

**CLWYD PENSION FUND COMMITTEE**  
**21 MARCH 2017**

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, 21st March, 2017

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

Councillors: Haydn Bateman, Ron Hampson and Matt Wright

**CO-OPTED MEMBERS:** Steve Hibbert (Scheme Member Representative), Councillor Andrew Rutherford (Other Scheme Employer Representative) (part meeting only), Councillor Steve Wilson (Wrexham County Borough Council) and Councillor Huw Llewelyn Jones (Denbighshire County Council)

**APOLOGIES:** Councillor Brian Dunn

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

**IN ATTENDANCE:**

Advisory Panel comprising: Colin Everett (Chief Executive), Gary Ferguson (Corporate Finance Manager), Philip Latham (Clwyd Pension Fund Manager), Karen McWilliam (Independent Advisor – Aon Hewitt), Paul Middleman (Fund Actuary – Mercer), Kieran Harkin (Fund Investment Consultant – JLT Group)

Officers/Advisers comprising: Debbie Fielder (Pensions Finance Manager), Helen Burnham (Pensions Administration Manager), Alwyn Hughes (Pensions Finance Manager), Karen Williams (Principal Pension Officer), Sandra Beales (Principal Pension Officer), David O’Keefe Williams (Aquila Heywood), Nick Buckland (Fund Investment Consultant – JLT Group) and Sarah Spall (Consultant Assistant – Mercer) taking minutes.

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.

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

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

Karen McWilliam (Independent Advisor – Aon Hewitt) and Paul Middleman (Fund Actuary – Mercer) declared a personal interest as employees of Aon Hewitt/Mercer respectively who may submit a tender response to be the operator of the Wales Pool.

63. **MINUTES**

The minutes of the meeting of the Committee held on 16 February 2017 were submitted.

**RESOLVED:**

It was agreed that the minutes could be received, approved and signed by the Chairman as a correct record.

64. **PENSION ADMINISTRATION UPDATE INCLUDING ADMINISTRATION STRATEGY**

The Chairman asked for agreement that the order of the agenda be moved and it was agreed by the Committee to consider the first part of item 4 next.

*Member Self Service*

Mr O'Keefe Williams (Aquila Heywood) gave a demonstration of Member Self Service, an online portal allowing members to be able to access data and services directly from the software used by the Administration Section to administer the Fund. He demonstrated some of the functionality and showed how members would be able to access benefit calculation projections, benefit statements, scheme/member documents, payslips & p60s online.

He highlighted advantages of the new system including that it would automatically adapt for use on tablets, smartphones, laptops etc. The platform could have client customisation if required including dashboards, static scheme member information and video and image content – e.g. Twitter feeds, YouTube etc. The Administering Authority would also have a greater degree of control over the data. Scheme members would only be able to see things that were important to them.

Mr O'Keefe Williams said the benefits of the system for the member would be

- easier access
- greater self-sufficiency
- ability to run multiple projections instantly
- security of personal data
- data encrypted in transit.

The benefits for the administration team would be to:

- reduce costs,
- increase security and
- reduce risk,
- increase communication on engagements and member queries.

Mrs Burnham said that the pensioners would be first to be able to access Member Self Service followed by the active and deferred members. At the moment the timetable would be April/May for the first tranche of members, then October/November for the 2<sup>nd</sup> tranche.

Mrs McWilliam said that this represented a fundamental change as the Fund can now initially respond to members to ask if they have tried the online tool rather than having the administration team having to run individual calculations for each scenario. Mr Everett urged caution as a danger with this is relying on members analysing their own data and outcomes correctly. There needs to be sufficient caveats that information is only for illustration purposes and are not actual final figures.

Mrs Burnham said that the communications officer was encouraging all people to sign up to Member Self Service and would be putting this information on Twitter as well.

Mrs McWilliam asked whether Councillors were covered by the new functionality. Mrs Burnham confirmed this would be the case. Councillor Llewellyn Jones asked whether there would be notifications to let people know when annual benefits statements are online. Mrs Burnham explained that they would be sending email notifications and putting on social media when statements were available; the same approach would be taken with other information that the Administering Authority wish to encourage people to go online to view. The Pension Fund can also monitor who is logging on to view their benefit statements.

Mr Owen asked when it would be going live for people to log in to. Karen Williams (Principal Pension Officer) said that it was going to be in the next few months but will be encouraging members to register for the site.

Training for the team was last week and the Communications officer was planning to visit employers during May/June and then the system would go online officially in June/July. Mr Latham asked whether notifications would go out in April for benefit statements. Mrs Burnham said statements would still go out as normal for 2017 but as of next year notifications would start being issued electronically by loading them onto the portal for scheme members to then download.

Councillor Bateman asked whether the Fund were happy with the data security and Mrs Burnham confirmed that they were.

