

**CLWYD PENSION FUND COMMITTEE**  
**24 MAY 2016**

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council held at Delyn Committee Room, County Hall, Mold CH7 6NA, on Tuesday, 24th May, 2016

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

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

**CO-OPTED MEMBERS:**     Steve Hibbert (Scheme Member Representative), Councillor Andrew Rutherford (Other Scheme Employer Representative) and Councillor Steve Wilson (Wrexham County Borough Council)

**ALSO PRESENT (AS OBSERVERS):**     Mark Owen (Employer representative Clwyd Pension Fund Board) and Gaynor Brooks (Member representative Clwyd Pension Fund Board)

**APOLOGIES:**     Councillor Matt Wright.     Councillor Huw Llewelyn Jones (Denbighshire County Council) and     Mr. Paul Middleman (Fund Actuary – Mercers)

**IN ATTENDANCE:**

Advisory Panel comprising: Colin Everett (Chief Executive), Philip Latham (Clwyd Pension Fund Manager), Gary Ferguson (Corporate Finance Manager), Karen McWilliam (Independent Advisor - Aon Hewitt), Mr. Nigel Thomas and Ms Nikki Gemmell (Fund Actuaries – Mercers), Mr. Kieran Harkin (Fund Investment Consultants – 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.

1.     **APPOINTMENT OF CHAIR**

Members were informed that Councillor Alan Diskin had been appointed to this role at the Council's Annual General Meeting on 10 May 2016 and therefore a vote on the nomination was not required.

**RESOLVED:**

That Councillor Alan Diskin be appointed Chair for the Committee.

## 2. **APPOINTMENT OF VICE-CHAIR**

The Chairman sought nominations for the appointment of Vice-Chair for the Committee. Councillor Ron Hampson proposed Councillor Haydn Bateman and this was duly seconded. No further nominations were received. The Chairman advised that the nomination of Councillor Haydn Bateman was subject to approval by County Council and therefore the Committee would recommend that the appointment be confirmed at the next meeting of the County Council to be held on 14 June 2016.

### **RESOLVED:**

That the Committee recommends that the nomination of Councillor Haydn Bateman as Vice-Chair for the Clwyd Pension Fund Committee for 2016/17 be confirmed at the next meeting of the County Council to be held on 14 June 2016.

## 3. **DECLARATIONS OF INTEREST (INCLUDING CONFLICTS OF INTEREST)**

Councillor Stephen Wilson declared a personal interest as being a member of the Clwyd Pension Fund for all items.

Karen McWilliam declared a personal interest as an employee of Aon Hewitt who may submit a tender bid to become the CIV platform provider under the following item.

Nigel Thomas also declared a personal interest as an employee of Mercers who may submit a tender bid to become the CIV platform provider under the following item.

Item 7: Pooled Investments

## 4. **MINUTES**

- (i) The minutes of the meeting of the Committee held on 22 March 2016 were submitted.

### Matters arising

#### Governance update

Mark Owen asked for an update concerning the issue of indemnity insurance. Karen McWilliam explained that this matter was to be discussed at a meeting with AON next week and commented that there seemed to be a need for clarification around indemnity insurance at a national level.

- (ii) The minutes of the meeting of the Committee held on 28 April 2016 were submitted.

**RESOLVED:**

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

5. **RISK MANAGEMENT POLICY 2016/7**

Karen McWilliam, Independent Advisor - Aon Hewitt, introduced a report to advise of the recommended changes to the Risk Policy, which in the main related to the scoring and criteria for evaluating risks.

Mrs. McWilliam advised that the Clwyd Pension Fund Risk Policy had been updated to become more aligned to the Flintshire County Council Risk Management Policy and Strategy. She reported on the key considerations, as detailed in the report, and drew attention to the main risks which could be of concern to the Committee.

Mrs. McWilliam presented the draft Risk Policy, which was appended to the report, and commented on the proposed changes and governance risks. Members were asked to consider and approve the updated Policy.

The Chief Executive referred to risk number 6 on the Governance Risk Register, and commented that there would always be a high risk of loss of expertise due to changes in staffing arrangements and therefore a yellow target was the best that could be aspired to in this respect.

Steve Hibbert, Mark Owen and the Chief Executive made comments on the new format, with a particular focus on the need to focus on risks where there are concerns. Mrs McWilliam agreed to work with the Pension Board and Mr Hibbert, representing the Pension Fund Committee to finalise the format. Mr. Kieran Harkin, Fund Investment Consultants – JLT Group, and Nigel Thomas, Fund Actuary – Mercers, reported on the funding and investment risks as outlined in the Risk Register. Helen Burnham, Pensions Administration Manager, reported on the administration and communication risks.

**RESOLVED:**

- (a) That the report be noted; and
- (b) That the updated Risk Policy, as appended to the report, be approved.

