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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

15 March 2017

Dear Councillor

You are invited to attend a meeting of the Clwyd Pension Fund Committee which will be held at 10.00 am on Tuesday, 21st March, 2017 in the Delyn Committee Room, County Hall, Mold CH7 6NA to consider the following items

A G E N D A

1 APOLOGIES

To receive any apologies.

2 DECLARATIONS OF INTEREST (INCLUDING CONFLICTS OF INTEREST)

To receive any Declarations and advise Members accordingly.

3 MINUTES (Pages 3 - 16)

To confirm as a correct record the minutes of the last meeting held on the 16th February 2017.

GOVERNANCE

4 POOLING INVESTMENTS IN WALES AND GOVERNANCE POLICY STATEMENT (Pages 17 - 114)

To provide Committee Members with an updated Governance Policy Statement for approval to incorporate changes resulting from Pooling Investments in Wales

5 **BUSINESS PLAN 2017/18 TO 2019/20** (Pages 115 - 158)

To provide Committee Members with the Business Plan for approval.

6 **AVC REVIEW** (Pages 159 - 166)

To provide Committee Members with the review of the Additional Voluntary Contribution provider.

ADMINISTRATION AND COMMUNICATIONS

7 **PENSION ADMINISTRATION UPDATE INCLUDING ADMINISTRATION STRATEGY** (Pages 167 - 196)

To provide Committee Members with an updated Pensions Administration Strategy for approval and other service updates

INVESTMENT AND FUNDING

8 **INVESTMENT STRATEGY STATEMENT** (Pages 197 - 246)

To provide Committee Members with the Investment Strategy Statement for approval

9 **FUNDING STRATEGY STATEMENT** (Pages 247 - 296)

To provide Committee Members with the Funding Strategy Statement for approval

Yours sincerely



Robert Robins
Democratic Services Manager

CLWYD PENSION FUND COMMITTEE **16 FEBRUARY 2017**

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held at County Hall, Mold on Thursday 16 February 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), Councillor Steve Wilson (Wrexham County Borough Council) and Councillor Huw Llewelyn Jones (Denbighshire County Council) (part meeting only)

APOLOGIES: Councillor Brian Dunn

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

IN ATTENDANCE:

Advisory Panel comprising: 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: Alwyn Hughes (Pensions Finance Manager), Helen Burnham (Pensions Administration Manager) , Debbie Fielder (Pensions Finance Manager)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.

51. DECLARATIONS OF INTEREST (including conflicts of interest)

Councillor Stephen Wilson and Councillor Haydn Bateman 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.

52. MINUTES

The minutes of the meeting of the Committee held on 8 November 2016 were submitted.

RESOLVED:

It was noted that Karen Williams was not present at the meeting but apart from that, the minutes could be received, approved and signed by the Chairman as a correct record.

GOVERNANCE

53. POOLING INVESTMENTS IN WALES

Mr Latham (Clwyd Pension Fund Manager) introduced an update on the Working Together Project in Wales.

Mr Latham explained the report was in three parts covering the Inter Authority Agreement (IAA), the required changes to the Councils' Constitution (to reflect implementation of the new Joint Governance Committee (JGC)) and an update on the procurement of an operator. The recommendations agreed by the Committee would be put to the full Council.

A summary of the main features of the IAA are as follows:

- While the IAA is still a work in progress, it is not expected to change significantly and it will require a change to the Councils' constitution.
- It involves the creation of the JGC and an Officer Working Group (OWG). The JGC would consist of an elected member representative from each of the 8 Constituent Authorities. The OWG will consist of officer practitioners where 2 officers per Authority will be members.
- Each of the Constituent Authority's represented will have one vote per member on the JGC.
- The Chair and Vice-Chair of the JGC would be agreed at a later date.
- A host council was needed to co-ordinate and link in with new JGC and Carmarthenshire County Council take on this role.
- Allocation of costs, delegations and the arrangement to exit the Pool are also covered. In relation to governance, the IAA explains that there would be a training policy in place and provision for the JGC/OWG to take appropriate advice.
- Although there is no scheme member representation co-opted onto the JGC, meetings will be open to the public and there are requirements to liaise with Local Pension Boards and hence their member representatives.
- The location of the meetings will be rotated around the 8 Constituent Authorities. Agendas, reports and minutes will be in Welsh and English, with a simultaneous translation of proceedings during the meetings.

