in more detail later in this edition.

MARCH 2016 BUDGET AND RESULT OF PENSION TAX CONSULTATION

The current pensions tax system is under review and the government issued a [consultation](#) on pension tax relief in July 2015. Mercer understands that the four structures most likely to be seriously considered by HM Treasury are: the current system; an amended version of the current system; an ISA-style structure with additional incentive to make long term saving; and a flat rate of tax relief.

The result of the consultation is likely to be announced in the March 2016 Budget and there are many issues that this could potentially create including further upheaval for employers and Funds who have already had to address issues caused by auto-enrolment, the new pensions freedoms and the end of contracting-out in April 2016.

All the time of writing, Press reports strongly support that Chancellor will make no changes to the current system, but we cannot be certain until after the Budget and even then it may only be a deferment of the decision.

PUBLIC SECTOR EXIT PAYMENTS

As trailed in the Chancellor's Spending Review and Autumn Statement, the government has issued a [consultation](#) on further reforms to public sector exit payments. This is the third in a series of reviews in this area, the other two being:

- the "Recovery Regulations" (whereby higher earners have to repay part or all of their exit payment if they rejoin the public sector within a year), effective from April 2016.
- the proposed overall limit on exit payments of £95,000, which is expected to become effective in Autumn this year (date not yet confirmed)

The latest consultation is aimed at reducing the overall cost of exit payments and achieving greater consistency with the private sector. Once again, the costs of any pension enhancements awarded are within the government's sights. In brief, the proposals are to:

- Set a maximum tariff (three weeks' pay per year of service) for calculating exit payments.
- Cap the maximum number of months' salary that can be used when calculating redundancy payments to 15 months. Some minor variations on this general policy might be allowable.
- Set a maximum salary (possibly £80,000) on which an exit payment can be based.
- Taper the amount of compensation as an individual gets closer to their pension retirement age.
- Require employer-funded early access to pension to be limited or ended. The consultation puts forward a number of options, including meeting any cost out of the remainder of the exit package, limiting the ages at which employer-funded early access might be made available, or even abolishing the practice completely and allowing the cost of any top-up to be met entirely by the individual.

At the same time, HMT has written to all government departments setting out new guidance on the rules they must follow on pay and terms for public sector workers.

In practice, this seems to be little more than a consolidation of existing guidance, including the requirement for approval of the Chief Secretary to the Treasury for civil service appointments with a remuneration package is above £142,500 and for bonus arrangements worth over £17,500. For local government appointing staff on salaries of £100,000 or more should be subject to a vote of full council.

Clearly the government still has the overall area of public sector pay and exit packages well in its sights, and more can be expected (e.g. the promised review of sickness absence has yet to emerge). For the LGPS it could well mean the removal of access to unreduced pensions for all on exit from the sector.

We will be responding to the latest consultation, and will update you with any further developments.

CODE OF PRACTICE ON INCENTIVE EXERCISES

The Incentive Exercises Monitoring Board has published Version 2 of the Incentive Exercises for Pensions code of good practice. The code applies to all new incentive exercises made available to members on or after 1 February 2016. Exercises made available to members prior to this date will continue to fall under Version 1.

Version 2 introduces a proportionality threshold under which there is no requirement to provide advice or for a member to take guidance. The threshold is £10,000 for transfers and full commutation exercises, and £500 p.a. of pension affected by a pension increase exchange.

This proportionality threshold is a useful mechanism for Funds and employers wishing to conduct bulk trivial commutation exercises to reduce liabilities and administration costs, as it potentially removes the requirement to pay for financial advice for the member, where the member's pension is trivial, which significantly increases the appeal of such exercises.

The 2016 valuations mark an ideal time for Funds which have not yet previously considered such exercises to assess the liabilities that can be extinguished through trivial commutation and we are able to incorporate such analysis in our valuation calculations.

STATE PENSION REFORM, THE DETAILS AND THE ACTION REQUIRED

As a result of the reforms to state pensions, there are a number of actions required by LGPS Funds and Employers and we have summarised these in the table, with further details provided below:

ACTION	FUND/ EMPLOYER?	DEADLINE
Ensure payroll function notified of national insurance and any other contribution changes.	Employer	5 April 2016
Notify members: Of any change in contractual terms (because of change in contracting-out status) by 6 May 2016. Consider notifying employees of impact on take home pay from 6 April 2016.	Employer	6 May 2016
Update booklets and communications to reflect changes to state benefits.	Fund / Employer	n/a
Commence GMP reconciliation exercise before April 2016.	Fund	5 April 2016
Notify active members of the end of contracting-out by 6 July 2016.	Fund	6 July 2016
Respond to government consultation on solutions to indexation for public service pension schemes and their members	Fund / Employer	Expected later in 2016

GMP RECONCILIATION EXERCISE

The National Insurance Contributions and Earnings Office (NIC&EO) of HMRC has issued its latest update on the abolition of contracting-out for DB schemes, which will come into effect in April 2016.

HMRC key messages remain:

- The cut-off date for expressions of interest (EOI) for the Scheme Reconciliation Service SRS is 5 April 2016
- No action by Trustees / Funds, who have received SRS data, will result in an assumption that the data held by HMRC is accurate
- Failure to reconcile this with the Fund's records could result in Funds being assigned pensions that they were not previously aware about, or had previously been extinguished but not notified to HMRC.
- All funds therefore need to register an EOI by 5 April 2016 to avoid this potential liability

LGPS TO PICK UP THE COST OF FULLY INDEXING GMPs

On 1 March, Government issued a [Press Notice](#), announcing that public service schemes would be required to pick up the cost of fully indexing GMPs in respect of members who reach State Pension Age from 6th April 2016 to 5th December 2018.

For members reaching State Pension Age from 6th December 2018, HM Treasury intends to consult later this year on a solution to the indexation issue and GMP equalisation for the public service schemes and their members.

What is the financial impact?

If full indexation had been implemented for all members who reached State Pension Age from 6 April 2016, we had estimated that the burden for the LGPS would have been additional liabilities of around £1 billion which equated to around 0.5% of the Scheme's total liabilities. Based on this initial shorter window of pensioners, we estimate that the current impact on the LGPS will now be additional liabilities of the order of £225 million, which will have to be reflected in the forthcoming 2016 valuation: The impact will vary for individual employers, depending on their membership profile, and again this is something to be costed in the valuation.

Practical impact?

From an administration/pensioner payroll perspective there will be a need to identify affected members and set up processes for them in order to apply the correct increases going forward when they reach State Pension Age with potentially different treatment again from 2018.

It remains to be seen how this will play out in the longer term. We are aware that private sector companies who operate public sector style "mirror" schemes have been lobbying government to prevent the full requirement from being imposed on public service schemes and therefore their own as well. We anticipate that they will respond strongly to the consultation on this.

We will be touch again once the consultation details are published and will remain in close contact with HM Treasury in the meantime.

COMMUNICATION WITH EMPLOYEES

Funds and employers will need to notify members about the change to their contracting out status. Further information and example communications can be found here: <http://lgpsregs.org/images/Bulletins/Bulletin140.pdf>

STATE PENSION REVIEW BEGINS

In addition to the above reforms, a review of the State Pension Age has begun that may mean people joining the workforce today having to wait until their mid-70s before they can retire.

The review will make its recommendations by May 2017.

Whilst directly affecting members' state pensions, this could also have implications for LGPS benefits as the Scheme's Normal Retirement Age is linked to State Pension Age.

DATES TO REMEMBER

DATE	ISSUE	SUMMARY
31 March 2016	Actuarial valuation	Effective date of the 2016 actuarial valuation exercise for English and Welsh LGPS funds
1 April 2016	Pension increases	Effective date of the annual pension increase for the LGPS / application of care revaluation rate
6 April 2016	Lifetime allowance	The lifetime allowance will reduce to £1 million, subject to legislation. Fixed and individual protection will be made available to impacted individuals.
6 April 2016	Annual allowance	The annual allowance will be reduced from 2016/17 for high earners, tapered down to £10,000 for the highest earners. All pension input periods will be aligned with the tax year.
6 April 2016	State pensions	The government will introduce a single-tier state pension. Contracting out for defined benefit schemes will be abolished.
6 May 2016	Abolition of contracting out	This is the deadline for employers to have notified employees of change in contractual terms (as a result of the abolition of contracting-out)
23 June 2016	European Referendum	The referendum on whether the UK will opt out of the EU will take place on this date.
5 July 2016	Abolition of contracting out	This is the deadline for administering authorities to have notified active members of their change in contracted-out status.
15 July 2016	Investment pooling	Deadline for funds to have formally submitted their proposals to the government for investment pooling with other funds.
30 September 2016	Actuarial valuation	Deadline for membership data to have been submitted to GAD as part for the LGPS cost management analysis.
31 March 2017	Actuarial valuation	Deadline for the 2016 actuarial valuation exercises to have been formally signed off by the fund actuary.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Administration and Communications Update
Report Author	Chief Executive

EXECUTIVE SUMMARY

An administration and communications update is on each quarterly Committee agenda and includes a number of administration and governance related items for information or discussion. The items for this quarter are:

- (a) Business Plan 2015/16 update (Appendix 1) for administration and communications. Some areas are being extended into 2016/17.
- (b) Current Developments and News, including the impact of changes in how GMPs are being indexed for our pensioners and preparing for any announcements as part of the 16 March 2016 budget.
- (c) Administration and communications related policy/strategy implementation and monitoring (Appendices 2 and 3). This includes the latest statistics on the number of tasks being dealt with by the administration team, which highlights a high volume of work continuing to be received. There has been excellent progress on the backlog project.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
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REPORT DETAILS

1.00	ADMINISTRATION RELATED MATTERS
	Business Plan 2015/16 Update
1.01	<p>Appendix 1 provides a summary of progress against the administration and communications section of the Business Plan up to the end of quarter 4 to 31 March 2016. The majority of items are as originally planned but the Committee is asked to note the following:</p> <ul style="list-style-type: none"> • Document production and Word integration - due to the review of workflow/task management, this project has been moved into the new business plan for 2016/17. • GMP Reconciliation – We are currently investigating how to outsource this project due to the major resource requirements. It has been included in the business plan for 2016/17. • I-Connect – due to conflicting priorities with both employers and pension fund staff, the schedule for implementation has been extended. We have made good progress with initial data cleansing and a system update. There has been extremely positive engagement with the employers that are due to come on board initially. This is also a key part of the 2016/17 business plan. • Third Party Administration Framework – The deadline for this project has been extended by the other Founder Authorities. This also is part of the business plan 2016/17.
1.02	The Committee is asked to note the contents of the business plan update
	Current Developments and News
1.03	GMP Indexation – As outlined in the separate LGPS Update report, we will be required to pay full indexation to scheme members who reach State Pension Age between April 2016 and December 2018. This impacts on the way we calculate annual pensions increases to our pensioners in that they will receive a higher level of pensions increases compared to the current system. We are currently developing reports to identify the scheme members who will be impacted and to update our calculation processes.
1.04	Tax Changes – Subject to the Budget on 16 March, there may be implications for our membership and therefore communicating these changes may be necessary. A verbal update of the changes will be made at the meeting by Mercers.
	Policy and Strategy Implementation and Monitoring
1.05	<i>Administration Strategy</i> – The Committee are being asked to approve the Administration Strategy as part of a separate report. This report and future quarterly updates will provide information to assist with the monitoring of the administration service as outlined in that strategy.

1.06 To provide some context to the magnitude of the services provided by the Administration Section, the latest membership figures for the Fund in relation to the last six months are as follows:

LGPS						
Status	Sep	Oct	Nov	Dec	Jan-16	Feb
Active	15,738	15,785	15,847	15,840	16,075	16,124
Undecided Leaver	3,638	3,436	3,314	3,235	3,118	2,984
Leaver	9,614	9,655	9,690	9,721	9,742	9,778
Deferred	9,554	9,712	9,812	9,850	10,028	10,139
Pensioner	9,472	9,568	9,624	9,667	9,689	9,750
Spouse/Dependant	1,593	1,590	1,588	1,591	1,595	1,601
Death	6,496	6,524	6,552	6,578	6,616	6,642
Frozen	884	894	894	898	925	939
Opt out*	800	831	857	862	882	890
Total	57,789	57,995	58,178	58,242	58,670	58,847

*excludes members who have opted out prior to March 2013.

The membership numbers in relation to the Councillors' scheme are as follows:

Councillors Scheme						
Status	Sep	Oct	Nov	Dec	Jan 16	Feb
Active	54	55	55	55	55	54
Undecided Leaver	2	2	2	2	2	3
Leaver	0	0	0	0	0	0
Deferred	5	5	5	5	5	5
Pensioner	22	22	22	22	22	22
Spouse/Dependant	4	4	4	4	4	4
Death	6	6	6	6	6	6
Frozen	0	0	0	0	0	0
Total	93	94	94	94	94	94

1.07 In relation to staffing and resource matters, a Pensions Assistant post (Vacant) is going through the recruitment process and a Project Officer is to progress to the Job Evaluation Panel for appropriate grading.

1.08 The latest monitoring information (to 29 February 2016) in relation to administration is outlined below:

- Day to day tasks – Appendix 2 provides the analysis of the numbers of tasks received and completed on a monthly basis during 2015/16 as well as how this is split in relation to our 3 Unitary authorities and all other Employers. As can be seen:
 - There were 5,479 total tasks at April 2015, 37,736 have been completed since then, 38,162 added since then, leaving 5,905 outstanding

	<ul style="list-style-type: none"> ○ This means that, since April 2015, more tasks have come in than have been completed, and there are pressures and trends when employers go through exercises such as redundancy. The Team Leaders constantly review work coming in and distribute according to priority. ○ It can also be seen that the total number of tasks added and the total completed each month has increased through the year with the January 2016 numbers being nearly twice as much as April 2015 numbers. However, this is not due to the work load of the team doubling. This is mainly due to the fundamental review, during the year, of what and how tasks are captured on the administration system. In particular there are a number of areas that were not previously recorded as tasks that now are recorded. That being said, the general perception within the team is that workloads are increasing and the team are confident that work output has increased. Now that the new task design has been finalised, future numbers in relation to completed and added tasks will provide a more accurate reflection of changes in workload. ○ Progress with older cases –2014/15 tasks are progressing with only 290 now outstanding and these are on target to be completed in 2016/17. This is significant progress given there were over 1,000 cases in early January 2016. The majority of outstanding cases are awaiting information from employers. ○ Mercers backlog cases - included as Appendix 3 is a summary of the backlog work that is being carried out by Mercers in relation to pre 31 March 2013 cases. Note these are counted in a different way to the items included in Appendix 2 which shows tasks within a case, whereas Appendix 3 is the actual cases. The target for completion of this project is Quarter 2 of 2016/17 																														
1.09	<ul style="list-style-type: none"> ● Internal dispute resolution procedures – Below is a summary of the internal dispute resolution cases that have been received in the last 12 months. The main disputes against employers relate to either refusing the award of ill health benefits or disputing the level of ill health benefits awarded. The administering authority ones are 1) The request for the continuation of a child’s pension beyond the age of 23 (Regulations applied correctly and no discretion available) 2) Post Retirement marriage to the same spouse, currently awaiting determination. <table border="1" data-bbox="288 1556 1406 1765"> <thead> <tr> <th></th> <th colspan="4">2015/16</th> </tr> <tr> <th></th> <th>Received</th> <th>Upheld</th> <th>Rejected</th> <th>Ongoing</th> </tr> </thead> <tbody> <tr> <td>Stage 1 - Against Employers</td> <td>6</td> <td>2</td> <td></td> <td>4</td> </tr> <tr> <td>Stage 1 - Against Administering Authority</td> <td>2</td> <td></td> <td>1</td> <td>1</td> </tr> <tr> <td>Stage 2 - Against Employers</td> <td>1</td> <td>1</td> <td></td> <td></td> </tr> <tr> <td>Stage 2 - Against Administering Authority</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		2015/16					Received	Upheld	Rejected	Ongoing	Stage 1 - Against Employers	6	2		4	Stage 1 - Against Administering Authority	2		1	1	Stage 2 - Against Employers	1	1			Stage 2 - Against Administering Authority				
	2015/16																														
	Received	Upheld	Rejected	Ongoing																											
Stage 1 - Against Employers	6	2		4																											
Stage 1 - Against Administering Authority	2		1	1																											
Stage 2 - Against Employers	1	1																													
Stage 2 - Against Administering Authority																															
1.10	<p><i>Communications Strategy</i> – The Committee are being asked to approve the Communications Strategy as part of a separate report. This report and future quarterly updates will provide information to assist with the monitoring of the communication service as outlined in that strategy.</p>																														
1.11	<p>The Communication Officer has provided the following services since the last update (i.e. relating to the period from 01 November 2015 to 29 February 2016</p>																														

	<ul style="list-style-type: none"> • 5 Pre-Retirement Courses • 3 full days of Pension Surgeries • Attended a Leavers Fayre • Breaches Policy Training for one Employer
1.12	<p>The following communications have been distributed during this period:</p> <ul style="list-style-type: none"> • Auto Enrolment and Aggregation Leaflets for Employers • Draft Newsletter to Employers (for distribution in March 2016) – this highlights the imminent increase in national insurance contributions, the new state pension, some pension related tax changes, and a national LGPS database that is now available.
1.13	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegated responsibilities were used in the last quarter in relation to administration and communication matters.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	<p>The administration and communications risks facing the Fund are currently being reviewed and a report will be presented at the next Committee. However, the key administration and governance risks for the Fund include service delivery might not meet legal requirements or agreed local performance standards, or our services are seen by stakeholders as not being cost effective.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 - 2015/16 Business plan update</p> <p>Appendix 2 – Analysis of tasks received and completed</p> <p>Appendix 3 – Progress with backlog by Mercers</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – Business Plan 2015/6 to 2017/18 – 24 March 2015

	<p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>
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7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) TPR – The Pensions Regulator – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(g) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.</p> <p>(h) DCLG – Department of Communities and Local Government – the government department responsible for the LGPS legislation.</p> <p>(i) Administration Cases – an area of work that requires completed which is the overall process, for example, a retirement of a scheme member.</p> <p>(j) Administration Tasks – the stages within a case, for example, a retirement may have a number of stages including calculating a benefit, checking the calculation, and then sending it out to the scheme member.</p>

Business Plan 2015/6 to 2017/8 – Q3/4 Update

Administration and Communications

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
*	Original item where the period has been moved or task deleted since original business plan

Ref	Key Action -Task	2015/6 Period				Later Years	
		Q1	Q2	Q3	Q4	2016/17	2017/18
A1	Preparation of Member Data for Valuation and Funding reviews		x	x		x	
A3	Annual Benefit Statements	x	x	x		x	x
A4	Pension Increase, Care revaluation and review	x			x	x	x
A5	Backlog of transfers and aggregation	x	x	xM	xM		
A8	End of contracting out incl GMP issues	x	x	x	x	x	x
A10	Pension Administration Strategy and Performance Standards	x	x	xM	xM		
A12	Dealing with backlog	x	x	x	x	x	
A13	I-Connect		x	x	x	x	x
A14	Delays due to implementation of LGPS2014	x	x	xM	xM		
A16	Trivial Commutation	x	x	x		x	
A17	Communications Strategy	x	x	xM	xM		
A18	Website revamp			x			
A20	Document production and word integration		xN	xN	xN	xM	
A21	3rd Party Administrators Framework			xN	xN	xN	

Administration and Communication Task Descriptions

A1 – Preparation of Member Data for Valuation and Funding reviews

What is it?