## **GOVERNANCE**

### 65. **POOLING INVESTMENTS IN WALES AND GOVERNANCE POLICY STATEMENT**

Mr Latham (Clwyd Pension Fund Manager) gave an update on the Working Together Project in Wales and Mrs McWilliam (Independent Advisor) explained the Constitution changes and governance elements that were agreed at the March Council meeting.

Key points covered in Mrs McWilliam's update were:

- The role holders of Chair and Vice Chair are given authority to sit on the JGC, rather than individuals, so if there are any changes due to the May elections, their successors will automatically sit on the JGC.
- Any further responsibilities within the IAA for Fund Officers are delegated to the Pension Fund Manager (currently held by Mr Latham) rather than decisions having to be referred back to every Pension Fund Committee.
- Any responsibilities within the IAA that are relevant to the Host Authority are delegated to Carmarthenshire County Council.
- Nominations were required for Fund Officers to sit on the newly formed Officer Working Group (OWG). The recommendations were for The Clwyd Pension Fund Manager (currently Philip Latham) and a Pension Finance Manager, (currently Debbie Fielder)

Mr Latham then gave an update on the Joint Chairs' meeting on 20 March 2017. The main action point emerging was to agree the role of the Host Authority. Mr Latham tabled additional information showing how the Host Authority would operate within the All Wales Pool in terms of the Secretariat and Client Side team but noted that some aspects are still in progress, including resourcing. He also highlighted that the Joint Chairs' meeting included an update on MiFIDII where it was highlighted that it was expected that all eight Welsh administering authorities would need to opt up to allow the operator to carry out their functions.

Mr Latham updated the Committee on the procurement process for the operator; a selection questionnaire had been issued and there had been a significant number of expressions of interest so far. Every Welsh authority will have a part to play and the plan is to come back in September with further details and a recommendation on the appointment.

Mr Owen (Employer representative Clwyd Pension Fund Board) asked whether there will be any transfers of staff from CPF under TUPE given the Host Authority will be looking for further resources. It was confirmed that this would not be the case.

Mr Everett (Chief Executive) asked whether there had been any further national discussion regarding the pools' progress. Mr Latham confirmed that another questionnaire had been received from Government issued to all pools. The Wales pool is currently responding to this.

Details of the revised CPF Governance Policy to include references to the Wales Joint Governance Committee were provided to the Committee. Councillor Llewelyn Jones said that under i.6 of the constitution regarding meetings of the Joint Governance Committee, there was no mention of provision regarding Welsh/English language translations. There will be a need to have a facility to request the use of Welsh language within the governance of the JGC and the Fund so that translation would be available if this was required. Mr Everett said that this would be resolved in due course noting that translators would be available if required but there will be cost involved.

## **RESOLVED**

- (a) That the Committee noted the contents of the report.
- (b) That the Committee noted the updated Pension Fund Committee terms of reference within the Council's Constitution.
- (c) That the Committee agreed that the Pension Fund Manager and Pension Finance Manager were the nominated officers for the Officer Working Group.
- (d) That the Committee agreed that further responsibilities were delegated as outlined in paragraph 1.04
- (e) That the Committee agreed the amendments to the CPF Governance Policy and Compliance Statement.
- (f) That the Committee agreed that minor changes to the Fund's policies can be made by the Clwyd Pension Fund Manager and either the Corporate Finance Manager or the Chief Executive and that the Delegation of Functions to Officers is updated accordingly.
- (g) That the Committee noted the progress with the procurement of the operator.
- (h) That the Committee further agreed that the Governance Policy should be updated to clarify the option of using the Welsh language.

## 66. **BUSINESS PLAN 2017/18 TO 2019/20**

Mr Latham presented an update on the Business Plan and noted that Appendix A was "looking back" whilst Appendix B was "looking forward". The new structure now included the Wales Pool JGC. Mr Latham also indicated that the only change in the Pension Fund Management Team was that the newly formed Employer Liaison Team were to be shown separately as they would be undertaking the role of some of the Employers within the Fund with the provision of data to the Fund.

Mr Latham also noted to that the Employer Liaison Team also have their own specific aims and objectives. He highlighted the main challenges that the Pension Fund will face over the next three years.

The Operating Cost Budget for 2017/18 is dominated by Investment Management expenses but those costs should decrease as part of the pooling exercise. Employer Liaison Team expenses are also now shown separately.

Mr Latham asked the Committee to note the updated key risks in each of the sections plus the additional risk associated with the upcoming local elections. It

was also noted that whilst progress had been made with the risks around resourcing within the administration team, they are not yet fully addressed. Increased burdens from national changes/initiatives e.g. GMP equalisation will require further resource.