6. **POOLED INVESTMENTS**

The Clwyd Pension Fund Manager introduced a report to provide an update on pooling investments in Wales. He advised that the UK Government had agreed that work on a Wales Pool could continue despite not meeting size criteria. He provided background information and a verbal update on the current position and explained that a detailed submission from the Wales Pool was required by 15 July 2016.

The Clwyd Pension Fund Manager reported on the main considerations as detailed in the report. He advised that following a risk analysis of the options

available, the SWT (Pension Sub Group) had agreed to continue developing the business case in relation to the rent option, which was the option also supported by the Clwyd Fund practitioners and investment advisor. He explained that Pension Finance Managers were representing the Welsh Pool on the Cross Pool Collaboration Working Groups for both Responsible Investing and Infrastructure and invited Alwyn Hughes and Debbie Fielder, Pensions Finance Managers, to give an overview of the inaugural meetings of both the Cross Pool groups.

The Clwyd Pension Fund Manager commented that Clwyd Fund officers would continue to work on the project and express the views of the Fund to enable the best possible outcome for the management of the Clwyd Fund and its stakeholders. The Committee would be kept updated of future developments.

Councillor Steve Wilson asked for confirmation of the plans in relation to how the Pension Fund Committee would receive full information to make the appropriate decisions in relation to the proposed solution. Mr Latham confirmed this would be a key part of the additional Pension Fund Committee meeting on 5 July and future meetings. Councillor Wilson requested information about the size of the proposed pooling arrangements in Wales and the voting arrangements. Mr Latham confirmed these were areas where proposals were still to be developed. The Chief Executive highlighted that there was much still to be considered in relation to the governance arrangements and how the platform will be managed, and these were fundamental to the success of the arrangement. He also confirmed that WLGA were now fully engaged in the process. Mrs Debbie Fielder highlighted that very little input had been received in relation to infrastructure discussions.

Mrs McWilliam highlighted some concern over the pace and clarity of progress and level of detail being considered by the Welsh group, compared with other pooling arrangements, although she noted there had been some improvement in recent weeks. She advised the Pension Fund Committee that the Advisory Panel are having weekly discussions with the Clwyd Pension Fund officers to provide ongoing support. Mr Harkin raised similar concerns about the progress of the Welsh Pool.

**RESOLVED:**

- (a) That the Committee supports the recommendation to rent a provider; and
- (b) That the minutes should formally record that the Committee welcomes the infrastructure opportunities pooling should provide and encourages greater engagement from the other Welsh administering authorities in relation to infrastructure matters.

7. **GOVERNANCE UPDATE**

Alwyn Hughes, Pensions Finance Manager, introduced a report to provide a quarterly update on governance related issues. He reported on the main considerations, as detailed in the report, concerning the Business Plan 2016/17, the National Scheme Advisory Board, Local Pension Board, governance related policy/strategy implementation and monitoring, and delegated responsibilities.

The Pensions Finance Manager advised that a calendar of future events for the Committee, which included training and conference dates, was appended to the report. Karen McWilliam drew attention to the Annual LGPS Trustees' Conference which she recommended members to consider attending. The Pension Fund Manager explained that a special meeting of the Committee would be held on 5 July 2016 to consider the 'Pooling of investments', the draft Funding Strategy Statement and actuarial valuation as per item 14.

Helen Burnham referred to the routine annual audit of Pension Administration undertaken during the final quarter of 2015/16. She advised that one medium priority action and four low priority actions were identified and reported on the remedial tasks agreed as detailed in appendix 6 of the report.

During discussion Debbie Fielder, Pensions Finance Manager, provided clarification in response to the query raised by Councillor Haydn Bateman on the figures concerning 'Transfers Out' in the Business Plan 2016/17 to 2018/19 which was attached as appendix 1 to the report.

**RESOLVED:**

That the update be received.

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

Nigel Thomas (representing the Fund Actuary – Mercers), introduced a report to provide an update on the key issues affecting the LGPS as at May 2016. Mr. Thomas explained that an update on the LGPS specific and wider pensions issues affecting the whole of the industry was provided in the appendix to the report. He gave a brief overview of the main points and, in particular commented on the forthcoming European Union referendum and Public Sector exit payments. Mr. Thomas recommended that members noted the following:

- update following the 2016 Budget in March
- 2016 actuarial valuation
- Code of Practice update on incentive exercises and the valuation presenting an opportune time to explore this
- LGPS Scheme Advisory Board and sub committees

The Pensions Fund Manager also drew attention to the update provided on the New Fair Deal.

**RESOLVED:**

- (a) That the update be received; and
- (b) That progress on the 2016 actuarial valuation be noted.

9. **PENSION ADMINISTRATION AND COMMUNICATIONS UPDATE**

The Pensions Administration Manager introduced a report to provide a quarterly update on administration and communication related matters for the period up to 30 April 2016.

The Pensions Administration Manager gave an overview of the main considerations as detailed in the report. She referred to the Business Plan 2016/17 to 2018/19 update which was appended to the report and advised that all areas were on target. Commenting on current developments and news she drew attention to the Universal Data Extract delays and Equitable Life changes to investments.