Triennial actuarial valuation as at 31 March 2016 and a funding review as at 31 March 2015 require the pensions administration team to provide data to the actuary. This generally involves additional year end cleansing. This work is particularly detailed for the 2016 actuarial valuation.

Timescales and Stages

Data for 31 March 2015 review:	2015/16 Q2/3
Data for 31 March 2016 valuation:	2016/17 Q1/2

Resource and Budget Implications

Carried out by the Technical Team in the main with assistance from the Communications Officer when communicating the valuation results. All internal costs are being met from the existing budget.

A3 – Annual Benefit Statements

What is it?

Statements that we send out to all current employees and deferred pensioners on an annual basis detailing the pension benefits they are entitled (or are projected at retirement) to receive from the Fund as at 31 March of that year. There are statutory deadlines setting out when these statements must be issued by, and preparing accurate statements depends on receiving timely and correct data on all employees from each employer in the Fund.

Timescales and Stages

Receive and process data from employers:	Q1 each year
Prepare and check statements:	Q1/2 each year
Issue statements to all members:	Q2/3 each year

Resource and Budget Implications

Carried out in the main by the Technical Team with input from the Communications Officer and Operations Team. All internal costs are being met from the existing budget.

A4 – Pension Increase, CARE Revaluation and review

What is it?

The requirement that all pensions in payment are correctly increased in line with the relevant Pensions Increase (Review) Order. Also, for all benefits earned in the new LGPS 2014 scheme, the requirement that all benefits earned over the year are correctly increased in line with the relevant Treasury Order.

Timescales and Stages

Provisional Increase orders applied:	2014/15 Q4
Testing of provisional increases:	2015/16 Q1
Applying 'live' increases across all cases:	2015/16 Q1

Resource and Budget Implications

Carried out by the Technical Team, Payroll Team, Communications Officer and Operations Team. All internal costs are being met from the existing budget.

A5 – Backlog of transfers and aggregation

What is it?

Given national uncertainty as to how exactly transfers were going to work regarding the new LGPS 2014 CARE scheme, and as to how members' benefits would be aggregated, a backlog of such cases has built up. Now that this uncertainty has largely been resolved, this case backlog needs to be revisited to eliminate it, although it should be noted that investing resources to reduce this backlog will have a knock on effect that could result in day to day administration cases being delayed.

Timescales and Stages

Identify cases and establish plan to resolve:	2015/16 Q1
Clear cases internally:	2015/16 Q1/2
Clearing cases using external support:	2015/16 Q1/2

Resource and Budget Implications

To be completed by the Operations Team. Internal costs are being met from the existing budget albeit this will utilise some of the overtime budget.

A8 – End of Contracting out including GMP issues

What is it?

The government's announcement that contracting out will cease and that HMRC will no longer be responsible for maintaining GMP member records. This means that the onus will be on individual Funds to ensure that the GMP data they hold on their systems matches up to the data held by HMRC before they cease holding these records. Unfortunately this has generally shown significant discrepancies between the two sets of GMP data, and a significant amount of work will be required to determine the correct benefits, ensure all systems are updated and to process a significant number of over/underpayment calculations. After the GMP records are reconciled for former pensionable employees, the Fund will also verify national insurance information held for active members. All GMPs and national insurance information must be reconciled by December 2018, the date HMRC will cease to provide their services. The timescales below are subject to change depending on the magnitude of the work.

Timescales and Stages

GMP data reconciliation and investigation:	2015/16 to 2017/8
Benefit correction and system updates:	2015/16 to 2017/8
Reconciliation of national insurance information:	2017/8 Q1-4
Communication of end of contracting out:	Ongoing

Resource and Budget Implications

This project will be led by the Technical Team with assistance from a dedicated team within Operations and some future assistance from the Communications Officer. However, due to the magnitude of this project, we are investigating utilising assistance from an external supplier.

A10 – Pension Administration Strategy and Performance Standards

What is it?

A documented strategy outlining how we deliver our administration services, the high level service standards we will provide and we expect from employers, how these will be measured and reported, and the key risks to this service. The draft strategy must be consulted on with key stakeholders (mainly employers) prior to approval. A key output will be regular monitoring of standards against those included in the strategy.

Timescales and Stages

Develop draft strategy:	2015/16 Q1
Consult:	2015/16 Q1/2
Pension Fund Committee Approval:	2015/16 Q1/2

Resource and Budget Implications

To be led by Pension Fund Administration Manager with assistance from the Technical Team and the Communications Officer. All internal costs are being met from the existing budget. There will also be some external costs associated with this exercise relating to advice on the appropriate strategy.

A12 – Dealing with backlog

What is it?

A backlog of member cases to be dealt with (calculations and updating of member records). Initially this was identified as being 3,000 cases and this has been reduced by the pensions administration team to around 1,700 (as at February 2015). Plans are now in place to further reduce and eventually eliminate this accumulated backlog over time, including using the Fund's Actuary to help in a number of cases. This will be subject to oversight by a Project Steering Group involving key employers and chaired by the Chief Officer People and Resources.

Timescales and Stages

Management of project including prioritisation:	2015/16 Q1/2
Ongoing support from external providers:	2015/16 Q3/4
Working through and eliminating backlog:	to 2016/17

Resource and Budget Implications

The majority of this work is being outsourced to the Fund's Actuary and it will be managed by one of the Operations Principal Pensions Officers (at least initially) with her duties being backfilled to a large degree by others in the Operations Team. It will also require some assistance from the rest of the Operations Team. Employers will also need to dedicate appropriate time to providing the information to reduce the backlog. There will be substantial external costs associated with this exercise.

A13 – I-Connect

What is it?

On-line computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. It involves employers uploading data directly into I-Connect from their payroll systems. I-Connect will be provided to the Fund's three Councils as separate stages. The first stage will be ensuring that the correct member records are held on the administration system.

Timescales and Stages

Denbighshire CC:	2015/16 Q2-Q4
Flintshire CC;	2016/17 Q1-Q4
Wrexham CBC:	2016/17 Q3 to 2017/18 Q1

Resource and Budget Implications

Data cleansing will be carried out by the Operations Team and then the Technical Team will roll out I-Connect to the employers. All employers will also need to dedicate appropriate resource to develop file uploads and carry out testing. All internal costs are being met from the existing budget.

A14 – Delays Due to Implementation of LGPS2014

What is it?

As a result of the late issue of the Regulations governing the new LGPS 2014 scheme and the significant amount of work preparing for the new scheme and the administration system not being fully operational for all cases on 1 April 2014, there are number of cases to be dealt with that have built up.

Timescales and Stages

Identify cases and establish plan to resolve:	2015/16 Q1
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Resource and Budget Implications

To be determined.

A16 – Trivial Commutation

What is it?

This is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment, to reduce the administrative burden on Funds paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective. The government has recently increased the allowable limit for members to trivially commute their pension in relation to their single pension (£10,000 value) and total benefits (£30,000), and this has meant that more members are now eligible to choose this. The pension administration team will need to identify all historical cases that are eligible in the two categories and communicate with them to determine whether they would like to commute their pensions for lump sums. In addition, they will need to update their processes for all future retirements.

Timescales and Stages

Update processes for future cases:	2015/6 Q2
Identify members eligible to commute under £10,000:	2015/16 Q1/2
Communicate with eligible members and pay lump sums:	2015/16 Q2/3
Identify members eligible to commute under £30,000:	2016/17 Q2/3
Communicate with eligible members and pay lump sums:	2016/17 Q3/4

Resource and Budget Implications

Identification of cases will be by the technical team with the processes dealt with by a small team within the Operations Team. All internal costs are being met from the existing budget.

A17 – Communications Strategy

What is it?

A documented strategy setting out how we will engage and communicate with stakeholders and customers, and our communication objectives for the forthcoming financial year. The strategy is developed and signed off by the Pension Fund Committee. A strategy is already in place but is due to be reviewed.

Timescales and Stages

Review existing strategy:	2015/16 Q1
Consult:	2015/16 Q1/2
Pension Fund Committee Approval:	2015/16 Q1/2

Resource and Budget Implications

To be led by Pension Fund Administration Manager with assistance from the Communications Officer. All internal costs are being met from the existing budget. There will also be some external costs associated with this exercise relating to advice on the appropriate strategy.

A18 – Website revamp

What is it?

An overhaul of the Pension Fund's website, considering the ease of navigation, the look and feel and also ensuring that the relevant content is included and correct. As part of this review, the Communications Officer will consider options in relation to how the existing website can be updated including utilising wording prepared at a national level.

Timescales and Stages

Update website: 2015/16 Q3

Resource and Budget Implications

This will be a significant amount of work carried out in the main by the Communications Officer with some assistance from the Technical Team.

A20 - Document Production and Word Integration

What is it?

Utilising the Pensions Software (Altair) to set up documents to create and maintain the standard layout of letters, summaries and other documents. Variable data may be populated from data held within the system.

After the completion of a benefit calculation or a bulk calculation, or following a selection of members, the variable data is merged with the document text to produce the required generated documents for each member. Documents are listed in the Document History List. They can be printed immediately or late.

Timescales and Stages

Obtain all current letters in use 2015/16 Q2/3
Update System with all letters including testing 2015/16 Q3/4

Resource and Budget Implications

To be led by the Technical Team with assistance from the Operational Team. All internal costs being met by the existing budget.

A21 - 3rd Party Administrators Framework

What is it?

To set up a national Framework with other Pensions Fund to enable the procurement of 3rd Party Administrators to assist in project work, where internal resources are not sufficient to cope or have the required knowledge and experience to undertake whilst continuing to do "business as usual"

Timescales and Stages

Procurement of advisor to Framework 2015/16 Q3
Out to Tender 2015/16 Q4
Appointment to Framework 2016/17 Q1/2

Resource and Budget Implications

To be led by the Pension Fund Administration Manager. All internal costs to be met by the existing budget. There will be some initial set-up costs involved in this process, to be determined.

All Tasks - shown by month 15/16

	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Full Year Summary
DCC Start Total	1,242	1,209	1,419	1,539	1,511	1,485	1,462	1,380	1,215	1,179	1,126	1,242
DCC Completed	563	430	685	835	854	1,097	1,174	1,187	901	1,200	1,247	10,173
DCC Added	530	640	805	807	828	1,074	1,092	1,022	865	1,147	1,184	9,994
DCC Remaining	1,209	1,419	1,539	1,511	1,485	1,462	1,380	1,215	1,179	1,126	1,063	1,063
FCC Start Total	2,136	2,076	2,137	2,061	2,018	2,228	2,207	2,104	2,059	2,032	2,117	2,136
FCC Completed	991	876	1,255	1,173	763	1,188	1,248	1,455	1,040	1,509	1,604	13,102
FCC Added	931	937	1,179	1,130	973	1,167	1,145	1,410	1,013	1,594	1,662	13,141
FCC Remaining	2,076	2,137	2,061	2,018	2,228	2,207	2,104	2,059	2,032	2,117	2,175	2,175
WCBC Start Total	1,299	1,264	1,298	1,396	1,455	1,471	1,515	1,447	1,737	1,752	1,737	1,299
WCBC Completed	441	529	555	561	596	479	772	484	632	1,161	1,164	7,374
WCBC Added	406	563	653	620	612	523	704	774	647	1,146	1,308	7,956
WCBC Remaining	1,264	1,298	1,396	1,455	1,471	1,515	1,447	1,737	1,752	1,737	1,881	1,881
Other Start Total	802	801	836	939	1,033	938	915	976	601	605	652	802
Other Completed	427	510	604	718	575	546	704	940	515	752	796	7,087
Other Added	426	545	707	812	480	523	765	565	519	799	930	7,071
Other Remaining	801	836	939	1,033	938	915	976	601	605	652	786	786
All Start Total	5,479	5,350	5,690	5,935	6,017	6,122	6,099	5,907	5,612	5,568	5,632	5,479
All Completed	2,422	2,345	3,099	3,287	2,788	3,310	3,898	4,066	3,088	4,622	4,811	37,736
All Added	2,293	2,685	3,344	3,369	2,893	3,287	3,706	3,771	3,044	4,686	5,084	38,162
All Remaining	5,350	5,690	5,935	6,017	6,122	6,099	5,907	5,612	5,568	5,632	5,905	5,905

Tasks remaining from 14/15

DCC	130
FCC	77
WCBC	40
Other	43
	290

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CLWYD PENSION FUND BACKLOG CLEARANCE PROJECT

PROGRESS UPDATE - JANUARY 2016

Following on from the paper provided to the Advisory Panel in October, set out below is an update on the progress made on the project to the end of January 2016.

You will note that some of the case numbers have increased, as some of the tasks previously identified have actually expanded covering multiple events. The totals in scope have also varied for each employer, as cases have been updated and actioned (ie updated against the correct employer etc).

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	Cases in scope	Cases completed										Cases remaining	
		May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Number	%	
DCC	268	0	0	1	69	79	37	32	1	11	38	14%	
FCC	1045	8	72	104	30	55	86	90	59	58	483	46%	
WCBC	581	1	2	0	1	0	0	2	10	40	525	90%	
Others*	472	7	8	7	23	42	37	17	7	36	288	61%	
Totals	2366	16	82	112	123	176	160	141	77	145	1334	56%	

* including cases with no further action referred back to Clwyd Pension Fund

Nigel Thomas
Mercer Limited
February 2016

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Investment and Funding Update
Report Author	Chief Executive

EXECUTIVE SUMMARY

An investment and funding update is on each quarterly Committee agenda and includes a number of investment and funding items for information or discussion. The items for this quarter are:

- (a) The Business Plan 2015/16 update is attached as appendix 1. In the main, the plan has been completed for the year 2015/16. The outstanding task is the review of Additional Voluntary Contributions (AVC's) for which there is a recommendation to defer to 2016/17.
- (b) Current Developments and News – This includes a brief update on Working Together in Wales and also revisions to the guidance from CIPFA relating to disclosure of management expenses within Pension Fund accounts. News and development are currently being dominated by the Pooling debate across the LGPS which is being covered verbally as agenda item 8.
- (c) Funding & investment related policy/strategy implementation and monitoring – This section highlights the update to the Fund's Statement of Investment Principles and the amendment to the categorisation of Private Equity to Private Equity / Debt to provide a more accurate description.
- (d) Delegated responsibilities (Appendix 2). This details the responsibilities which have been delegated to officers since the last Committee meeting. These include, cash management, short term tactical decisions, investments in new opportunities and monitoring of fund managers. There are no items of exception to report.

RECOMMENDATIONS

1	That the Committee approve the following: <ul style="list-style-type: none"> • Deferment of the review of Additional Voluntary Contributions (AVC) to 2016/17 • Reclassification of Private Equity Investments to Private Equity/ Debt within the Statement of Investment Principles (SIP)
2	That the Committee consider and note the remainder of the update and provide any comments.