Mr Latham said Workforce Planning (in terms of succession planning and structure of the teams) was going to be changing quite rapidly over the next 3 years so they need to think about the structure of the Employer Liaison/Administration teams especially as they need to respond effectively to members and employers given the increased level of information which will be provided on the new Member Self Service section of the Fund's web-site.

Mr Owen asked about how the wording fits into the coloured bar on page 136. Mr Latham said that bar comes from risk register which is scored and turned into colours. Mr Owen asked if, in future plans, it can be more explicitly shown how it relates to the existing register (current risks and target risks). It was agreed to refine this in future business plans.

Councillor Bateman asked about the quality of data and what is a quality breach. Mr Latham said that they are Pensions Regulator breaches. Should they not meet the required targets/deadlines, the Fund will need to consider next steps which may be to refer back to Pension Fund Committee or if it's considered severe enough, report it directly to the Pensions Regulator.

#### **RESOLVED:**

- (a) That the Committee members noted progress made towards the CPF Business Plan during 2016/17.
- (b) That the Committee approved the Business Plan for period 17/18 to 19/20.
- (c) That future versions of the Business Plan include more clarity on how the risk scores have been derived.

#### 67. **AVC REVIEW**

Mr Middleman gave an update on the Additional Voluntary Contributions (AVC) Review. He explained that AVCs are payments that members make in order to boost pension incomes on top of the normal contributions but AVCs are invested externally and not in the Clwyd Pension Fund. The review looked at the return on investments, the range and suitability of funds available, communication and administration of providers. The report only considered the Prudential AVC provision and not the historical providers such as Equitable Life. He stressed that whilst the arrangements/funds used were individual member decisions, it is a "group" policy held by the Fund. The review concluded that there were no material concerns with the provider.

Whilst take up is broadly in line with the average for a Fund of the size of the CPF, one of conclusions of the review was to make sure that AVC options are communicated to members. Charges are benchmarked against the market and so these were considered to be in line with the market. Performance has generally been good but there were just a couple of funds that were

underperforming over various time periods which would need to be kept under regular review.

Mr Middleman explained that the current Lifestyle option was to switch down equity content to bonds as members approach retirement in order to protect/stabilise fund values. Members tend to take AVCs as all or at least part tax free lump sum as opposed to pension. Therefore modified lifestyle options targeting a switch to cash or cash/bond type investments should be considered.

The with-profits fund (which is the default fund) performed relatively well but the return for members relies on terminal bonuses being paid and this is not guaranteed so members should be reminded of that risk. This is very important given the with-profits is the “default” fund if members do not make an investment choice so it’s only good governance to warn them of the risks.

Mr Hibbert asked, in terms of communication, if it is sufficient to simply remind members of choice or will there be a slightly more targeted/forceful communication. Mrs Burnham (Pensions Administration Manager) said they need to be careful in communications so as they are unable to give financial guidance but they intend to provide a focussed communication for those with lifestyle/with profit options and then a wider communication to all members. They will be advising members about the importance of obtaining independent financial advice and they will communicate as much as they can without giving any advice.

### **RESOLVED**

- (a) That the Committee noted the report of the AVC review.
- (b) That the Committee delegate powers to Fund Officers to act on the recommendations and implement next steps.

### **ADMINISTRATION AND COMMUNICATIONS**

#### 68. **PENSION ADMINISTRATION UPDATE INCLUDING ADMINISTRATION STRATEGY**

##### *Employer Liaison Team*

Mrs Burnham gave a presentation about the Employer Liaison Team (ELT) in Kerry Robinson’s absence. The ELT was set up due to increasing workloads and less resource being available at employers. FCC signed up straight away and Wrexham would be signing up imminently as Kerry Robinson has an appointment with them to finalise the details.

The team is made up of experienced members of the Clwyd Pension Fund administration team. They have approved 4 pension officers but are looking for 2 more pension assistants to support. Mrs Burnham said she would come back to this point regarding staffing.

Mr Hibbert commented that it seemed like a lot of work and asked if they were feeling the benefits? Mrs Burnham said it had been hard work and it was hitting the operational team from a resource point of view but going forward they should begin to see some major benefits. Mr Everett was happy with the Fund's support as it was the right thing to do in the long term despite short term pressures.

### *Key Performance Indicators*

Mrs Williams and Mrs Beales (Principal Pension Officer) presented a report on the Key Performance Indicators in terms of task management and the "Due Date Plan". A handout was tabled showing the KPIs for February 2017. It was explained that the system only showed cases from February 2017 as the indicators were driven by the date each case was created not the date of the event (e.g. date of leaving), as the system cannot look at retrospective cases. Accordingly the KPIs do not currently measure all work that is being completed by the section but in due course they will.