- With regards to the delegations to each Constituent Authority as set out in Schedule 2, it was recommended that these are delegated by Council to this Committee with the exception of points 5 & 6 (amendments to the IAA and termination of the agreement). If there were any major amendments to these two points then would have to be reverted to Council.

It was queried if the Host Council would change in the future. Mr Latham explained that it could change in the future and Mrs McWilliam added that should the Host Council change, then it would need an amendment to the IAA. This would have to be agreed by all Pension Fund Committees/Councils as it would be classed as a significant amendment.

A question was asked about paragraph 7.1 of the IAA and how advice was to be provided. Would Carmarthenshire County Council take on the role of monitoring officer for the pool? Mr Latham explained that the expectation is it will likely be the Host Council.

Cllr Bateman asked about provisions for Voluntary Exits (page 36). Mr Latham said it was hoped that this would not materialise but there was provision for any Fund to exit if circumstances changed.

It was also noted that if any Constituent Authority chose to leave, then they would have to meet all the costs associated with this. Mrs McWilliam explained that in practice there were not many other options. Exit would need to be a long term decision and only extreme circumstances would lead CPF to consider leaving the pool. Mrs McWilliam noted that in her opinion the biggest operational challenge would be selecting the right operator. Cllr Wilson noted that the IAA includes provision for other Funds to join the pool.

The nominations to the JGC have to be made by full Council rather the Clwyd Pension Fund Committee and it must be an elected member. It was proposed that the Chair and vice Chair are put forward as representative and substitute for the JCG. This would be the recommendation from the Pension Fund Committee to full Council for a decision. The timing of this will be the AGM in May. The Committee agreed with this approach.

With regards to the procurement of the pool operator, the plan is that it will be in place by July 2017. The Pension Fund Committee will be updated on this at future meetings.

As part of the discussions Mr Hibbert read out the following statement regarding the IAA and made a number of points for consideration.

Statement

Introduction

UNISON has been at the forefront of improving the participation of Scheme members in the decision making processes of their Pension Funds. This

pressure has led to the creation of Local Pension Boards (with *equal* employee and employer representatives which assist Pension Fund Committees. Clwyd Pension Fund Committee also has a co-opted Scheme Member Representative with voting rights selected by the recognised NJC trade unions. This position is currently held by Steve Hibbert, UNISON.

The pooling of pension funds to generate economies of scale, access to larger investment opportunities and reduce investment costs (both known and currently unknown by the individual funds) is generally welcomed by UNISON and should be a benefit to the scheme members and employers alike.

Tory Chancellor Osborne's statement that these pooled funds would be 'British Wealth Funds' with the implication that investment decisions could be diverted to 'pet' investment projects for the government of the day and therefore the opportunity to use Local Government worker's pension monies to 'generate positive publicity' for political means rightly raised concerns throughout the Funds and the trade union. UNISON sponsored a petition which received sufficient signatures to afford a debate in Westminster Hall and also helped generate more than 23000 responses to the government consultation none of which made any fundamental changes to the proposal.

Steve Hibbert, UNISON and the scheme members are grateful for the efforts of Officers, the Chair and colleagues (both Elected Members and trade union reps) through the Joint Council for Wales, to ensure scheme member representation on the Joint Governance Committee of the Welsh pool, which have unfortunately been rebuffed.

Clwyd Pension Fund Committee is now being asked to ratify the proposed Inter-Authority Agreement (IAA) that will govern the approved Welsh pooling arrangement, the Joint Governance Committee (JGC).

Scheme Member Concerns

Marcus Jones M.P. the Pension Minister, during the debate confirmed:

"I assure Hon. Members that there is an opportunity for trade union representation on pools. That is a matter for the individual pools themselves and depends on their governance arrangements, but the individual local authority members that support each scheme will have the right to be part of setting up those pooling governance arrangements, and it will therefore be their decision on whether union representatives are on the pools".

However, I understand that only one has chosen to do this. Excuses given include the Local Government Act prevents anyone but Elected members to be on these bodies. Indeed the Flintshire's Monitoring Officer's advice (*para.* 1.06) is that "the nominations to the JGC (representative Member and

Substitute...must both be elected members of a Council and members of the Pension Fund Committee”.