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
	Business Plan Update
1.01	<p>Appendix 1 provides a summary of progress against the investment and funding section of the Business Plan up to the end of quarter 4 to 31 March 2016). The majority of items are as originally planned but the Committee is asked to note the following:</p> <ul style="list-style-type: none"> • The review of AVC's to be deferred and included in the 2016/17 Business Plan. This has been required as the resources for the review were not available during 2015/16. This was discussed and agreed at Advisory Panel (AP) in February 2016. • A verbal update of FI 16 and FI 17, the ongoing collaboration across the Welsh Funds has been provided in agenda 7 of the Committee.
	Current Developments and News
1.02	<p>LGPS Pooling of Investments.</p> <p>A verbal update of the DCLG Consultation on Pooled Investments has been provided as part of agenda 7 of this Committee.</p>
1.03	<p>Working Together in Wales</p> <p>A verbal update for the Working Together in Wales project and the search for a single passive manager in Wales has been included as part of agenda item 7 of this Committee but in summary:</p> <p>In December 2015, Gwynedd Pension Fund led the procurement for a Consultant to run the process for the appointment of a third party operator to provide an appropriate infrastructure for collective investments across the 8 Welsh Funds. All 8 Welsh Funds were involved in the selection process to which Hymans Robertson were appointed in January 2016.</p> <p>Initial work on the project commenced in January when the 8 Funds were asked to provide data to Hymans Robertson who have subsequently produced the joint Welsh submission to the DCLG Consultation on Asset Pooling.</p>
1.04	<p>Simultaneously in December 2015, the Clwyd Pension Fund led the procurement for a Consultant to conduct a search for a single passive manager for the 8 Welsh Funds. All 8 Funds were involved in appointing Aon Hewitt to carry out the procurement exercise.</p> <p>A short list of managers was agreed with the Funds on 11th March 2016 and those managers were invited to present to all the Funds in Cardiff on 16th March 2016. The appointment of the successful manager is expected to be announced by 31st March 2016.</p>

1.05	<p>Annual Accounts and Investment Costs</p> <p>As reported in the November Committee, CIPFA had produced guidance for Funds to disclose all the levels of fees within Fund accounts. These included the fees relating to the underlying investments for managers invested with Fund of Fund managers. For the Clwyd Fund, these included Hedge Fund and Private Equity managers.</p> <p>After further consultation, CIPFA have issued revised guidance and recommendations that as the underlying fees are not under the control of the Pension Funds, these should not be reflected in the accounts.</p> <p>To be consistent with other Funds, the Clwyd Pension Fund will adhere to the revised guidance from CIPFA, but will still be collecting this information and disclosing in the Fund Annual Report.</p> <p>In 2014/15, the Clwyd Fund reported Fund Management fees totalling £16.127m which were further detailed as follows:</p> <table data-bbox="300 779 1220 940"> <tr> <td>Annual Management Charge including expenses</td> <td>£10.230m</td> </tr> <tr> <td>Underlying Fees for Fund of Fund managers</td> <td>£ 1.891m</td> </tr> <tr> <td>Performance Fees</td> <td>£ 2.479m</td> </tr> <tr> <td>Transaction Fees</td> <td>£ 1.527m</td> </tr> </table> <p>Under the revised guidance, for 2014/15, the fund management fees would have been reported as £14.236 m</p>	Annual Management Charge including expenses	£10.230m	Underlying Fees for Fund of Fund managers	£ 1.891m	Performance Fees	£ 2.479m	Transaction Fees	£ 1.527m
Annual Management Charge including expenses	£10.230m								
Underlying Fees for Fund of Fund managers	£ 1.891m								
Performance Fees	£ 2.479m								
Transaction Fees	£ 1.527m								
1.06	<p>Policy and Strategy Implementation and Monitoring</p> <p>Funding Strategy Statement – A separate report on Funding and Flight-Path provides an update on the progress against the Fund’s Funding Strategy Statement objectives.</p>								
1.07	<p>Statement of Investment Principles – There is a separate report that monitors our progress against the Fund’s Investment Strategy objectives. This document is reviewed every 6 months. The only minor change which has been applied is the reclassification of Private Equity Investments to Private Equity / Debt as the Fund explores more opportunities in this area.</p> <p>Private Debt is the provision of finance to a range of investments including direct lending, trade finance, mezzanine and distressed debt. Private finance is the debt equivalent of private equity as institutions provide capital finance and loans to private companies when banks are unable to lend to them.</p> <p>Previously, the Fund has only accessed Debt Funds if they satisfied the higher returns expected in the Opportunistic allocation of Private Equity such as the Carlyle Energy Mezzanine Opportunity Fund.</p> <p>There are other growing opportunities in Private Debt as this is replacing finance from banks. This offers steady returns and diversification of risk which the Fund.</p> <p>The SIP will be replaced by with an Investment Strategy Statement (ISS) in 2016/17. A workshop has been arranged for July 2016 to provide Members with further information relating to the new document.</p>								

	Delegated Responsibilities
1.08	<p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting.</p> <p>To summarise:</p> <ul style="list-style-type: none"> • There is sufficient liquidity to meet short term requirements. • Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG). • The Fund's strategic allocation is within the SIP ranges. • Within the "In House" portfolio, 11 commitments have been made totalling a sterling equivalent of £68 million. All these commitments follow the strategy agreed by the AP for these asset classes. • There are no significant matters to bring to the attention of the Committee as a result of the Fund Manager monitoring meetings.

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report

4.00	RISK MANAGEMENT
4.01	The Fund will consider many risks as part of its Funding and Investment strategies, some of which are covered in specific agenda items. The key risks considered in this report include cash flows and the inability to meet payments due from the Fund, the risk of managers not meeting targets expected thus leading to lower valuations. Investment risk is considered when conducting appropriate due diligence on potential investments. Legislative risk is considered in preparing and considering changes which affect the accounts.

5.00	APPENDICES
5.01	Appendix 1 - 2015/16 Business plan update Appendix 2 - Delegated responsibilities

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee – Business Plan 2015/6 to 2017/18 – 24 March 2015. Report to Pension Fund Committee – Statement of Investment Principles – 21 May 2015 CIPFA – Example Accounts and Disclosure Checklist.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) TAAG – Tactical Asset Allocation Group – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.</p> <p>(e) AP – Advisory Panel – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.</p> <p>(f) PERAG – Private Equity and Real Asset Group – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund’s Investment Consultant and monitored by AP.</p> <p>(g) In House Investments – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.</p>


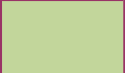


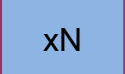

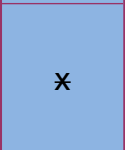
- (h) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (i) **SIP – Statement of Investment Principles** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund
- (j) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (k) **DCLG – Department of Communities and Local Government** – the government department responsible for the LGPS legislation.
- (l) **AVC – Additional Voluntary Contribution** – LGPS regulations require Local Authority Pension Funds to provide members with access to AVC schemes. These schemes allow members to make additional contributions, over and above their normal employee contribution, which is invested and can be used to purchase additional benefits upon retirement.
- (m) **Private Equity** – a source of investment capital from high net worth individuals and institutions for the purpose of investing and acquiring equity ownership in companies not listed on any public stock exchange. Partners at Private Equity firms raise funds and manage these monies to yield favourable returns for their shareholders, typically with an investment horizon between four and seven years.
- (n) **Private Debt** – the provision of finance to a range of investments including direct lending, trade finance, mezzanine and distressed debt. Private finance is the debt equivalent of private equity as institutions provide capital finance and loans to private companies when banks are unable to lend to them.
- (o) A full glossary of Investments terms can be accessed via the following link.
<http://www.fandc.com/uk/private-investors/tools/glossary/>

Business Plan 2015/6 to 2017/8 – Q3/4 Update

Funding and Investments

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
	Item added since original business plan
	Period moved since original business plan due to change of plan /circumstances
	Original item where the period has been moved or task deleted since original business plan

Funding and Investments (including accounting and audit) Tasks

Ref	Key Action –Task	2015/6 Period				Later Years	
		Q1	Q2	Q3	Q4	2016/17	2017/18
F11	2015 Funding review		x	x			
F13	Employer risk monitoring framework		x	x		x	x
F14	Flightpath “Healthcheck” Review	x			x	x	x
F15a	Review Application of existing admission and termination policy		xN	xN	xN		
F15b	Review of admission and termination strategy/policy		x	x		xM	
F17	Consider impact of 2016 end of contracting out			x	x	x	
F19	Review of In-House investments	x	x	x	x		
F111	Introduction of Tactical Management Portfolio and on-going management	x	x	x	x	x	x
F113	AVC Review				x	xM	
F115	Re-organisation of Asset Portfolio	x	x	x	x		
F116	Collaboration across Welsh Funds for pooling of Passive Assets			xN	xN		
F117	Implement CIV for Welsh Funds			xN	xN	xN	

Funding and Investments (including accounting and audit) Task Descriptions

F11 – 2015 Funding review

What is it?

In the year prior to the formal actuarial valuation an interim actuarial assessment is performed to gauge likely valuation contribution outcomes and identify key issues which may arise in terms of affordability. This will cover issues such as appropriate actuarial assumptions, experience since the last valuation date and how the funding requirements allow for the Flightpath strategy in place. These can then be discussed with the Fund and participating employers ahead of the formal valuation to support budget planning and ensure the right balance of outcomes for all parties.

Timescales and Stages

Effective date:	31 March 2015 (with a later update included)
Initial Whole Fund results:	Q3/15
Individual Employer results:	As required
Communication:	Results will be discussed with finance officers of unitary authorities in Q3/4 15.

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and discussed initially with the Fund officers.

F13 – Employer risk monitoring framework

What is it?

The Fund is subject to funding risks in respect of employers who cease to participate without the Fund being able to recover the full exit contributions due under the Regulations. This can be mitigated by increasing contributions and/or requesting a contingent bond or guarantee to be provided to protect against the possibility of an unrecoverable debt. A risk-monitoring framework would identify and monitor participating employers who may be more likely than average to pose such a risk. This would monitor funding positions and covenant strength on a proportionate basis to flag any potential issues at an early stage. The governance around the framework would include ensuring employers are aware they should inform the Fund of any significant changes in membership numbers or underlying demographics.

Timescales and Stages

Develop framework and processes:	Q2&3/15
Implement framework:	Q3/15
Review framework and identified employers:	Annually.

Resource and Budget Implications

The framework would be implemented taking advice from the Fund Actuary. It will involve the officers gathering financial information from certain employers periodically to monitor covenant strength and also the implementation of a funding monitoring framework for the employers who pose the greatest risk.

FI4 – Flightpath Healthcheck Review

What is it?

The Administering Authority implemented a “Flightpath” risk management investment strategy with effect from 1 April 2014, with the aim of more effectively controlling and limiting interest and inflation risks (as these factors can lead to significant changes to liability values and therefore the deficit). The overall funding Flightpath strategy is to consider and structure the investment strategy to determine a balance between return-seeking and risk-hedging assets. Further details are in the Fund’s Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS).

Ongoing monitoring includes a “traffic light” analysis of whether the Flightpath and hedging mandate are operating in line with expectations or if any actions are required. However, the strategy will require an annual “healthcheck” to ensure its aims remain appropriate and it is still fit for purpose.

Timescales and Stages

A “Healthcheck” is being done in Q1/15 in relation to the inflation triggers give the change in market position and the initial 40% limit being hit. The formal healthcheck is also pencilled in for Q4 15 and is expected to be done at least annually thereafter.

Resource and Budget Implications

To be led by the officers, Fund Actuary and investment advisors with the finding being implemented by the Advisory Panel under the delegations.

FI5a – Application of existing admission and termination policy

What is it?

The Fund agreed a policy in 2013 relating to the admission of employers into the Fund and to how termination of participation is dealt with, the primary aim of the policy being to protect the Fund against incurring any unfunded liabilities as far as possible.

The policy has different requirements depending on the nature of the admitted employer but includes the use of pre-admission risk assessments, contingent security where deemed necessary, monitoring of the employer and termination funding. The detail and application of this policy should be regularly reviewed, especially in light of regulatory changes, to ensure it remains appropriate and is not exposing the Fund to funding risk.

Timescales and Stages

Application of existing policy:	Q2&3/15
Implement changes:	Q4/15

Resource and Budget Implications

Fund Actuary and Benefits Advisor will liaise with the administration team to review policy and process application, updating documentation appropriately.

FI5b – Review of admission and termination strategy/policy

What is it?

The Fund implemented a policy in 2013 relating to the admission of employers into the Fund and to how termination of participation is dealt with. Alongside the wider review of the Funding Strategy Statement (FSS), it is appropriate to review the admission and termination strategy in tandem. This is to ensure that the approach taken by the Fund is consistent and serves to protect the Fund against incurring any unfunded liabilities as far as possible

The policy should be reviewed in light of any changes to the overall Funding Strategy of the Fund, and/or to any other specific employer risk management arrangements.

Timescales and Stages

Review of policy and consult (alongside FSS):	Q2&3/16
Implement changes:	Q4/16

Resource and Budget Implications

Fund Actuary will work closely with the Fund Officers in reviewing the policy. It is anticipated that this will be carried out in tandem with the review of the Funding Strategy Statement (where there is a Regulatory requirement for the Administering Authority to consult with all interested parties).

FI7 – Consider impact of 2016 end of contracting out

What is it?

With effect from April 2016 contracting-out ceases and employers and employees will be required to pay higher National Insurance contributions (respectively by 3.4% and 1.4% of earnings between the Lower Earnings Limit and the Upper Accrual Point). Employers will be considering how to mitigate the additional employment cost. The LGA is negotiating with HMT on a national basis in terms of rebating some of the costs, given the LGPS benefit structure cannot be changed to offset the cost for employers.

Timescales and Stages

Legislation effective:	6 April 2016
Consider potential impacts Q3/Q4 2015 and as part of the 2016 triennial valuation	

Resource and Budget Implications

Budget implications for employers are potentially significant and will affect the affordability of normal pension Fund contributions. Employers are likely to also assess their own costs based on their total payroll, but may request information from the Fund.

FI9 – Review of In-House investments

What is it?

A fundamental review of the current specific in-house property, private equity and infrastructure investment strategies. This is to include a review of current performance, a report to the Advisory Panel with recommendations and followed up with a workshop for the Members of the CPF Committee.

Timescales and Stages

A review of current performance	2015/16 Q1/Q2
Report(s) to the Advisory Panel:	2015/16 Q1/Q2
Workshops for Members:	2015/16 Q3/Q4

Resource and Budget Implications

To be led and undertaken by the Pension Finance Managers with assistance from Mr Bob Young (YCS UK Limited). All costs are met from the existing budget.

FI11 – Introduction of Tactical Management Portfolio and on-going management

What is it?

The Tactical Management Portfolio was agreed as part of the revised Investment Strategy. The purpose of this portfolio is to take advantage of short term (approximately one year) opportunities that are consistent with the long term risk and return goals of the Fund. This work includes the review of the Total Return Swaps (TRS) structure within the Liability Driven Investment (LDI) Hedging Portfolio. The 'mix' between the various geographic equity regions needs review and monitoring to ensure that full advantage is taken of the expected differences of return between the regions and exposures are consistent with the overall investment strategy.

Timescales and Stages

This consists of a monthly review meeting to review potential opportunities and adjustments to the Fund.

Resource and Budget Implications

There are agreed costs for the work carried out by JLT which are being judged against the value that is added through decisions made. There will also be a cost of officers' time in preparing for and being involved in the monthly reviews, which is being managed within the existing budget. There may also be costs for the implementation of the portfolio changes.

FI13 – AVC Review

What is it?

This is to review the offering to members for the investment of Additional Voluntary Contributions (AVCs) and their suitability.

Timescales and Stages

The review is to be carried out in Q4 2015.

Resource and Budget Implications

This review will be jointly carried out by JLT (as Investment Advisor) and Mercer (as Fund Actuary).

FI15 – Re-organisation of Asset Portfolio

What is it?

This follows the agreement of the new strategy as agreed with the Advisory Panel and Committee in November 2015 and involves the transition of assets between managers.

Timescales and Stages

A phased approach is being adopted as certain of the structures and new managers need to be appointed before transitions can take place, but the intention is that the work is completed during Q3 2015.

Resource and Budget Implications

The budget is currently under discussion. There are various possibilities for carrying out this work ranging from officers completing the work, JLT Transition team being employed to using a specialist Transition manager (or a combination of all three).

The work is currently being scoped and it is intended that the suggested method and budget will be provided and agreed at the next Advisory panel.

FI16 – Collaboration across Welsh Funds for pooling of Passive Assets

What is it?

The Society of Welsh Treasurers have recommended that the 8 Welsh Pension Funds seek to appoint one Manager for all their collective passive mandates. This was formally agreed by each Committee in September 2015. The process will cover 2 stages. The 1st involves the procurement of a consultant to assist the Funds in selecting a Manager. This Process is being led by the Clwyd Pension Fund but all 8 Funds will be involved in the appointment process. The 2nd stage will be appointing a manager and transitioning the assets.

Timescales and Stages

Procurement of a consultant to assist with the Manager search	Q3 2015
Appointment of a Manager for Passive Assets across the 8 Welsh Funds	Q4 2015

Resource and Budget Implications

Officer time for the Pension Finance Manager will be met from the existing budget. The Consultant costs are unknown until the procurement for a Manager commences but will be met equally by the 8 Welsh Funds. This cost has not been factored into the 2015/16 budget.

FI17 – Implement CIV for Welsh Funds.

What is it?

The Society of Welsh Treasurers have recommended that the 8 Welsh Pension Funds seek to implement a CIV for Wales. This was formally agreed by each Committee in September 2015. The process will cover 2 stages. The 1st involves the appointment of an Advisor to assist the Funds in implementing a CIV. This procurement is being led by the Gwynedd Pension Fund but all the 8 Funds will be involved in the appointment process. The 2nd stage is the implementation of the CIV.

Timescales and Stages

Appointment of an Advisor to implement a CIV
Implement CIV for Wales

Q3 2015
2016/17

Resource and Budget Implications

Officer time for the Clwyd Pension Fund Manager and Pension Finance Manager will be met from the existing budget. The Advisor and CIV costs are as yet unknown but will be met by the 8 Welsh Funds.

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.091	Rebalancing and cash management	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP
<p>Action taken – The Asset allocation for the Fund is monitored against the strategic ranges within the SIP on a monthly basis. These are reported at the monthly Tactical Asset Allocation Group (TAAG) meetings. This quarter all asset classes were within acceptable ranges and therefore no requirement to rebalance any of the assets.</p> <p>Cash flows are monitored and reconciled quarterly to report to Committee but cash balances are monitored on a regular basis to ensure the availability of cash to meet payments of pensioner benefits and calls on drawdowns for In House investments. The cash balance as at 29th February 2016 was £9.7m (£11.4m at 31st December 2015). This is sufficient to meet the short term requirements of the Fund.</p>			
1.092	Short term tactical decisions relating to the 'best ideas' portfolio	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP
<p>Action taken – Meetings of the (TAAG) involving Fund officers and JLT Consultants take place on a monthly basis. Standard agenda items for the meetings cover the short term (12 months) market outlook and discussions to determine which asset classes should be included in the 9% of the Fund's assets which is based on JLT's suggested "best ideas". Detailed minutes of the TAAG identifying the rationale behind any decisions agreed are circulated to the Advisory Panel.</p> <p>The following areas have been identified since the last Committee:</p> <ul style="list-style-type: none"> • Allocation to European Equities (3%) <p>The current allocations are shown below:</p> <ul style="list-style-type: none"> • US Equities (2%) • Japanese Equities (2%) • Equity Linked Bonds (2%) • European Equities (3%) 			

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.093	Investment into new mandates / emerging opportunities	PFM and either the CFM or COPR (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP

Action taken –

As previously reported, following the approval of the strategic review in 2014, the Fund has been progressing with a review of the In-House portfolio of Private Equity and Real Asset holdings. The review is now complete and has now been reviewed and agreed by the Fund’s consultant, JLT and presented to the Advisory Panel (AP).

Within the investment areas which fulfil the criteria which was agreed in the review, the Fund has undertaken due diligence and agreed the following commitments since the last Committee:

- \$12 million to BlackRock US Residential Fund II
- \$12 million to Capital Dynamics Secondary Fund IV
- \$10 million to PineBridge Structured Capital Fund III
- \$12 million to JP Morgan Secondary Fund III
- \$12 million to Carlyle Strategic Partners Fund IV
- €5.5 million to Unigestion Direct Opportunities Fund 2015
- €5.5 million to Unigestion Secondary Fund IV
- €2.3 million to Unigestion Secondary Fund III
- £8 million to Paloma Real Estate Fund I
- £8 million to August Equity Fund IV
- £3 million to Threadneedle Low Carbon Workplace Fund (additional contribution)

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.094	Ongoing monitoring of Fund Managers	PFM, CFM and COPR (having regard to ongoing advice of the IC) and subject to ratification by PFC	High level monitoring at PFC with more detailed monitoring by PAP

Action taken –

The in – house team monitor the Fund’s managers on a regular basis. A record of the managers monitored is shown in the following table. Further details on the managers are reported by JLT, the Fund’s Investment Consultant, in agenda item 14 of the committee papers. There are no strategic issues to report.