Mrs Beales talked the Committee through the handout explaining that the green areas in the legal section are where cases were 100% met, ambers were 90% met and red were below 90%. Slightly lower bandings apply for the other two sections due to them being aspirational targets, rather than legal requirements. A number of points as regards the indicators were made including:

- Section 1: The system relies on the employer to give the Pension Fund the information so if employer does not tell the team that they have a joiner until 3 months afterwards then the Fund will have already missed the target date.
- Section 5: These are based on notifications being 1 month after retirement but again this involves waiting for information from the employer. Mrs McWilliam noted that it was a lot of work at first but as the Administration team get more employers using I-connect then these numbers should improve to some degree. Mrs Burnham noted that figures are for all employers, not just those dealt with by the ELT.

Mrs Williams said there was a hold on transfers while they were waiting for GAD factors so although the Fund missed the legal deadline for that KPI she stressed that none of the Pension Funds would have hit it either.

Mr Hibbert commented that the presentation of the data makes it look a lot worse than it is and they need to get a perspective of what the issue is. Maybe for next time the indicators could show improvements made. Mrs McWilliam agreed and said that there will be a rolling 3 month feed so next time's report will show Feb/Mar/Apr (at least) allowing the Committee to see the trends emerging.

The Committee then considered the overview showing total cases per month which highlighted the fluctuation in cases each month which makes resource planning difficult. Councillor Wilson asked why the figures from month to month do not follow in terms of starting/ending numbers. It was explained that there could be "new" cases for the previous months (e.g. an historical leaver cases) as they then come through as part of an earlier month's figures.



Mrs Williams then went through the Due Date Plan which provided an overview of historical cases and the Administration Section's plans for clearing them. Mrs Beales said cases with due date prior to 2014 that had queries and were not completed by the target date of 28 February 2017 were due to some members or employers not providing the required information. However the green highlighted that the Administration Section had completed all their tasks in relation to those cases, meaning that the remaining 57 cases were all with scheme members or employers albeit the team were continuing to monitor and chase for the outstanding information.

#### *Administration Strategy*

Mrs Burnham highlighted the changes that had been made and clarified that the Committee were being asked to approve the updated Administration Strategy. As part of this she highlighted that they were looking to increase the total Pensions Administration team establishment from 28.4 WTE posts to 30.4 WTE posts due to the need to recruit for two Pension Assistants to the Employer Liaison Team. She highlighted that they are still working through the requirements so would look to the Committee to agree that this could be delegated for agreement to the Chairman or Vice Chairman and senior officers.

#### *GMP Reconciliation Procurement*

Mrs Burnham highlighted the Fund had appointed Equiniti to carry out the GMP reconciliation work.

#### **RESOLVED:**

- (a) That the Committee noted the contents of the report
- (b) That the Committee agreed the changes to the Fund's Administration Strategy Statement
- (c) That the Committee agreed that the potential increase in staffing for the Employer Liaison Team would be delegated to the Chairman or, Vice Chairman and senior officers.

Councillor Rutherford left the meeting at this time.

#### **INVESTMENT AND FUNDING**

##### 69. **INVESTMENT STRATEGY STATEMENT**

Mr Buckland (Fund Investment Consultant – JLT Group) went through some of the changes in the ISS which replaces the Statement of Investment Principles. Under the Funding and Investments section on page 206 of the papers, there were two new objectives and page 213 highlighted the new investment strategy.

The approach to pooling section on page 221 was co-written by the officers inputting into the Wales Pool.

It was commented that the approach to ESG is referred to as Responsible Investing in the Regulations and that the Sustainability policy needs to be more visible.

Mr Hibbert commented he was very happy with the changes.

**RESOLVED:**

That the Committee approved publication of the Fund's Investment Strategy Statement.

70. **FUNDING STRATEGY STATEMENT (FSS)**

Mr Middleman noted that the final FSS document was the culmination of a 12 month valuation process and thanked the officers for their assistance and support in arriving at a good outcome.

The consultation process ended on 9 December and the final valuation report needed to be signed off on or before 31 March.

Key points/changes since the previous draft were:

1. An internal insurance arrangement for ill health costs was being implemented and the detail was being finalised.
2. Average deficit recovery period will be 15 years, which is 3 years shorter than that adopted previously.
3. All related policies are now included which aids clarity for employers.

Mr Owen thanked the Actuary and officers for the engagement with employers throughout and it was particularly good to have had a series of meetings so that each stage of the process and decision making was clear and transparent. This open process allowed employers to plan effectively.

**RESOLVED:**

- (a) The Committee noted the activity since July 2016 meeting and the consultation carried out.
- (b) The Committee approved the final Funding Strategy Statement.

The meeting commenced at 10:00 and ended at 12:45.

The next meeting will be on 13 June 2017.

As a final comment, it was noted that PLSA Local Authority conference was taking place before the next meeting.

Everyone was thanked for their hard work over the last year and depending on how the elections went, it was mentioned that even if the same Councillors are returned next year, they would still need to have refresher training.

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**Chairman**