The Pensions Administration Manager reported on the latest monitoring information in relation to administration tasks as outlined in the report. In response to a query raised by Karen McWilliam concerning the figures provided in appendix 2, the Pensions Administration Manager agreed to provide further information to Mrs. McWilliam following the meeting.

**RESOLVED:**

That the update be received

10. **INVESTMENT AND FUNDING UPDATE**

Debbie Fielder, Pensions Finance Manager, introduced a report to provide a quarterly update on investment and funding related issues.

The Pensions Finance Manager explained that a summary of progress against the investment funding section of the Business Plan up to 30 June 2016 was appended to the report. She advised that all relevant tasks relating to the Actuarial Valuation and Asset Pooling were 'on track' for the current period.

The Pensions Finance Manager reported on the main considerations as detailed in the report and referred to developments concerning Working Together in Wales and WM Performance Services. She also reported on policy and strategy implementation and monitoring and referred to the Fund's Funding Strategy Statement.

Referring to delegated responsibilities the Pensions Finance Manager advised that an update on the areas of delegation used since the last meeting was appended to the report.

**RESOLVED:**

That the update including the delegated responsibilities be noted.

11. **ECONOMIC AND MARKET UPDATE**

Kieran Harkin, Fund Investment Consultant – JLT Group, presented a report to provide an economic and market update for the period ending 31 March 2016. He advised that the economic and market environment during the quarter had been split into two halves, with a poor start followed by a reversal towards the end of the quarter. He referred to the following key contributors which had been the main drivers:

- rebound in oil price

- diminishing fear of a US recession
- encouraging comments from China

Mr. Harkin explained that over the quarter positive returns were seen across all Growth assets with the exception of UK and Japanese equities. He commented on the market background and economic statistics as detailed in the report.

**RESOLVED:**

That the update be noted.

12. **INVESTMENT STRATEGY AND MANAGER SUMMARY**

Kieran Harkin, Fund Investment Consultant – JLT Group, presented a report to provide an update on the performance of the Fund's investment strategy and performance of the Fund's investment managers for the quarter ending 31 March 2016. He advised that the Fund had experienced a mixed quarter from an Investment Strategy perspective with positive returns from a number of asset classes but negative returns from others.

Mr. Harkin reported on the key considerations, as detailed in the report, and said there were no concerns with any of the Fund's investment managers. He advised that the Fund's investment strategy would be reviewed later in 2016 as part of the Actuarial Valuation process. Mr. Harkin explained that a number of the Fund's investment managers had outperformed their respective targets during the quarter and there had been strong performance from the Fund's in-house portfolio.

The Clwyd Pension Fund Manager commented on performance summary as detailed in section 4 of the appended report and explained that the target included the outperformance above the benchmark.

During discussion Debbie Fielder, Pensions Finance Manager, responded to the question raised by Steve Hibbert concerning the number of in-house managers. In response to the comment made by Steve Hibbert on the aim to reduce the number of managers, the Pensions Finance Manager explained that as part of the strategy review last year, it was agreed to try to reduce the individual investments but many can take up to 15 years to materialise. Since that decision, there had been a significant slow-down in the number of investments.

**RESOLVED:**

That the investment strategy and manager performance as detailed in the report be noted.

13. **FUNDING AND FLIGHT PATH UPDATE**

Nigel Thomas, representing the Fund Actuary - Mercer, introduced a report to provide an update on the funding position as at 30 April 2016 and an overview of the hedging mandate implemented to date.

Mr. Thomas reported on the key issues, as detailed in the report, concerning the funding position and level of hedging. He drew attention to page 163 of the report and commented on the estimated funding level and deficit as at 30 April 2016. He advised that a review of the flightpath framework and funding assumptions were being considered as part of the 2016 actuarial valuation. This was expected to have a positive effect on the funding position based on preliminary discussions.

**RESOLVED:**

- (a) That action is required to review the funding framework (including overall return expectations) as part of the 2016 valuation of the Fund ; and
- (b) That a review of the flightpath and liability hedging strategy be carried out in conjunction with the actuarial valuation.

14. **2016 ACTUARIAL VALUATION PROGRESS**

Nikki Gemmell, representing the Fund Actuary - Mercer, presented a report to provide an update on the actuarial valuation project as at May 2016. She reported on progress, as detailed in the report, and explained that a special meeting of the Clwyd Pension Fund Committee would be held on 5 July 2016 to discuss the draft Funding Strategy Statement and the initial assumptions to adopt for the 2016 valuation. As part of the consultation on the Funding Strategy Statement, Ms. Gemmell reported that the Fund would continue dialogue with all employers over the coming months. A copy of the 2016 Actuarial Valuation timeline and Project Plan was appended to the report.

**RESOLVED:**

That the progress being made with the actuarial valuation project and the planned meetings with employers be noted.

15. **ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC**

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

(The meeting commenced at 10.00 am and ended at 12.42 pm)

.....  
**Chairman**