As at 31st March 2016, the final stage of the transition of assets as a result of the strategic review, have now been completed.

Manager	Mandate	Strategic Weight %	Jun 2015	Sept 2015	Dec 2015	Mar 2016
Insight	LDI	19		✓		✓
Stone Harbor	Multi Asset Credit	15	✓		✓	✓
Investec	Global Equity (8) & DGF (5)	13	✓		✓	✓
MAN FRM	Managed Account Platform	9		✓		
Wellington	Emerging Market Equity	6.5	✓		✓	✓
Pyrford	DGF	5	✓		✓	✓
Aberdeen	Frontier Market Equity	2.5	✓		✓	✓

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Economic and Market Update
Report Author	Chief Executive

EXECUTIVE SUMMARY

The purpose of the report is to provide Committee Members with an economic and market update for the quarter.

This report covers the period ending 31 December 2015.

The economic and market environment during the quarter has been mixed with the following key contributors driving much of the sentiment:

- Lower economic growth than had been forecast
- Concerns regarding the extent of the slowdown in China
- The continued slump in the price of Oil

Despite the uncertain outlook, markets rallied strongly over the quarter with strong returns across many Growth assets (Commodities aside). The returns from UK Government Bonds were negative during the quarter due to a rise in yields.

RECOMMENDATIONS

1	To note and discuss the Economic and Market Update 31 December 2015.
2	To note how the information in the report effectively “sets the scene” for what the Committee should expect to see in the Investment Strategy and Manager Summary report in terms of the performance of the Fund’s asset portfolio.

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Economic and Market Update 31 December 2015</p> <p>The economic and market update for the quarter from the Fund's Investment Consultant is attached and will be presented at Committee. The report contains the following sections:</p> <ul style="list-style-type: none">• Market Background – section contains key financial markets data during the period in question including performance of specific markets including equities, bonds, inflation and currencies.• Economic Statistics – section contains key economic statistics during the period in question including Gross Domestic Product (GDP) Growth, Inflation, Unemployment and Manufacturing• Market Commentary – section provides detailed commentary on the economic and market performance of major global regions and financial markets (including alternative assets).
2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.
4.00	RISK MANAGEMENT
4.01	None.
5.00	APPENDICES
5.01	Appendix 1 – Economic and Market Update Period Ending 31 December 2015.
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Economic and Market Update Period Ending 30 September 2015.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>A list of commonly used terms are as follows:</p> <ul style="list-style-type: none"> (a) Absolute Return – The actual return, as opposed to the return relative to a benchmark. (b) Annualised – Figures expressed as applying to 1 year. (c) Duration – The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields. (d) Market Volatility – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact. (e) Money-Weighted Rate of Return – The rate of return on an investment including the amount and timing of cashflows. (f) Relative Return – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark. (g) Three-Year Return – The total return on the fund over a three year period expressed in percent per annum. (h) Time-Weighted Rate of Return – The rate of return on an investment removing the effect of the amount and timing of cashflows. (i) Yield (Gross Redemption Yield) – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cashflows. <p>A comprehensive list of investment terms can be found via the following link:</p> <p>http://www.barings.com/ucm/groups/public/documents/marketingmaterials/021092.pdf</p>

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CLWYD PENSION FUND
ECONOMIC AND MARKET UPDATE
PERIOD ENDING 31 DECEMBER 2015

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1 MARKET BACKGROUND

PERIOD ENDING 31 DECEMBER 2015

MARKET STATISTICS

Market Returns Growth Assets	3 Mths %	1 Year %	3 Years % p.a.
UK Equities	4.0	1.0	7.3
Global Developed Equities	8.6	5.5	13.9
USA	9.6	6.9	18.8
Europe	5.9	5.5	8.9
Japan	12.5	17.6	14.7
Asia Pacific (ex Japan)	8.4	-3.5	2.5
Emerging Markets	3.5	-9.7	-3.3
Frontier Markets	1.5	-9.1	8.7
Property	3.1	13.8	14.6
Hedge Funds	3.8	4.9	7.1
Commodities	-14.3	-29.0	-21.2
High Yield	1.5	1.4	4.5
Emerging Market Debt	1.3	1.2	1.0
Senior Secured Loans	-0.1	3.8	5.1
Cash	0.1	0.5	0.5

Yields as at 31 December 2015	% p.a.
UK Equities	3.70
UK Gilts (>15 yrs)	2.57
Real Yield (>5 yrs ILG)	-0.71
Corporate Bonds (>15 yrs AA)	3.68
Non-Gilts (>15 yrs)	4.00

Market Returns Bond Assets	3 Mths %	1 Year %	3 Years % p.a.
UK Gilts (>15 yrs)	-2.4	0.1	5.9
Index-Linked Gilts (>5 yrs)	-3.3	-1.2	6.4
Corporate Bonds (>15 yrs AA)	0.3	-0.2	5.9
Non-Gilts (>15 yrs)	0.5	-1.3	5.3

Exchange Rates: Change in Sterling	3 Mths %	1 Year %	3 Years % p.a.
Against US Dollar	-2.7	-5.5	-3.2
Against Euro	0.0	5.3	3.2
Against Yen	-2.3	-5.2	8.1

Inflation Indices	3 Mths %	1 Year %	3 Years % p.a.
Price Inflation – RPI	0.4	1.2	1.8
Price Inflation – CPI	0.2	0.2	0.9
Earnings Inflation*	0.0	2.1	1.5

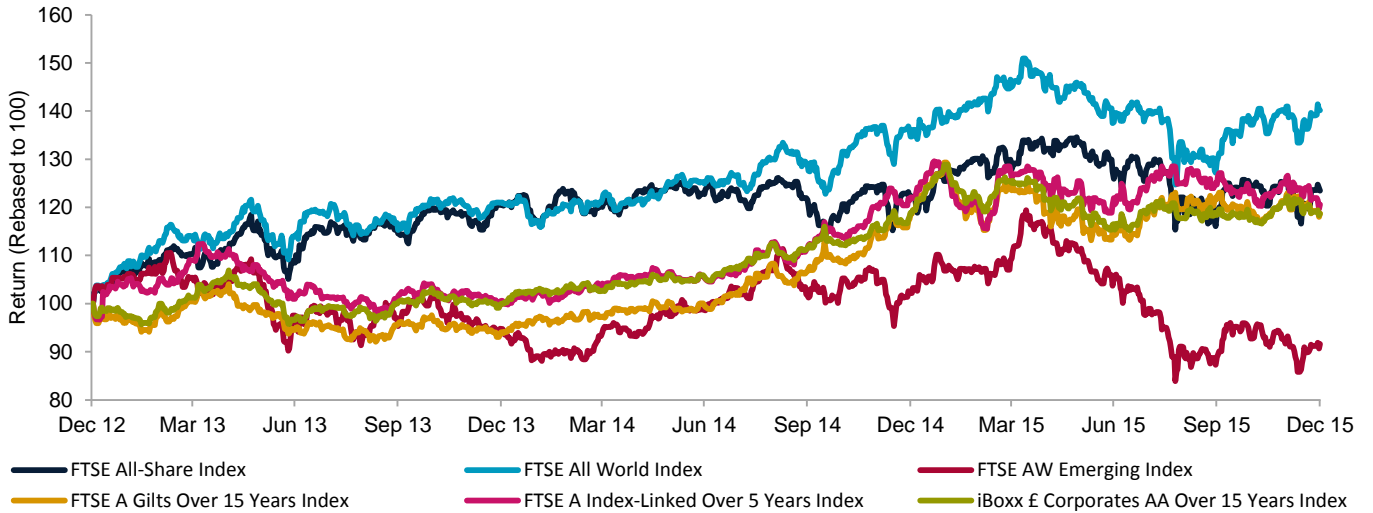
Absolute Change in Yields	3 Mths %	1 Year %	3 Years % p.a.
UK Equities	-0.01	0.33	0.13
UK Gilts (>15 yrs)	0.19	0.15	-0.43
Real Yield (>5 yrs ILG)	0.13	0.06	-0.64
Corporate Bonds (>15 yrs AA)	0.05	0.27	-0.39
Non-Gilts (>15 yrs)	0.05	0.27	-0.22

Source: Thomson Reuters and Bloomberg

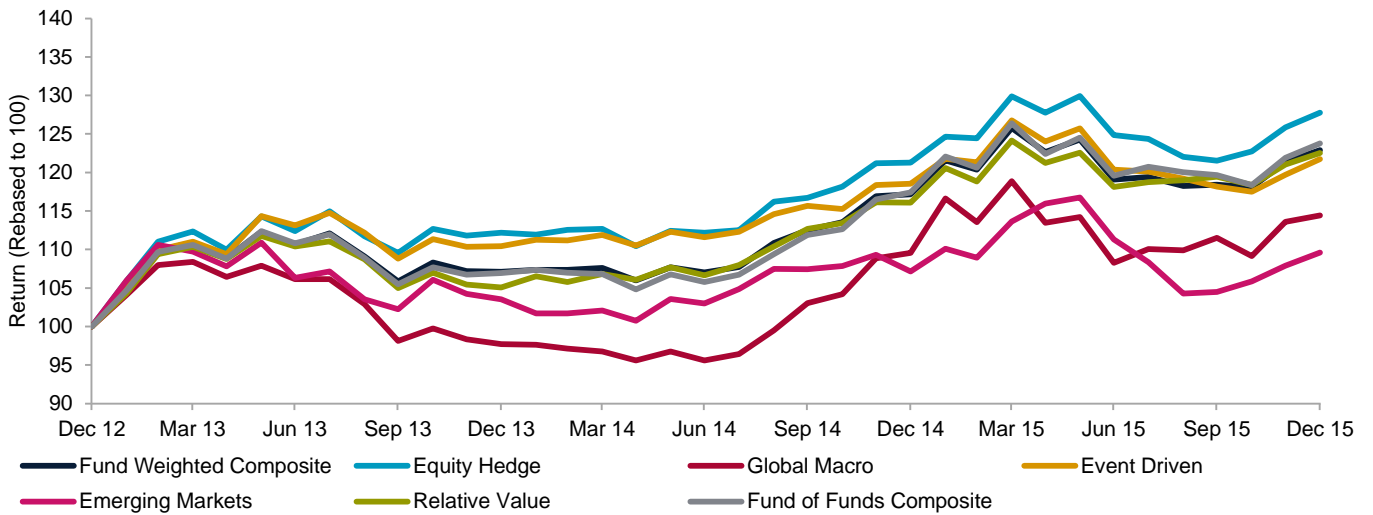
* Earnings inflation is lagged by 1 month.

MARKET SUMMARY CHARTS

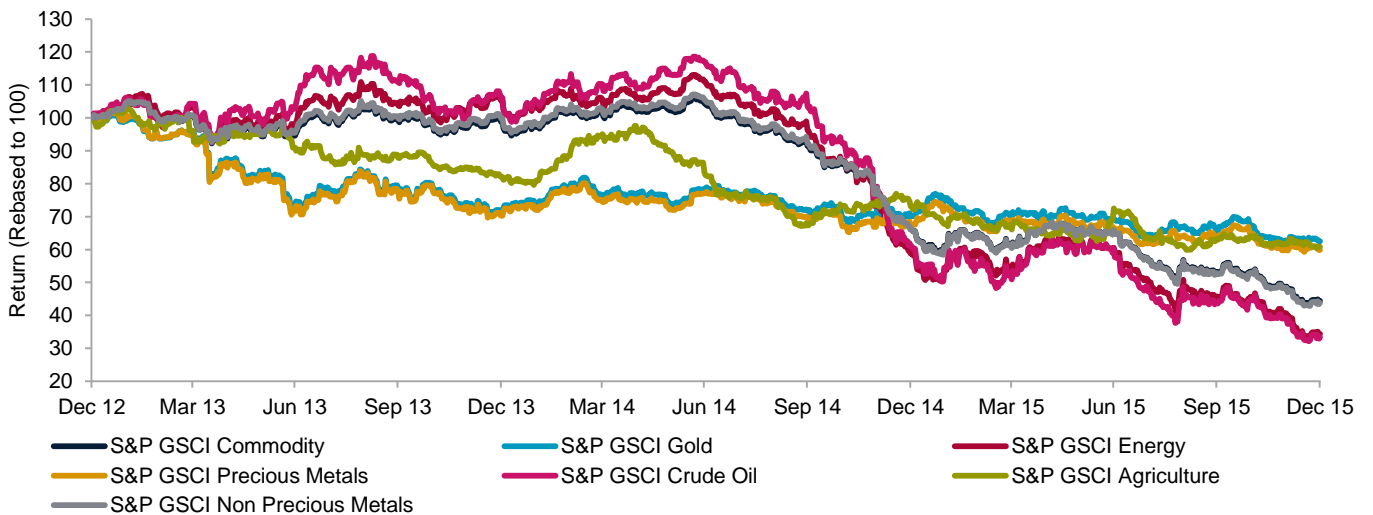
Market performance – 3 years to 31 December 2015



Hedge Funds: Sub-strategies performance – 3 years to 31 December 2015

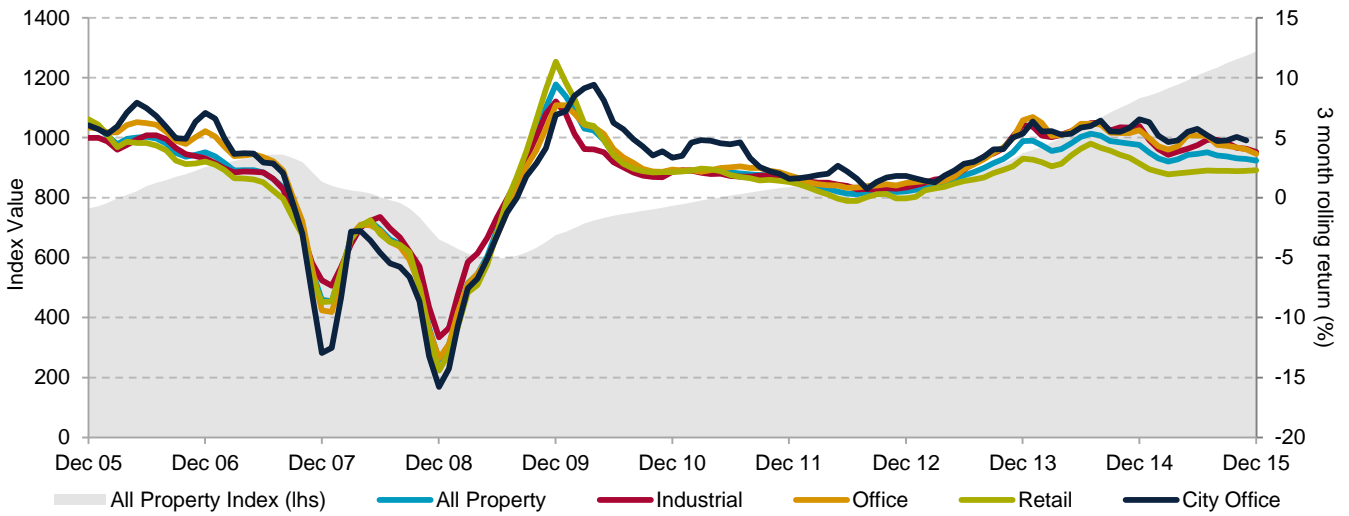


Commodity sector performance – 3 years to 31 December 2015

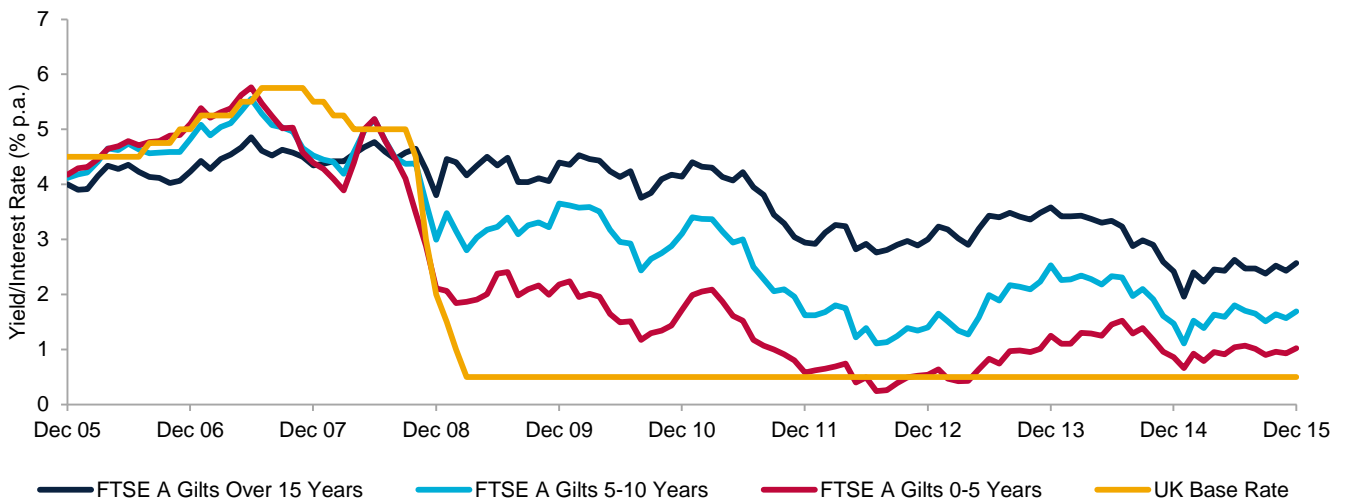


Source: Thomson Reuters

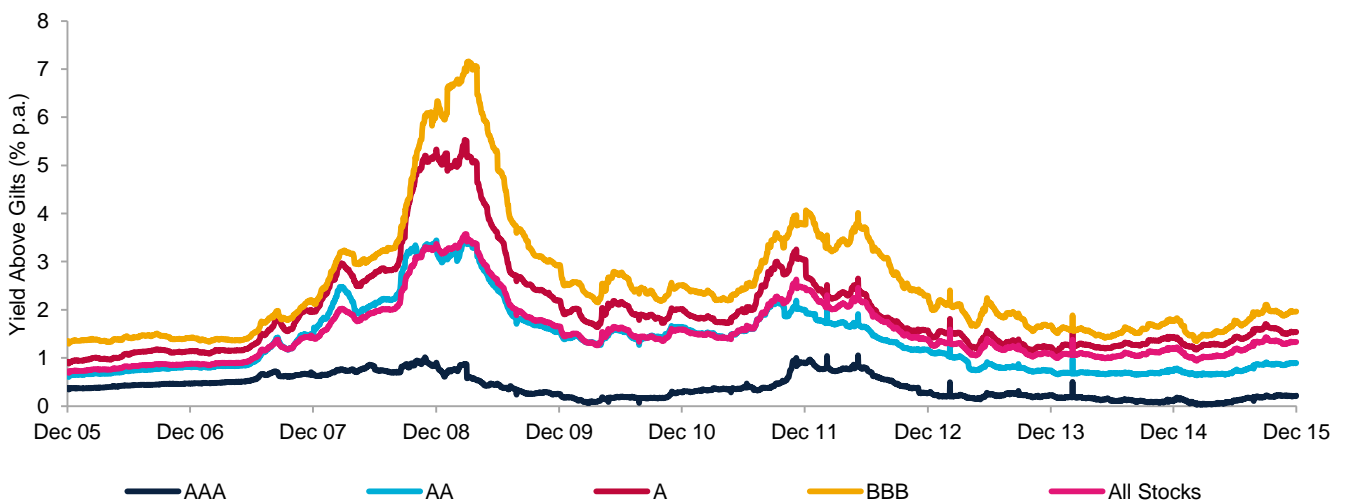
Property sector performance – 10 years to 31 December 2015



UK government bond yields – 10 years to 31 December 2015



Corporate bond spreads above government bonds – 10 years to 31 December 2015



Source: Thomson Reuters

2 ECONOMIC STATISTICS

Economic Statistics as at:	31 December 2015			30 September 2015			31 December 2014		
	UK	Euro ¹	US	UK	Euro ¹	US	UK	Euro ¹	US
Annual Real GDP Growth ²	1.9%	2.9%	1.8%	2.1%	2.9%	2.1%	2.8%	1.7%	2.5%
Annual Inflation Rate ³	0.2%	0.2%	0.7%	-0.1%	-0.1%	0.0%	0.5%	-0.2%	0.8%
Unemployment Rate ⁴	5.1%	10.8%	5.0%	5.4%	11.0%	5.2%	5.8%	11.6%	5.7%
Manufacturing PMI ⁵	51.9	53.2	51.2	51.6	52.0	53.1	52.8	50.6	53.9

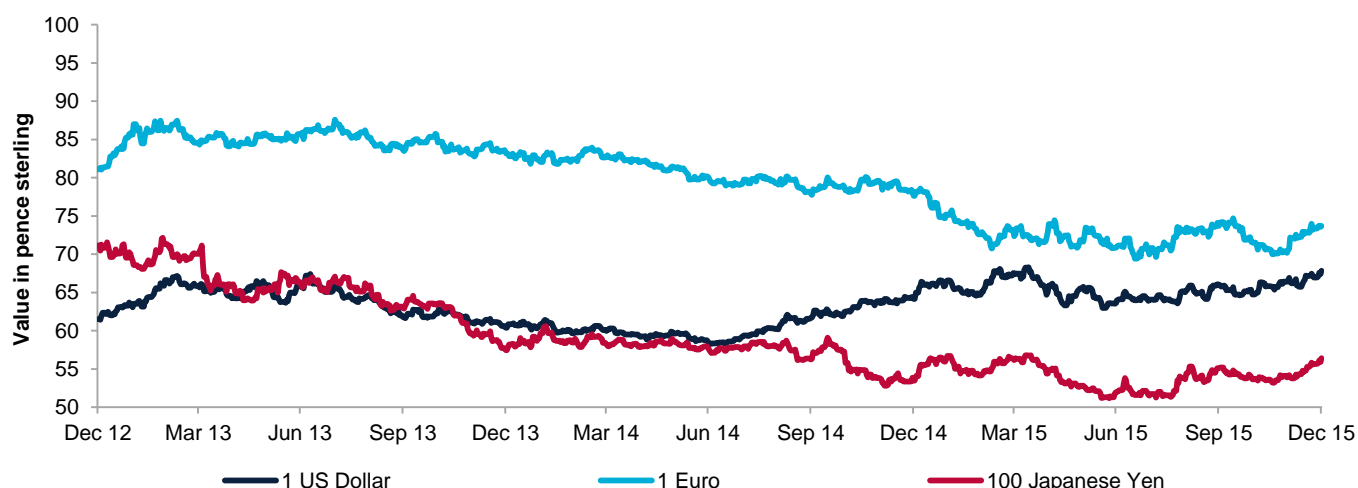
Change over periods ending:	3 months			12 months			
	31 December 2015	UK	Euro ¹	US	UK	Euro ¹	US
Annual Real GDP Growth ²	-0.2%	0.0%	-0.3%	-0.9%	1.2%	-0.7%	
Annual Inflation Rate ³	0.3%	0.3%	0.8%	-0.3%	0.4%	0.0%	
Unemployment Rate ⁴	-0.3%	-0.2%	-0.2%	-0.7%	-0.8%	-0.7%	
Manufacturing PMI ⁵	0.3	1.2	-1.9	-0.9	2.6	2.7	

Notes: 1. Euro Area 19 Countries. 2. Euro GDP is lagged by 1 quarter. 3. CPI inflation measure. 4. Euro unemployment is lagged by 1 quarter, UK unemployment is lagged by 1 month. 5. Headline Purchasing Managers Index.

EXCHANGE RATES

Economic Statistics as at:	Value in Sterling (Pence)			Change in Sterling	
	31 Dec 15	30 Sep 15	31 Dec 14	3 months	12 months
1 US Dollar is worth	67.85p	66.02p	64.13p	-2.7%	-5.5%
1 Euro is worth	73.70p	73.69p	77.61p	0.0%	5.3%
100 Japanese Yen is worth	56.40p	55.12p	53.49p	-2.3%	-5.2%

Exchange rate movements – 3 years to 31 December 2015



Source: Thomson Reuters, Markit, Institute for Supply Management, Eurostat, US Department of Labor and US Bureau of Economic Analysis.

3 MARKET COMMENTARY

INTRODUCTION

2015 was a year of two halves, with steady, if unspectacular, progress until June, and then rapid deterioration in the last six months.

There were very few bright spots. For investors in the UK small and mid-sized companies outperformed, as did (in sterling) the US, Europe and Japan. But Asia and Emerging Markets were significant fallers, and fixed income was very mixed, especially towards the year end.

As J P Morgan reported, 2015 saw US GDP rise 2.6%, Europe printed 560 billion euros (still rising), global inflation fell below 2% and China (despite all the headlines) added the economic equivalent of Indonesia to its GDP. But global manufacturing slumped, US capital expenditure fell, Japan faltered and the oil price dropped 25%.

The result was confusion.

The reasons – principally concerns over the Chinese economy and the course of interest rates in the US and elsewhere. The Greek crisis briefly regained the foreground in the summer but was resolved (temporarily?) to everyone's satisfaction – except, probably, the Greeks.

There was a vicious circle of falling commodity prices, due to lack of demand and oversupply, leading to more concerns about a Chinese slowdown, leading to further falls in commodity prices. This caused a full-blown Emerging Market crisis as falling export prices coupled with a strong US dollar proved a toxic mix.

After nearly a year of 'will they, won't they' the Federal Reserve finally raised interest rates in December. What happens next will be one of the main themes for investors in 2016. Suffice to say the reaction in markets was largely positive as the year-end approached, the first hurdle having at last been surmounted. However it did not change the 'growth v. no growth' argument that prevailed in the latter part of 2015 – and which continues into 2016.

UNITED KINGDOM

- Similar to the US, investors have been waiting all year for the Bank of England to increase interest rates by a token amount. However, unlike in the US, this now seems as distant a prospect as before.
- Falling oil prices and subdued wage growth means there are no current inflationary fears. Some economists still expect a small rise in rates in the first half of 2016, with 1% a likely target by year-end, mainly to stay in step with the US – but they are in the minority. Economic forecasts for both countries are similar, and with Europe perhaps performing more strongly, in the absence of any rate rise sterling could weaken, which would help the export sector.
- However, according to the Telegraph, a 0.25% rise in rates would add £297 per month to the cost of an average UK mortgage (and it is worth noting that the average outstanding mortgage is now 21% higher than before the 2007/8 crisis).
- So any rise in rates is not just an economic decision, but also a highly political one.
- And politics will almost certainly play a greater part in investors' thinking in 2016 than even in 2015 (when the unexpected Conservative victory provided a tonic to the market, albeit temporary). Local and London mayoral elections in May will give some indication of which way the wind is blowing, but overshadowing all will be the possibility of a European referendum this year.
- Euripides once wrote 'In case of dissension, never dare to judge till you've heard the other side'.

- And 'Brexit' will provide discussion, and dissension, in lorry-loads – quite enough to upset sterling and investors, both domestic and foreign. However, the Bank of England might not worry too much about a weakening currency, especially against the euro, if it provides some relief for hard-pressed exporters.
- This is for the future. Looking at the economic situation today the picture is rosier. The UK is the fastest growing country in the G7 with inflation close to zero and real wage growth being experienced. The monetary outlook is benign, with or without a rate rise.
- Equities have responded to this background in markedly different ways. Domestic companies in the 250 index have performed well, reacting to this good economic backdrop, whereas the main index has done poorly, weighed down by its exposure to exporters in general, and mining companies in particular.
- Going forward balance sheets need to be studied closely. Wage inflation is beginning to eat into margins, and hence profitability. There is some concern about the level of dividends being paid to shareholders, which in aggregate is at an all-time high relative to profits. Some mining companies have already cut or eliminated their dividends – there could be more to come.
- But relative to other equity markets around the world the UK still looks attractive, even if the headline index continues to suffer from its exposure to commodities.

EUROPE EX UK

- 'And Doubt and Discord step 'twixt thine and thee' wrote Lord Byron.
- For once economics have taken a back seat as far as Continental Europe in general, and the Eurozone in particular, are concerned. The still growing refugee influx has led to the near breakdown in the Schengen agreement allowing free access throughout the zone. This in turn has resulted in a major political crisis throughout the region with recriminations on all sides. When the Oresund Bridge, an icon of European co-operation, has border controls re-imposed at both ends – in Denmark and Sweden – it shows how far matters have deteriorated.
- Additionally elections in the last few months in Portugal, now with an anti-austerity left wing government, and in Spain, with no stable government at all, have increased the pressure on Brussels to change policy.
- There seems little chance of this happening with a satisfactory resolution to the refugee crisis a distant prospect, and any change to the Eurozone's economic policies equally unlikely.
- Quantitative Easing has so far not proved to be as effective as once hoped (or as has been experienced elsewhere), except that the currency has weakened by 10%, which was a key policy target. Recent announcements by the European Central Bank – another very small cut in interest rates and a slight extension of the bond-buying programme – left markets somewhat underwhelmed.
- However, monetary expansion is rapidly increasing, which should lead to higher asset prices and an even lower euro. Unemployment, 6% in Germany, remains at over 20% in Spain and Greece. But the Purchasing Managers' Index (an indication of growth or otherwise throughout the Eurozone) is at an eighteen month high, consumer sentiment is improving and there is rising domestic demand across most of the region (France being the notable exception).
- Overall growth in 2016 is forecast to reach 1.8% (against a likely outcome of 1.5% in 2015). Not dramatic, and not enough to alleviate many of the outstanding problems, but at least it is positive.
- Under these circumstances many companies in Europe, both in and out of the Eurozone, continue to thrive. Those that are heavily reliant on exports to the developing world are suffering, but as a general rule the outlook is promising.

NORTH AMERICA

- 'All things come to he who waits', although it took nearly the whole of the year and investors' patience was sorely tested at times.

- The Federal Reserve finally raised interest rates in December (by 0.25%), the first rate rise since 2006 and the likely start of a more prolonged cycle of increases. The effects will slowly spread throughout the economy, with credit (and mortgage) holders the first to see any impact.
- The Federal Reserve's target is a level of rates of 1% to 1.5% by the end of 2016, and 3% to 3.5% by 2018 (considered to be the new 'normal' level), but whether this target is achieved – in the short or long term – is one of the most important questions for this year.
- Markets are hoping the authorities haven't raised rates too soon. This is the first time ever that there has been an increase at the same time as the manufacturing index has been below 50 (indicating a contraction in the economy). Money has already been tight since Quantitative Easing was halted, with the dollar having risen 14% against its competitors since July 2014 – the steepest rise in modern times. With the European Central Bank, the Japanese and – very importantly – the Chinese still loosening their monetary policy, the Federal Reserve's move is still considered somewhat of a gamble.
- The Federal Reserve considers it more prudent to take action now before inflation picks up (although there are currently no signs of it doing so) which will give them more room for manoeuvre if the economy stalls. At the moment economic growth is on track, with personal consumption strong (representing two thirds of GNP) and wage growth steady. Job creation is the key – there have been over 8 million new jobs created in the past three years.
- However, according to Crossborder Capital's statistics the Federal Reserve is reducing liquidity to the markets at a time when US private sector liquidity – especially in the corporate sector – is itself slowing. So the rate rise is further tightening in a weakening economy – and therein lies the danger.
- Many US companies have been issuing debt to buy back their own shares, thereby increasing their earning per share and their share prices. There have been a few signs that this is coming to an end (even before the interest rate rise) which may have consequences for valuations. The first indication will be the profit figures for the fourth quarter of 2015 to be announced shortly. Revenues for many companies have already been under pressure, particularly from the strong dollar, for some time, but the results of this have often been hidden by the share buy-backs mentioned above. The upcoming figures will be studied very closely, to say the least.
- And finally, this is a Presidential election year. At the moment the front-runners are Hilary Clinton for the Democrats and Donald Trump for the Republicans (the latter a complete surprise, an unpleasant one for many in his party). There is a long road to travel before November (the first primary is later in January), and another Barack Obama could appear from nowhere. But both the two current leading candidates would cause considerable market nervousness if the likelihood grew of them winning in November.
- This could be another volatile year in the US stock market. All eyes, as usual, will be on the Federal Reserve, as investors wait for the next rate rise (in March?). Will the economy slow down as a result? Will the dollar continue to strengthen, with further effects on corporate profitability? Will the high yield debt market implode? And who will be the next President?
- These are not inconsiderable questions. The answers to the first three could all be 'No'. We will obviously know more as the year progresses.

JAPAN

- It has been three years since Mr Abe became prime minister and introduced his radical new programme of Quantitative Easing, coupled with an attempt to dismantle many of Japanese society's long-held traditions.
- The results have been mixed. The yen has weakened significantly, which was a prime policy target, thus benefitting many exporting companies. But GDP has risen only 0.8% each year on average, which is decidedly lacklustre. Forecasts for growth in the year to end March 2016 have been revised downwards (from 1.7% to 1.2%), inflation remains stubbornly low, exacerbated by the low oil price, and the overall debt burden continues to increase.
- But all is not as pessimistic as these numbers might suggest. Vital structural reforms – the 'Third Arrow' – are slowly, very slowly, being implemented. Efforts to encourage more women to join the workforce are progressing, as is the introduction of a Free Trade Zone throughout the Pacific Rim. The Government has also

been ‘persuading’ major companies to increase wages (and have raised the legal minimum wage themselves) with some success, and living standards are rising.

- Further announcements along these lines are expected later in 2016. One area where positive results have already been seen is Mr Abe’s attack on corporate governance. There is now a greater emphasis on maximising profits and benefitting shareholders, with higher dividends, than ever before. There are 1880 companies in the main stock market index which collectively are sitting on \$650 billion in cash – equal to an economy the size of Switzerland. The Government wants this cash to be put to a more productive use.
- Corporate profits in the first half of the current fiscal year (to end September 2015) were mixed, with some manufacturing companies seeing weaker demand, especially from abroad. In aggregate company profit forecasts are down slightly on previous numbers – but still positive.
- This year Japan should continue to recover, albeit in fits and starts. The next sales tax increase (the last one led to a brief recession) has been postponed from October this year to April 2017, and for the first time will exclude food – which will cost 20% of the forecast revenue benefit. Better real wage growth and higher private consumption will benefit growth, and the possibility of another round of Quantitative Easing is high.

ASIA PACIFIC EX JAPAN / EMERGING MARKETS

- China has dominated world markets in 2015. Its economy and stock market have been the main talking points, overshadowing in many ways the Federal Reserve’s decision on interest rates (and even influencing that decision in September, when the expected rate rise was postponed for three months due to ‘global conditions’).
- For some time the Chinese authorities have been moving the economy from one that is manufacturing and export dependent to a domestic, consumer and service led, one. The direction of travel has been right, and still is, but it has been a very bumpy road. This rebalancing will continue with services now representing nearly 50% of the economy and responsible for 80% of the growth.
- There are still major problems. Chinese fixed investment has reached \$5 trillion this year (greater than North America and Europe combined) and excess capacity is still huge. Capital outflows have been accelerating with over \$1 trillion moving abroad in 2015. Export tariffs on steel – where China is responsible for half the world’s production – have been cut, leading to excess capacity being exported overseas.
- And over-riding everything, at least in investors’ minds, is the currency. The renminbi’s real exchange rate has risen 30% since mid 2012 due to the strong dollar, to which it has been ‘informally’ pegged. A very small official devaluation last summer caused alarm, not far from panic, in the rest of Asia.
- The currency is now measured against a basket, rather than just the US dollar, but is still significantly overvalued. There is a real risk of a formal, major, devaluation which would export deflation to the rest of the global economy. This would almost certainly lead to further falls in commodity prices, and a possible repeat of the currency wars in Asia last experienced in the late 1990s.
- As a consequence of all this, the rest of the Pacific Region (excluding Japan) performed poorly in 2015 and non-Asian Emerging Markets did even worse, the latter weighed down additionally by the double whammy of falling commodity prices and a strong dollar.
- Sentiment remains poor. Whilst valuations overall might be beginning to look tempting after the fall, quality companies are still expensive. Weak demand, excess capacity, over-indebtedness and the prospect of a Chinese devaluation are headwinds that will take some considerable time to overcome. To reverse some, let alone all, of these negatives requires a level of world growth which nobody expects in the near future.
- China might provide a positive surprise in 2016, which would improve sentiment dramatically, but it is far too early to see any signs of this happening.

FIXED INCOME

- The fixed income market as a whole experienced a mixed year, ending 2015 little changed, but seeing significant volatility over the course of the twelve months. Exceptions were Emerging Market debt which traded

sharply lower (particularly that denominated in local currency rather than US dollars), and 'high yield' bonds (generally known as 'junk') which came under pressure in the second half.

- Investment grade debt, especially US Treasuries, UK Gilts and German Bunds, are now trading at such low yields that they remain vulnerable to any further interest rate increases in the US. However global tensions, particularly in the Middle East, mean they will probably maintain their 'safe haven' status, at least for the time being.
- Valuations and liquidity are both a challenge in all markets. Sovereign wealth funds (the Norwegian being the most public example) have been trying to reduce their bond positions with difficulty.
- An early indicator of problems to come is the US high yield market. Standard & Poors have warned that over 50% of bonds issued by US energy companies are at risk of default, given the current oil price. If you add global commodity producers, especially the miners, it is obvious the outlook for the sector is dire, with possible knock-on consequences for the whole asset class.

ALTERNATIVES

- Hedge Funds (in sterling terms) returned 3.8% over the quarter, showing a significant improvement in performance when compared to the third quarter. Relative Value and Global Macro strategies both returned 2.6% and were the worst performing strategies over the quarter whilst the Emerging Markets strategy had the worst returns over 12 months and 3 years. Equity Hedge strategies were the strongest over the quarter with a return of 5.1%, and are the leading strategy over 3 years with a return of 8.5%. The performance of hedge funds has oscillated between positive and negative over the year due to the volatility and turbulence in financial markets.
- UK commercial property returned 3.1% over the quarter, and ended the year up by 13.8%, demonstrating another strong year for the UK property market. Capital values climbed by a further 7.8% over the course of the year as initial yields compressed to near 2007 peak levels. Despite a slowing in overall performance, Offices retook the lead as the top performing market sector, returning 3.6% over the quarter, and ending the year with a return of 18.2%. The Retail sector remained the weakest sector, returning 8.9%, whereas Industrials returned 17.3% over the last 12 months. Results for the quarter show signs of further price stabilisation while rental values continue to improve as business confidence picks up across the UK. As at the end of December 2015, the annual yield property yield stood at around 5.6%.
- Commodities returned -14.3% over the quarter, a slight improvement from the returns obtained last quarter. Energy prices continued to decline as oil prices weakened due to excess supply and concerns about weak demand. Coal and natural gas prices declined due to excess supply, high stocks, falling imports to China and India and policies to reduce coal consumption in power generation. Metal prices fell due to softening growth prospects in China and continued increases in supply. Despite an intensification of the El Niño weather pattern, agriculture prices fell over the quarter, reflecting higher stocks due to good crops from previous seasons. Precious metals prices fell marginally on weakening investment demand.

CONCLUSION

2015 was a difficult year for investors in almost all asset classes and 2016 is likely to be equally volatile.

For the first time since the financial crisis in 2007/8 the policies of the Federal Reserve, the Bank of England, the European Central Bank and the Bank of Japan (let alone the Chinese) are diverging. The US (and at some stage the UK) is tightening by increasing rates, the rest continue to ease.

These differences in policy direction raise several questions.

Will they lead to even greater dollar strength? If yes, commodity prices and Emerging Markets will come under further pressure. If no, prices could stabilise. Additional dollar strength could also choke off the US economic recovery.

Will oil prices remain low? According to Quilter the combination of falling oil and other commodity prices has led to a transfer of 1% of global GDP from producers to consumers.

How quickly will interest rates rise in the US? 'Will they, won't they' has now become 'how much, how often'. Markets were pleased with the December decision by the Federal Reserve, but there is a pertinent saying – be careful what you wish for. Have they tightened too soon?

Will the Chinese devalue the renmimbi? This is potentially the most important financial decision to be made in 2016.

Salvador Dali once said 'What is important is to spread confusion, not eliminate it'. And global uncertainty is rife. Tension in the Middle East, the refugee crisis in Europe, Chinese decision making, and US interest rates are all worrying investors. The UK appears a haven of stability in this mix – and even here we have the 'Brexit' debate to contend with.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Investment Strategy and Manager Summary
Report Author	Chief Executive

EXECUTIVE SUMMARY

The purpose of the Investment Strategy and Manager Summary is to update Committee Members on the performance of the Fund's investment strategy and performance of the Fund's investment managers.

The report covers the quarter ending 31 December 2015.

The Fund enjoyed a strong quarter from an Investment Strategy perspective, driven primarily as a result of the strong growth in a number of asset markets. Key facts covered in the report are as follows:

- Over the 3 months to 31 December 2015, the Fund's total market value increased by £31.9m to £1,370,614,637.
- As at 31 December 2015, the value of the Fund's liabilities had decreased by £34 million to £2,124 million, resulting in a funding level of 65% - this is a rise in the funding level from 30 September 2015 which was at 62%.
- Over the quarter, total Fund assets returned 2.7% compared with a composite target of 2.5%.

The Fund's investment strategy will be reviewed later in 2016 (on a light touch basis) as part of the Actuarial Valuation Process.

A number of the Fund's investment managers outperformed their respective targets during the quarter. There was particularly strong performance from the Fund's Best Ideas portfolio.

RECOMMENDATIONS

1	To note and discuss the investment strategy and manager performance in the Investment Strategy and Manager Summary 31 December 2015.
2	That the Committee considers the information in the Economic and Market Update report to provide context in addition to the information contained in this report.

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Investment Strategy and Manager Summary 31 December 2015</p> <p>Over the 3 months to 31 December 2015, the Fund's total market value increased by £31.9m to £1,370,614,637.</p> <p>Total Fund assets returned 2.7% over the quarter, compared with a composite target of 2.5%.</p> <p>Over the one year period, Total Fund assets returned 1.4%, compared with a composite target of 3.2%.</p> <p>Over the last three years, Total Fund assets returned 6.5% p.a., compared with a composite target of 7.2% p.a.</p> <p>Key performance drivers during the quarter came from the Equities allocation and the Best Ideas Portfolio.</p> <p>The Fund's asset portfolio was within the strategic ranges set for each asset class during the period.</p>
1.02	<p>The Fund's reorganisation of assets, following the strategic review (approved by Committee in November 2014), was completed during the quarter.</p>
1.03	<p>At this time, there are no concerns with any of the Fund's investment managers and there are regular meetings held with the managers to discuss individual mandates.</p> <p>The Fund's investment consultant will be reviewing the mandate specification for each of the manager positions as part of the planned light touch review of investment strategy later in 2016. This is to ensure that the structure of the mandates remain appropriate to serve the needs of the Fund going forward.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	<p>The Fund's investment strategy has been designed to provide an appropriate trade off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk.</p> <p>Diversification of the Fund's growth assets away from equities seeks to reduce the amount of the equity risk (though it should be recognised that Equities remain an important long term source of expected growth). The implementation of the Fund's De-Risking Framework (Flightpath) has been designed to mitigate the Fund's Interest Rate and Inflation Risks.</p>

5.00	APPENDICES
5.01	Appendix 1 – Investment Strategy and Manager Summary 31 December 2015.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Investment Strategy and Manager Summary 30 September 2015.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>A list of commonly used terms are as follows:</p> <p>(a) Absolute Return – The actual return, as opposed to the return relative to a benchmark.</p> <p>(b) Annualised – Figures expressed as applying to 1 year.</p> <p>(c) Duration – The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.</p> <p>(d) Market Volatility – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.</p> <p>(e) Money-Weighted Rate of Return – The rate of return on an investment including the amount and timing of cashflows.</p> <p>(f) Relative Return – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.</p>

- (g) **Three-Year Return** – The total return on the fund over a three year period expressed in percent per annum.
- (h) **Time-Weighted Rate of Return** – The rate of return on an investment removing the effect of the amount and timing of cashflows.
- (i) **Yield (Gross Redemption Yield)** – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cashflows.

A comprehensive list of investment terms can be found via the following link:

<http://www.barings.com/ucm/groups/public/documents/marketingmaterials/021092.pdf>

The background of the page is a close-up, slightly blurred image of a financial chart. The chart features a grid with horizontal and vertical lines. A prominent red line, likely representing a price or index, trends upwards from the bottom left towards the top right. The vertical axis on the right side of the chart has numerical labels: 400, 420, 440, and 460. The overall color palette is muted, with the red of the chart line providing a focal point against the light, textured background.

**CLWYD PENSION FUND
INVESTMENT STRATEGY AND
MANAGER SUMMARY
PERIOD ENDING 31 DECEMBER 2015**

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1 IMPACT ON CLWYD PENSION FUND INVESTMENT STRATEGY

This report is produced by JLT Employee Benefits ("JLT") to assess the performance and risks of the investment managers of the Clwyd Pension Fund (the "Fund"), and of the Fund as a whole. The report does not comment on the Fund's Liability Driven Investment ("LDI") portfolio, as information in respect of this allocation is produced separately by Mercer.

OVERALL

Over the 3 months to 31 December 2015, the Fund's total market value increased by £31.9m to £1,370,614,637.

As at 30 September 2015, the Fund's liabilities were valued at £2,158 million, resulting in a funding level of 62%.

As at 31 December 2015, the value of the Fund's liabilities had decreased by £34 million to £2,124 million, resulting in a funding level of 65%.

Over the quarter, total Fund assets returned 2.7% compared with a composite target of 2.5%. The majority of the positive absolute return was driven by the Equity assets, which returned 6.5%, and the Best Ideas Portfolio which delivered 5.2%. Total Hedge Funds (Legacy) produced the lowest return of the strategic asset classes, decreasing by 1.9%.

In relative terms, total Fund assets produced a return 0.2% above the target, mainly due to the Best Ideas Portfolio exceeding its target by 4.3% which contributed 0.3% of the outperformance. However, In-House assets detracted 0.2% from overall relative performance.

Only three individual portfolios produced negative returns over the quarter; Timber/Agriculture, Private Equity and Opportunistic. Insight's LDI portfolio rose by 3.5% reversing some of the recent falls in the portfolio.

EQUITIES

Global equity markets rose over the quarter, with positive growth seen in all major regions following a period of negative returns. In October, the stabilisation in risk appetite encouraged investors to put their money in developed and emerging markets equities which resulted in more subdued levels of volatility than witnessed in preceding months. However, concerns about slowing Chinese growth, the prospect of US rate rises and declining commodity prices weighed on sentiment. Equity markets staged a relief rally after the Fed raised interest rates but this proved to be short lived as investors trimmed their positions towards the end of the period.

In developed markets, Japanese equities provided the strongest returns increasing by 12.5%. US equities rose by 9.6% followed by Asia Pacific (ex Japan) equities which were up by 8.4%. European equities and UK equities increased by 5.9% and 4.0%, respectively.

Over the last 12 months, Japanese equities provided the strongest returns, increasing by 17.6%. Asia Pacific (ex Japan) experienced the lowest return of the developed markets, declining by 3.5%.

Emerging Markets and Frontier Markets were both up by 3.5% and 1.5% respectively over the quarter, but both markets saw a negative annual return of -9.7% and -9.1% respectively.

Total Equity assets returned 6.5%, which was 0.7% above their composite target. All funds in the strategy produced positive returns, however, Wellington Emerging Markets (Local) was the only fund that managed to outperform its target over the quarter.

Global equity exposure to consumer staples, information technology and telecoms were the main contributors to performance, while consumer discretionary, healthcare and materials were the largest detractors from returns.

In Emerging Markets, exposures to China and South Africa contributed to the majority of gains, although this was offset to some extent to exposure in South Korea.

In Frontier Markets, the underweight allocation to Argentina was the largest detractor from relative performance as the markets rallied following pro- business candidate Mauricio Macri's election victory. The off-benchmark position in South Africa was the second largest detractor from performance, as MTN Group shares fell sharply following a \$5bn fine from the Nigerian regulator due to their failure to disconnect unregistered subscribers. Meanwhile, the exposure to Nigeria also detracted from relative performance as investors fretted over the prospect of a significant deterioration in the Naira following record-low oil prices.

MULTI-ASSET CREDIT

Bond markets experienced a mixed quarter with fears surrounding global growth receding as the global economy appeared to be on firmer ground. Policies of the world's major central banks had a major impact on bond markets, as did the sustained falls in commodity prices, particularly crude oil.

In December, the US Federal Reserve announced a 0.25% increase in the interest rate for the first time in almost a decade, following strong economic data showing that the U.S. remained on track. The European Central Bank headed in the opposite direction, lowering its interest rate to -0.30%, however, it extended its Quantitative Easing program to provide more stimulus, although markets were disappointed that it wasn't more. The continued fall in the price of crude oil, which slumped to levels close to 2008 lows, was a reason for a rise in default risk in the US energy sector and the underperformance of US High Yield bonds over the quarter.

In the UK, the Bank of England's monetary policy committee again voted in favour of keeping the interest rate at an historical low of 0.5% and voted unanimously to keep the stock of assets bought under the quantitative easing policy unchanged at £375bn. In a revised estimate of GDP, the UK economy grew by 0.4% in Q3 2015, down from a previous estimate of 0.5%. This lower assessment can primarily be attributed to weaker growth in key services, especially in financial services. UK inflation rate rose to 0.1% in November from -0.1% a month earlier.

On the back of this, UK corporate bonds rose whilst UK government fixed and index-linked bonds suffered as investors switched into riskier assets. However, returns were not as bad as forecasts anticipated. Long-dated corporates rose by 0.3%, long-dated fixed interest gilts fell by 2.4% and long-dated index-linked gilts fell by 3.3%.

Conversely, global bond markets generally rose, Investment Grade bonds (+1.8%), High Yield (+1.5%) and Emerging Market Debt (+4.4%). Much of the appreciation in global bond markets can be attributed to the strengthening of the US dollar over the period, and currency hedged investors would have received lower and possibly negative returns.

The Fund's Multi-Asset Credit assets generated a return of 0.6% over the quarter, ahead of its target by 0.2%. Overall this had a neutral contribution to the relative performance of the Fund.

Despite a fall of around 1% in December 2015, Securitised bonds, Loans and Global Rates provided the majority of the portfolio's returns in Q4 2015.

From an asset allocation perspective, Stone Harbor's defensive overweighting in Loans and the underweight exposures in High Yield and Emerging Market Debt positioned the portfolio well over the quarter.

Emerging Market bonds and currency positioning contributed negatively to security selection due to weakness in the Canadian Dollar and Mexican Peso.

HEDGE FUNDS

Total global hedge fund capital rose over the fourth quarter, as volatility in financial markets driven by concerns around a slowing in Chinese growth and energy market weakness accelerated into year end. Hedge fund capital increased by \$22.8 billion to \$2.90 trillion at the end of December. The gain in performance of Hedge Fund assets offset a net capital outflow of \$1.52 billion, the first quarterly net outflow since Q4 2011.

Hedge Funds in Sterling terms, returned 3.8% over the quarter and 4.9% over the last 12 months. In US dollar terms, Hedge Funds returned 1.0% over the quarter but declined by -0.8% over 12 months, which was only the fourth calendar year decline since 1990.

In a reversal of quarter three 2015, in Sterling terms, Equity Hedge (+5.1%) and Emerging Markets (+4.8%) were the strongest performing strategies whilst Global Macro (+2.6%) and Relative Value (+2.6%) were the weakest (albeit positive in absolute terms). However, in US Dollar terms, Global Macro (-0.2%) and Relative Value (-0.2%) strategies were negative over the last three months, and all strategies negative over the last 12 months.

ManFRM's Managed Futures & Hedge Funds strategy had a positive return of 0.6%, but underperformed its target by 0.4%. This made a contribution of 0.1% to relative performance.

Total Hedge Fund (Legacy) assets returned -1.9%, behind their absolute target of 2.3%.

BlueCrest's Multi-Strategy Credit portfolio was redeemed on 1 October 2015, with all proceeds used to fund an investment into the ManFRM Managed Futures and Hedge Funds portfolio.

Approximately 40% of the Liongate portfolio and 50% of the SSARIS A1 portfolio was redeemed over the quarter, with the proceeds used to fund an investment into the ManFRM Managed Futures and Hedge Funds portfolio. The remaining 50% of the SSARIS A1 was transferred to the Best Ideas portfolio.

All remaining Duet, Liongate and Pioneer assets were transferred to the ManFRM Hedge Funds (Legacy) portfolio at the end of the quarter.

TACTICAL ALLOCATION PORTFOLIO

DIVERSIFIED GROWTH

Total Diversified Growth assets returned 2.3%, ahead of their absolute target of 1.4%. Overall this contributed 0.1% to the total Fund relative performance.

Investec's positive return over the quarter was driven by the Growth sub-portfolio's exposures to equities, property, High Yield, EMD and commodities. In particular, positions in Japanese and global equities posted significant positive returns following poor returns in the previous quarter.

Investec's Uncorrelated sub-portfolio produced partially positive returns over the quarter whilst exposure to the Defensive sub-portfolio produced negative returns due to a sharp fall in implied volatility in early October, which resulted in a significant loss in Investec's long volatility holding.

Pyrford's portfolio generated a positive return over the quarter and the portfolio's UK stock selection continues to be a key driver. Both the portfolio's equities and bonds contributed positively during this period.

BEST IDEAS PORTFOLIO

The Best Ideas portfolio returned 5.2% and was ahead of its target of 0.9% over the quarter. Overall this contributed 0.3% to the total Fund performance.

LGIM's Japanese Equities (Unhedged) and BlackRock's US Equities performed the strongest over the quarter returning 12.8% and 11.7% respectively. SSARIS Z's Fund of Hedge Funds were the worst performing strategy, returning -2.9% and behind its target by 4.1%. F&C's Equity-Linked Gilts fund generated a return of 2.1% and outperformed its target by 1.2%.

In relative terms, BlackRock US Equities contributed 0.2% of outperformance whilst LGIM Japanese Equities and LGIM Japanese Equities (Hedged) made a marginally lower contribution of 0.1%. F&C's UK Equity-Linked Gilts made a neutral contribution. SSARIS Z Fund of Hedge Funds detracted the most by 0.2%.

On 1 October 2015, 50% of the SSARIS Z fund was redeemed, with proceeds used to fund an investment into the ManFRM Managed Futures and Hedge Funds portfolio. Additionally, SSARIS A1 was transferred from the Hedge Funds (Legacy) portfolio to the Best Ideas portfolio.

IN-HOUSE ASSETS

Total In-House assets returned 1.2%, behind their composite target by 0.8%. Overall this detracted 0.2% from total Fund performance. Infrastructure assets made a positive relative contribution to the performance of the strategy whilst Property, Timber/Agriculture, Private Equity and Opportunistic assets contributed negatively.

Infrastructure, which is marginally overweight relative to its strategic allocation, posted the highest return of the In-House assets of 11.8%, ahead of its target by 10.4%.

Property assets delivered a return of 2.3%, underperforming its target by 0.8%.

Private Equity, which is the largest portfolio in the strategy, produced an absolute return of -0.9% and underperformed its target by 2.3%. Overall this detracted 1.2% from the strategy and 0.3% from the total Fund performance.

Timber/Agriculture posted -0.9%, which was below the target by 2.3%.

Opportunistic assets were the poorest performing of the In-House assets, returning -4.7% and underperforming its target by 6.0%.

2 STRATEGIC ASSET ALLOCATION

31 DECEMBER 2015

Allocation by underlying asset class

Asset Class	Market Value £	Weight %	Strategic Allocation %	Relative %	Strategic Range %
Global Equities	98,837,841	7.2	8.0	-0.8	5.0 – 10.0
Emerging Market Equities	74,905,089	5.5	6.5	-1.0	5.0 – 7.5
Frontier Market Equities	26,922,590	2.0	2.5	-0.5	1.0 – 4.0
Multi-Asset Credit	169,843,712	12.4	15.0	-2.6	12.5 – 17.5
Managed Futures and Hedge Funds	117,701,329	8.6	9.0	-0.4	7.0 – 11.0
Hedge Funds (Legacy)*	20,159,932	1.5	0.0	1.5	–
Diversified Growth	117,205,298	8.6	10.0	-1.4	15.0 – 25.0
Best Ideas	112,075,969	8.2	9.0	-0.8	
Property	103,446,207	7.5	7.0	0.5	5.0 – 10.0
Private Equity & Opportunistic	151,297,690	11.0	10.0	1.0	8.0 – 12.0
Infrastructure / Timber / Agriculture	54,675,821	4.0	4.0	0.0	2.0 – 7.0
LDI & Synthetic Equities	308,319,208	22.5	19.0	3.5	10.0 – 30.0
Cash	15,223,951	1.1	0.0	1.1	0.0 – 5.0
TOTAL CLWYD PENSION FUND	1,370,614,637	100.0	100.0	0.0	

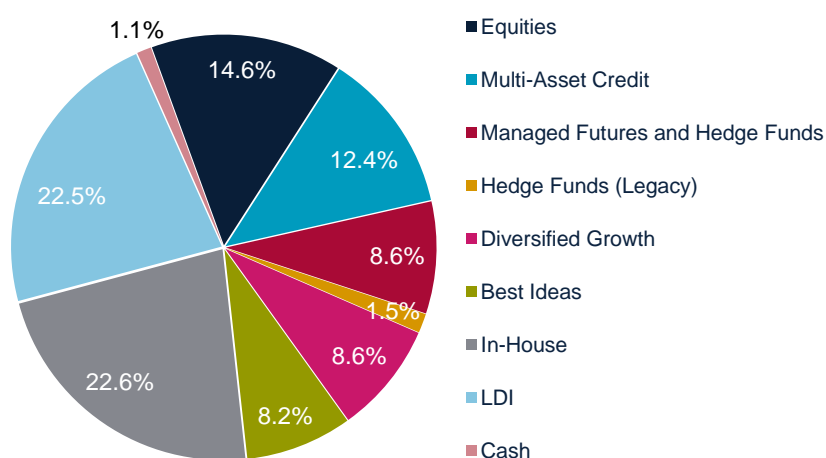
Notes: The strategic allocation represents the benchmark in the new investment strategy; this is effective from 31 March 2015.

* Hedge Funds (Legacy) includes the Duet, Liongate and Pioneer portfolios.

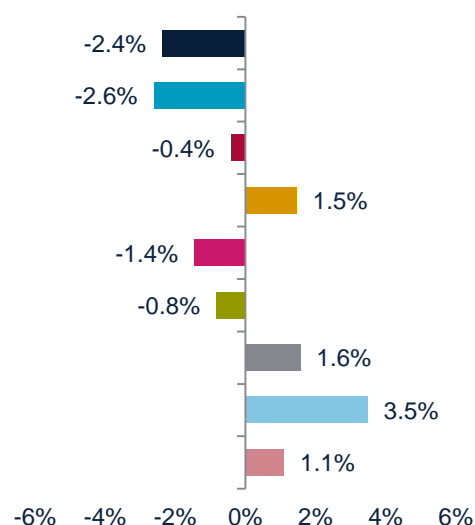
Points to note

- Allocation to LDI rose by 0.3% over the quarter and is 3.5% overweight relative to its strategic allocation. This is the asset class with the largest deviation from its strategic allocation.

Strategic Asset Allocation as at 31 December 2015*



Deviation from Strategic Allocation*



Notes: Totals may not sum due to rounding

* Strategic asset class categorisations have been revised to reflect the new investment strategy effective from 31 March 2015.

3 VALUATION AND ASSET ALLOCATION AS AT 31 DECEMBER 2015

Manager	Fund	Market Value £	Weight %	Strategic Allocation %	Strategic Range %
Investec	Global Strategic Equity	98,837,841	7.2	8.0	5.0 – 10.0
Wellington	Emerging Market Equities (Core) [#]	35,625,491	2.6	3.25	5.0 – 7.5
Wellington	Emerging Market Equities (Local) [#]	39,279,598	2.9	3.25	
Aberdeen	Frontier Markets [#]	26,922,590	2.0	2.5	1.0 – 4.0
Total Equities		200,665,520	14.6	17.0	
Stone Harbor	Libor Multi-Strategy Portfolio	169,843,712	12.4	15.0	12.5 – 17.5
Total Multi-Asset Credit		169,843,712	12.4	15.0	12.5 – 17.5
ManFRM	Managed Futures and Hedge Funds	117,701,329	8.6	9.0	7.0 – 11.0
ManFRM	Hedge Funds (Legacy)*	20,159,932	1.5	0.0	–
Managed Account Platform		137,861,261	10.1	9.0	7.0 – 11.0
Pyrford	Global Total Return	59,469,261	4.3	5.0	–
Investec	Diversified Growth	57,736,038	4.2	5.0	–
Total Diversified Growth		117,205,298	8.6	10.0	–
BlackRock	US Equities	27,215,699	2.0		
BMO	UK Equity-Linked Gilts	22,143,186	1.6		
SSARIS A1	Fund of Hedge Funds ⁺	18,345,082	1.3	9.0	–
SSARIS Z	Fund of Hedge Funds ⁺	18,268,033	1.3		
LGIM	Japanese Equities	13,679,100	1.0		
LGIM	Japanese Equities (Hedged)	12,424,870	0.9		
Best Ideas Portfolio		112,075,969	8.2	9.0	–
Tactical Allocation Portfolio		229,281,268	16.7	19.0	15.0 – 25.0
In-House	Property	103,446,207	7.5	7.0	5.0 – 10.0
In-House	Infrastructure	29,699,469	2.2	2.0	2.0 – 7.0
In-House	Timber / Agriculture	24,976,352	1.8	2.0	
In-House	Private Equity	138,555,794	10.1	10.0	8.0 – 12.0
In-House	Opportunistic	12,741,896	0.9		
Total In-House Assets		309,419,718	22.6	21.0	
Insight	LDI Portfolio	308,319,208	22.5	19.0	10.0 – 30.0
Total LDI		308,319,208	22.5	19.0	10.0 – 30.0
Trustees	Cash	15,223,951	1.1	–	0.0 – 5.0
TOTAL CLWYD PENSION FUND		1,370,614,637	100.0	100.0	

Notes: * ManFRM Hedge Funds (Legacy) includes the Duet, Liongate and Pioneer portfolios which were transferred at the end of the quarter. Duet's valuation is based on the 31 August 2015 valuation which is the latest available, Liongate's valuation is lagged 1 month and Pioneer is valued as at 31 December 2015.
+ SSARIS valuations are lagged by 1 month. SSARIS A1 was transferred from the Hedge Funds (Legacy) portfolio to the Best Ideas portfolio on 1 October 2015.
Wellington Emerging Markets Core and Local, Aberdeen Frontier Markets and Pioneer valuations have been converted from US Dollar to Sterling using the WM/Reuters closing price exchange rates for the respective dates.

4 PERFORMANCE SUMMARY

PERIODS ENDING 31 DECEMBER 2015

Manager	Fund	3 months %		12 months %		3 years % p.a.		3 Yr Performance vs Objective
		Fund	Target	Fund	Target	Fund	Target	
● Investec	Global Strategic Equity	7.9	8.6	4.9	4.8	15.2	13.1	Target met
● Wellington	Emerging Markets (Core) [#]	3.8	3.8	-7.3	-8.7	-2.8	-2.1	Target not met
● Wellington	Emerging Markets (Local) [#]	6.2	4.0	-3.5	-7.8	1.5	-1.6	Target met
● Aberdeen	Frontier Markets [#]	1.9	1.9	-7.2	-10.9	-1.4	2.3	Target not met
Total Equities		6.5	5.8	1.4	1.6	9.6	10.7	
● Stone Harbor	Libor Multi-Strategy	0.6	0.4	-1.2	1.5	-0.8	0.3	Target not met
Total Multi-Asset Credit		0.6	0.4	-1.2	1.5	-0.8	0.3	
n/a ManFRM	Managed Futures & Hedge Funds	0.6	1.0	n/a	n/a	n/a	n/a	n/a
Managed Account Platform		0.6	1.0	n/a	n/a	n/a	n/a	
Total Hedge Funds (Legacy)[^]		-1.9	2.3	-7.6	5.1	-0.2	4.9	
● Pyrford	Global Total Return	2.3	1.5	1.2	5.8	3.0	6.3	Target not met
n/a Investec	Diversified Growth	2.3	1.3	n/a	n/a	n/a	n/a	n/a
Total Diversified Growth		2.3	1.4	-1.6	5.5	0.8	5.9	
Best Ideas Portfolio		5.2	0.9	n/a	n/a	n/a	n/a	
Tactical Allocation Portfolio		4.0	1.0	n/a	n/a	n/a	n/a	
● In-House	Property	2.3	3.1	12.1	13.9	11.3	14.8	Target not met
● In-House	Infrastructure	11.8	1.4	31.7	5.7	17.7	5.6	Target met
● In-House	Timber / Agriculture	-0.9	1.4	1.4	5.6	0.3	5.6	Target not met
● In-House	Private Equity	-0.9	1.4	11.4	5.6	9.8	5.6	Target met
● In-House	Opportunistic	-4.7	1.3	-19.7	5.5	0.4	5.5	Target not met
Total In-House Assets		1.2	2.0	11.5	8.3	10.0	8.6	
n/a Insight	LDI Portfolio	3.5	3.5	-0.1	-0.1	n/a	n/a	n/a
Total (ex LDI)		2.5	2.2	1.9	3.9	5.0	5.8	
TOTAL CLWYD PENSION FUND		2.7	2.5	1.4	3.2	6.5	7.2	

Notes: 'n/a' against the objective is for funds that have been in place for less than three years.
 Best Ideas portfolio includes SSARIS A and SSARIS Z Funds, BlackRock US Equity Fund, F&C UK Equity-Linked Gilts Fund, LGIM Japanese Equities and LGIM Japanese Equities (Hedged) Funds.
 Total Equities historically includes SSgA passive equity funds until March 2014 and Aberdeen Asia Pacific Equity (ex Japan) Fund until March 2015.
[^]Total Hedge Funds (Legacy) historically includes Duet, Pioneer, BlueCrest (until disinvestment in October 2015) and BlackRock GASL (until disinvestment in April 2015). Duet, Liongate and Pioneer assets transferred to the ManFRM Hedge Funds (Legacy) portfolio at the end of the quarter, from next quarter onwards these assets will be shown as ManFRM Hedge Funds (Legacy) within the Managed Account Platform.
 * Duet's is based on the 31 August 2015 valuation which is the latest available, Liongate's valuation is lagged 1 month and Pioneer valuations are 1 month lagged with the exception of 31 December 2015 which is actual.
 SSARIS valuations are lagged by 1 month. SSARIS A1 was transferred from the Hedge Funds (Legacy) portfolio to the Best Ideas portfolio on 1 October 2015.
[#] Wellington Emerging Markets Core and Local, Aberdeen Frontier Markets and Pioneer data has been converted from US Dollar to Sterling using the WM/Reuters closing price exchange rates for the respective dates.

● Fund has met or exceeded its performance target

● Fund has underperformed its performance target

5 STRATEGIC ASSET CLASSES

PERFORMANCE TO 31 DECEMBER 2015

Strategy	3 months %	12 months %	3 years % p.a.
Total Equities	6.5	1.4	9.6
Composite Objective	5.8	1.6	10.7
Composite Benchmark	5.3	-0.5	9.1
Total Multi-Asset Credit	0.6	-1.2	-0.8
Objective	0.4	1.5	0.3
Benchmark	0.1	0.5	-0.3
Managed Account Platform	0.6	n/a	n/a
Objective	1.0	n/a	n/a
Benchmark	1.0	n/a	n/a
Total Hedge Funds (Legacy)	-1.9	-7.6	-0.2
Composite Objective	2.3	5.1	4.9
Composite Benchmark	2.3	5.1	4.9
Total Diversified Growth	2.3	-1.6	0.8
Composite Objective	1.4	5.5	5.9
Composite Benchmark	1.4	5.5	5.9
Best Ideas Portfolio	5.2	n/a	n/a
Objective	0.9	n/a	n/a
Benchmark	0.9	n/a	n/a
Total In-House Assets	1.2	11.5	10.0
Composite Objective	2.0	8.3	8.6
Composite Benchmark	2.0	8.3	8.6
Total LDI Portfolio	3.5	-0.1	n/a
Composite Objective	3.5	-0.1	n/a
Composite Benchmark	3.5	-0.1	n/a
Total (ex LDI)	2.5	1.9	5.0
Composite Objective	2.2	3.9	5.8
Composite Benchmark	2.1	3.2	5.3
Total Clwyd Pension Fund	2.7	1.4	6.5
Composite Objective	2.5	3.2	7.2
Composite Benchmark	2.4	2.6	6.7

Source: Performance is calculated by JLT Employee Benefits based on data provided by the managers and is only shown for complete periods of investment.

Note: Objective performance includes the funds' outperformance targets above the relevant underlying benchmarks, as shown in the Appendix. Benchmark performance is based on the underlying benchmarks without the explicit outperformance targets for the relevant funds; the Equity and Multi-Asset Credit portfolios and the Wellington Commodities Fund.

APPENDIX: SUMMARY OF MANDATES

Manager	Fund	Strategic Asset Class	Performance Objective (Net of Fees)	Strategic Allocation
Investec	Global Strategic Equity	Global Equities	MSCI AC World NDR Index +2.5% p.a.	8.0%
Wellington	Emerging Market (Global)	Emerging Markets Equities	MSCI Emerging Markets Index +1.0% p.a.	3.25%
Wellington	Emerging Market (Local)	Emerging Markets Equities	MSCI Emerging Markets Index +2.0% p.a.	3.25%
Aberdeen	Frontier Markets	Frontier Markets Equities	MSCI Frontier Equities Index +1.5% p.a.	2.5%
Stone Harbor	Libor Multi-Strategy Portfolio	Multi-Asset Credit	1 Month LIBOR Index +1.0% p.a. ⁽¹⁾	15.0%
ManFRM	Managed Futures & Hedge Funds	Managed Account Platform	3 Month LIBOR Index +3.5% p.a.	9.0% ⁽³⁾
Pyrford	Global Total Return	Diversified Growth	UK Retail Price Index +4.5% p.a. ⁽²⁾	5.0%
Investec	Diversified Growth	Diversified Growth	UK Consumer Price Index +4.6% p.a.	5.0%
Best Ideas	Best Ideas	Best Ideas Portfolio	UK Consumer Price Index +3.0% p.a.	9.0%
In-House	Private Equity	Private Equity / Opportunistic	3 Month LIBOR Index +5.0% p.a.	8.0%
In-House	Opportunistic	Private Equity / Opportunistic	3 Month LIBOR Index +5.0% p.a.	2.0%
In-House	Property	Property	IPD Balanced Funds Weighted Average	7.0%
In-House	Infrastructure	Infrastructure / Timber / Agriculture	3 Month LIBOR Index +5.0% p.a.	2.0%
In-House	Timber / Agriculture	Infrastructure / Timber / Agriculture	3 Month LIBOR Index +5.0% p.a.	2.0%
Insight	LDI Portfolio	LDI & Synthetic Equities	Composite Liabilities & Synthetic Equity	19.0%

Notes: ¹ FTSE A Gilts All Stocks Index until 31 March 2014.

² UK Retail Price Index +4.4% p.a. until 31 March 2015.

³ Strategic Allocation represents the composite benchmark for the Managed Account Platform.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	Funding and Flightpath update
Report Author	Chief Executive

EXECUTIVE SUMMARY

The purpose of the report is to provide an update on the funding position as at 29 February 2016 and an overview of the hedging implemented to date. The report makes recommendations to review the progress to date as detailed below.

Members should note the following key items:

- The funding position is now around 10% behind the expected position meaning action is required. This will be discussed as part of the 2016 Actuarial Valuation of the Fund.
- The Funds deficit would have been around £80m higher if the hedging strategy had not been implemented.
- The level of hedging at 29th February 2016 was around 20% for interest rate and 40% for inflation. The level of hedging remained the same over the month as no triggers have been breached. This is as expected but will need to be reviewed as part of the discussions regarding the Actuarial Valuation. This process is included in 2016/17 Business Plan.
- Insight are operating the liability hedging mandate in line with the tolerances set by our advisors.

RECOMMENDATIONS

1	Action required to review the funding framework (including overall return expectations) as part of the 2016 Actuarial Valuation of the Fund.
2	Review flightpath and liability hedging strategy in conjunction with the Actuarial Valuation which is included in 2016/17 Business Plan.

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	The monthly summary report from Mercer on the funding position and an overview liability hedging mandate is attached as at 29 February 2016. It includes a “traffic light” of the key components of the Flightpath and hedging mandate with Insight.
1.02	The estimated funding position as at 29 th February is 60% with an estimated deficit of £886m, which is around 10% behind expectations. No triggers have been hit since inception and the funding position is now behind the expected recovery plan set in 2013 as a result of the recent changes in market conditions – in particular asset falls due to market uncertainty. The current funding position has been given a “red” rating meaning action is required.
1.03	We are recommending that the funding framework is reviewed as part of the 2016 Actuarial Valuation including the overall expected return assumption vs. the 2013 Actuarial Valuation. This could improve the funding level whilst retaining the same level of prudence in the long term funding target. This will need to be integrated with both the liability hedging strategy and flightpath.
1.04	The level of hedging at 29 th February was around 20% for interest rate and 40% for inflation. The hedging implemented over 2014 and 2015 has provided some protection to the funding position against the changes in interest interests and inflation. In particular, without this hedging the deficit would have been approx. £80m higher since inception than if the original strategy had remained in place when measured on a like for like basis.
1.05	Based on data from Insight, the analysis shows that the management of the Insight mandate is rated as “green” meaning it is operating in line within the tolerances set by our advisors.
1.06	Given the current funding position we are recommending we will be proceeding with the healthcheck in conjunction with the Actuarial Valuation.
2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report. Officers will be heavily involved in the review of the funding framework.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	The risk being managed here are the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates.

5.00	APPENDICES
5.01	Appendix 1 - Overview of risk management framework – February 2016

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
	<p>(a) CPF or the Fund – Clwyd Pension Fund The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) LGPS – Local Government Pension Scheme The national scheme, which Clwyd Pension Fund is part of</p> <p>(c) SIP – Statement of Investment Principles The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund</p> <p>(d) Flightpath A framework that defines a de-risking process whereby exposure to growth assets is reduced as and when it is affordable to do so whilst still expecting to achieve the overall funding target.</p>

(e) **Deficit**

The extent to which the value of the Fund's liabilities exceeds the value of the Fund's assets.

(f) **Funding level**

The difference between the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

(g) **Hedging**

A strategy that aims to reduce funding volatility. This is achieved by investing in assets that mimic changes in liability values due to changes in market conditions.

(h) **Insight QIF – Insight Qualified Investor Fund**

An investment fund specifically designed for the Fund to allow Insight to manage the liability hedging and synthetic equity assets.

(i) **Actuarial Valuation**

The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

CLWYD PENSION FUND

RISK MANAGEMENT FRAMEWORK MONTHLY MONITORING REPORT

February 2016

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Paul Middleman
Adam Lane



EXECUTIVE SUMMARY




= as per expectations



= to be kept under review




= action required

 **Overall funding position**


- Currently behind existing recovery plan and outside acceptable limits
- Funding level below the first de-risking trigger

The position needs to be monitored closely given it is behind target and action will be required. This has been discussed and it has been agreed that an updated funding assumption will be considered as part of the 2016 valuation.

 **Liability hedging mandate**


- Insight in compliance with investment guidelines
- Performance in line with expectations

No immediate action required.

 **Synthetic equity mandate**


- Insight in compliance with investment guidelines
- Performance in line with expectations
- Maturity constraints as expected

No action required.

 **Collateral and counterparty position**

- Collateral within agreed constraints
- The Insight QIF can sustain at least a 1.25% rise in interest rates and inflation in combination with a 35% fall in equity markets before requiring further collateral

No action required.

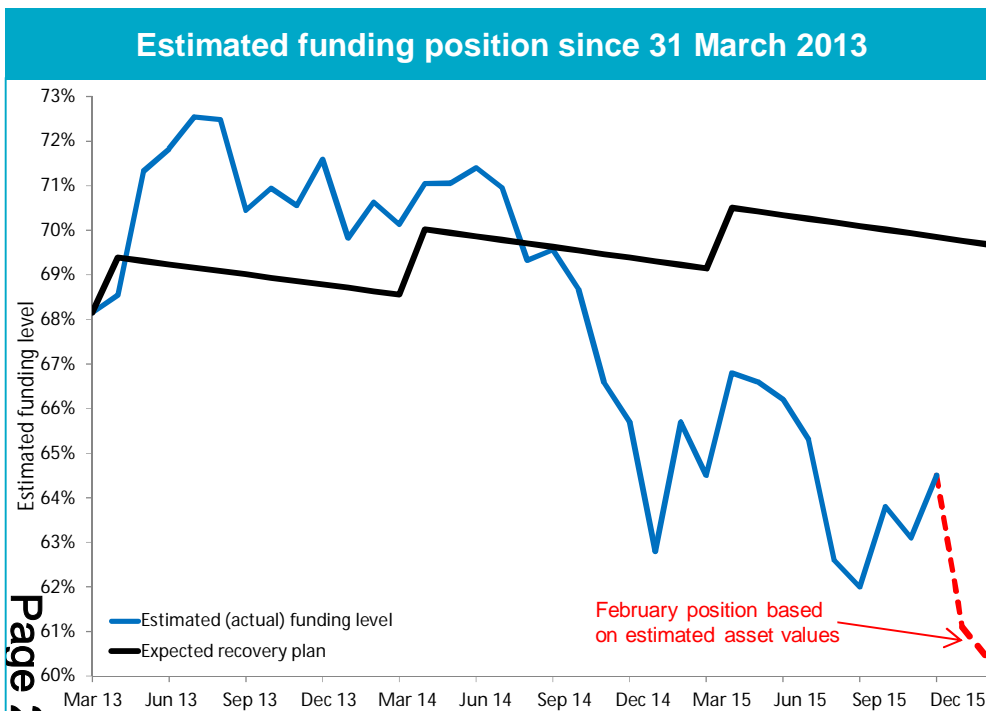
 **LIBOR Plus Fund**

- Fund is ahead of performance target since inception
- Management team stable and no change in manager rating
- Allocation of £50m (plus growth) remains appropriate

No action required.

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FUNDING LEVEL MONITORING TO 29 FEBRUARY 2016



Comments

The **black line** shows a projection of the *expected* funding level from the 31 March 2013 based on the assumptions (and contributions) outlined in the actuarial valuation. The *expected* funding level at 29 February 2016 was around 70%.

The **blue line** shows an estimate of the progression of the *actual* funding level from 31 March 2013 to 31 December 2015 and the **red dashed line** shows the progression of the funding level over the period since December. At 29 February 2016, we estimate that the *actual* funding level and deficit was as follows:

60% (£886m*)

This shows that the Fund's position was behind the expected funding level at 29 February 2016 by around 9%.

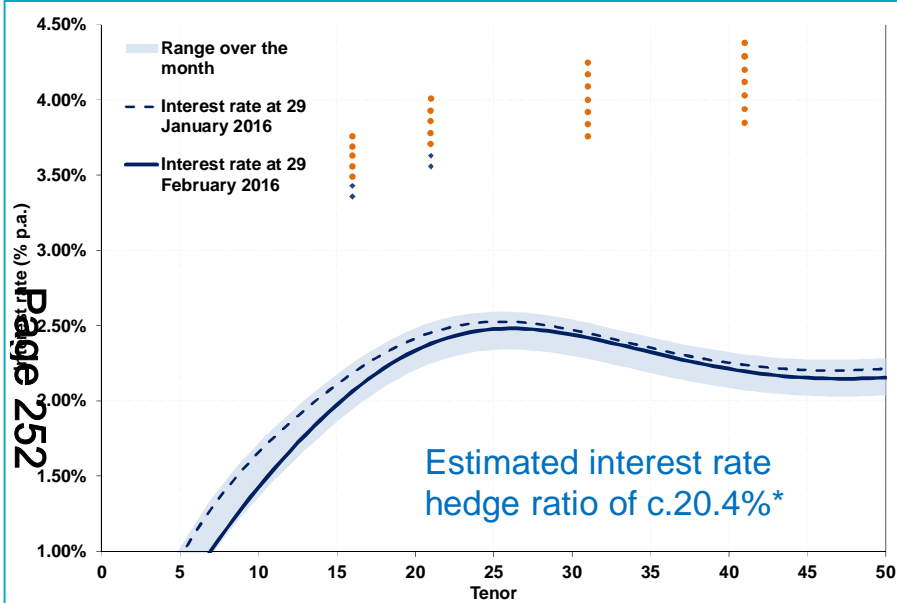
The funding level is currently below the first funding level trigger which is set at 80% (please see the table below).

	Funding level	Impact on strategic asset allocation	Change to the hedge ratio
29 February 2016	60%	No action	No action
Funding level Trigger 1	80%	Reduce the Insight equity exposure by 50%	Increase hedge ratio to 40%
Funding level Trigger 2	85%	Remove the Insight equity exposure	Increase hedge ratio to 50%
Funding level Trigger 3	90%	Increase Insight allocation from 19% of assets to 25%	Increase hedge ratio to 60%
Funding level Trigger 4	95%	Increase Insight allocation from 25% of assets to 30%	Increase hedge ratio to 70%
Funding level Trigger 5	100%	Increase Insight allocation from 30% of assets to 35%	Increase hedge ratio to 80%

*Asset values estimated based on market indices and an estimate of performance of the Insight liability hedging mandate from 31 December 2015 to 29 February 2016. We will monitor this estimate over time against the actual position once final asset values are available, and update the asset values on a quarterly basis.

UPDATE ON LIABILITY HEDGING

Interest rate hedging activity



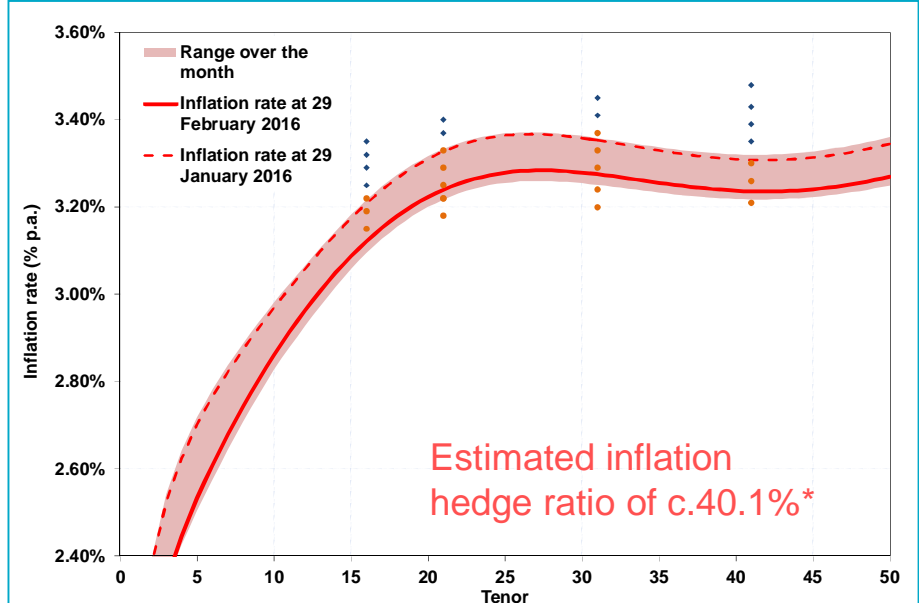
* based on benchmark position at 31 December 2015

◆ Triggers transacted ● Triggers not transacted

	Band 1	Band 2	Band 3	Band 4
Hedge ratio at 31 February 2016	36.8%	33.0%	13.0%	13.0%

- No interest rate hedging activity occurred over February 2016.
- Interest rates decreased over all durations over the month. Decreases of up to c.0.3% were observed at shorter durations.

Inflation hedging activity (note: different scale)



* based on benchmark position at 31 December 2015

◆ Triggers transacted ● Triggers not transacted

	Band 1	Band 2	Band 3	Band 4
Hedge ratio at 31 February 2016	51.1%	30.0%	30.0%	50.0%

- No inflation hedging activity occurred over February 2016 as the hedge ratio remains at its initial maximum permissible level of c.40%.
- Inflation rates decreased at all durations over the month compared to the end of January 2016. Maximum decreases of c.0.2% were seen at shorter durations.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	2016 Actuarial Valuation
Report Author	Chief Executive

EXECUTIVE SUMMARY

The purpose of the report is to provide an update on the actuarial valuation project as at February 2016 and makes recommendations to review the progress to date as detailed below.

The actuarial valuation project is critical to the good governance of the CPF and the Actuary will update Fund officers on indicative outcomes in April.

The main progress on the project since the last report has been made in the following areas:

- A planning discussion between the Actuary and Fund officers has taken place over timings in relation to the required membership and financial data for the Actuary to complete the project.
- As a consequence meetings are being schedule with employing bodies (as required as part of the FSS consultation).
- The Actuary continues to work with Heywoods (the CPF's administration system supplier) on testing the data extract software.

The PFC will be kept updated regularly on the progress.

RECOMMENDATIONS

1	It is recommended that all PFC members note this report, the progress being made with the actuarial valuation project and the planned meetings with employers.
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REPORT DETAILS

1.00	2016 Actuarial Valuation Update
1.01	<p>The purpose of this report is to update PFC Members on the 2016 actuarial valuation project, including key milestones, communications with employers and other events. The LPB was updated on the plan on 1 March 2016.</p> <p>This is the second report of what is anticipated to be a series of regular reports for all PFC meetings throughout 2016/17 until the conclusion of the project. Future reports will be updated as progress is made and developments occur. The first report was provided at the PFC meeting on 26 November 2015.</p> <p>Appendix 1 provides an overview of the project plan in relation to the 2016 actuarial valuation which now includes the scheduled meeting dates for 2016/17 and also highlights the key milestones in the coming months with regard to data provision and the delivery of results.</p>
1.02	<p>In February 2016, a discussion took place between the Actuary and Officers in order to consider the various data elements requested by the Actuary to carry out the actuarial valuation exercise e.g. membership / cashflow / employer data etc.</p> <p>As part of these discussions, an update was provided to Officers with regard to the ongoing exercise, involving various stakeholders i.e. LGPS Funds acting as “test” sites, Software Providers, Actuarial Firms and also Government Actuary’s Department (GAD), to produce an Universal Data Extract for use in the 2016 actuarial valuation calculations.</p> <p>Whilst there have been delays in finalising this extract, it is still hoped that the software providers will be able to sign-this off formally by the end of March 2016.</p>
1.03	<p>The next stage of the actuarial valuation process will see the Actuary prepare an indicative set of figures as at 31 March 2016 (based on an approximate roll-forward of the 2013 actuarial valuation) in order to begin discussions with Officers with regard to both the potential outcomes emerging from the actuarial valuation (at a Whole Fund Level) and also to begin discussions with regard to the funding strategy that will be adopted by the Fund.</p> <p>As part of the consultation on the FSS the Fund will continue dialogue with all employers over the coming months.</p>
1.04	<p>The Actuary will also look to deliver a training session, on the 2016 actuarial valuation exercise, to the LPB and the PFC on 11 May 2016.</p>

1.05	The PFC is asked to note the contents of the 2016 actuarial valuation Project Plan and the outline above of the discussions that have taken place since November 2015.
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2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report. Significant resource requirements will be required from the administration and investment teams to complete the process.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Fund is required to consult with employing bodies over the development of the FSS and overall framework of the actuarial valuation. Data is also required to be supplied to the GAD to complete their Section 13 actuarial valuation requirements for all LGPS valuations.

4.00	RISK MANAGEMENT
4.01	The actuarial valuation is a key Governance tool and is meant to control the risks relating to the CPF's funding position and employer contributions requirements. The funding strategy (along with the investment strategy) which comes from the actuarial valuation is a key determinate of the overall financial risk levels in the CPF.
4.02	The recent market volatility has increased the relative risk levels in relation to CPF solvency position and the required contribution rates from 1 April 2017.

5.00	APPENDICES
5.01	Appendix 1 – Actuarial Valuation Project Plan

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – 2016 Actuarial Valuation – 26 November 2015, current FSS and 2013 Actuarial Valuation report. Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) FSS – Funding Strategy Statement – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(g) Actuarial Valuation - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.</p> <p>(h) Actuary - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.</p> <p>(i) GAD – Government Actuary's Department - The Government Actuary's Department is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.</p>

Valuation effective date

Activity	Q1 2016			Q2 2016			Q3 2016			Q4 2016			Q1 2017			Comments
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
MEETING DATES																
Pension Fund Committee Meetings			22nd	24th				27th		8th			16th	21st		
Advisory Panel Meetings			22nd	14th	24th			tbc	27th	tbc	8th		tbc	16th	21st	
UA meetings (including Steering Group Meetings)				14th												
Pensions Board Meetings			1st				6th									
Additional meetings					tbc					tbc						
VALUATION PROCESSING																
Consideration of data requirements by employers																
Demographic analysis																
Provision of preliminary valuation data to Actuary (investment return, fund assets values, current payroll levels etc)																
Indicative results provided based on preliminary data only																
Provision of full data covering all individual members and employers to the Fund Actuary																
Processing the whole Fund calculations and provide results and sensitivities																
Processing major employer calculations and provide results																
Processing the other individual employer calculations and provide results																
Submission of standardised results/KPI info to National Board and data to GAD																
Final sign off of results on the basis of the final approved FSS																
Provision of formal report and actuarial certificates																
FUNDING STRATEGY REVIEW																
Preliminary discussions with officers regarding assumptions, including results of demographic analysis																
Discussions with officers regarding indicative approximate results																
Formal review / update of the Fund's Funding Strategy Statement & Pension Fund Committee workshop																
Funding Strategy Statement consultation with other interested parties																
Review of responses to FSS consultation and formal ratification of FSS by Pension Fund Committee																
COMMUNICATIONS AND TRAINING																
Indicative results provided to individual employers for budget planning purposes																
Valuation / FSS workshop for Pensions Committee/Local Board																
Actual major employer results provided and discussions with finance directors regarding the outcomes, affordability and likely impact on budgets																
Provision of final individual employer results and contribution requirements for all remaining employers based on approved FSS																
Presentation of whole Fund and main Council results to the Pensions Committee																
EMPLOYER DUTIES AND ACTIONS																
Provision of data by Employers to the Fund																
Consider affordability and impacts on budgets in light of indicative results																
Respond to consultation on the updated Funding Strategy being adopted by the Fund																
Discussions with Fund regarding main Council results																
Liaison between Fund and employers to finalise contribution levels																

Key : target complete in progress meetings

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