Point for Consideration – This Committee should not agree to the delegations outlined in *para. 1.06* without sight and understanding of the Monitoring Officer’s advice to Flintshire County Council regarding the requirement that only Elected Members of the Committee can be nominated as Representative Member and Substitute.

During previous debates at Clwyd Pension fund Committees, I have raised concern regarding the location of meetings of the JGC, the power held by the chair and the ability of one fund to influence all. The current IAA falls short of what I have previously suggested would mitigate those concerns.

Point for Consideration – This Committee should not agree to the proposed IAA on the grounds that in order to reduce the possibility of undue influence that the Chair and location of the meetings should rotate around the funds on a meeting by meeting basis.

Schedule 3 (.10) requires the JGC to “*liaise with Pension Boards as appropriate* in line with CIPFA Guidance...” (my *italics*).

Point for Consideration – This Committee should not agree to the proposed IAA on the grounds that the requirement to liaise with Pension Boards is insufficiently clear without the CIPFA Guidance and I’d suggest insufficiently robust *with* the CIPFA Guidance.

Point for Consideration – This Committee should not agree to the proposed IAA on the grounds that it includes a greater requirement to engage with Pension Boards than is expressed for this Committee.

If this Committee accepts that the (elected) Member Representative or their (elected member) substitute acts on behalf of this Committee, what is the mechanism for seeking the mandate of this Committee prior to casting any votes?

Point for Consideration – This Committee should not agree to the proposed IAA on the grounds that its position cannot be gained on voting matters ahead of any vote taking place.

Schedule 6, *para. 6.1* allows for each Committee to propose motions to the JGC but these must be seconded (as normal).

Point for consideration – This Committee should not agree to the proposed IAA as its *nuanced* positions may not be supported by others and therefore never be debated at the JGC.

I therefore propose that:

- 1. Clwyd Pension Fund Committee does not approve the draft Inter-Authority Agreement and does not support its recommendation to Council**
- 2. Clwyd Pension Fund Committee does not support the delegations outlined in para's. 1.05 and 1.06 as it allows for a lower standard of Governance in the Pool than Clwyd Pension Fund currently benefits from.**

I'd suggest to the Committee that in passing the above, there wouldn't be a severe impact on the Pooling process (as Chairs and Officers can continue to meet as now) but there would be a short delay in the formalisation of the JGC whilst the Pool reconsiders its position regarding scheme member representation (chosen by the recognised trade unions) and revises the IAA accordingly so that it can be ratified by this Committee, through an additional meeting if necessary.

Mrs McWilliam responded recommending that the Committee assess each Point of Consideration in turn. Mrs McWilliam also advised that the Committee needed to decide as a whole which points needed to be taken forward (if any).

Point for Consideration – This Committee should not agree to the proposed IAA on the grounds that in order to reduce the possibility of undue influence that the Chair and location of the meetings should rotate around the funds on a meeting by meeting basis.

Mr Hibbert's concern is over one Fund's dominance over the meetings – the JGC Chair should change with each meeting.

Cllr Wilson said that the 8 members will decide on the Chair of the JGC but Mr Hibbert's main concern is that this decision is made in unrecorded pre-meetings as opposed to the actual meeting which undermines the overall governance. Mr Latham explained that they need a consistent voice for the Welsh Pool as there will be national meetings as well as cross pool meetings. He stressed that Carmarthenshire County Council would be the Host Council only and not the lead council. The Chairman highlighted that the Joint Chair meetings have been very focussed on working together.

Mrs McWilliam queried with Mr Hibbert that his stance was that the PFC recommend that the IAA is not signed and Mr Hibbert confirmed this was the case on the basis of the points made in his Statement.

The Committee were then asked to vote on whether to approve the IAA as drafted at the moment in relation to the location and chair i.e. not to require rotation of location and chair at each meeting. The result of the vote was:

For - 5

Against - 2

Point for Consideration – This Committee should not agree to the proposed IAA on the grounds that the requirement to liaise with Pension Boards is insufficiently clear without the CIPFA Guidance and I'd suggest insufficiently robust *with* the CIPFA Guidance.

AND

Point for Consideration – This Committee should not agree to the proposed IAA on the grounds that it includes a greater requirement to engage with Pension Boards than is expressed for this Committee.

These two points were considered and voted on concurrently.

Mr Hibbert highlighted his concern about the lack of mechanism to allow engagement with the Committee before decisions are made at the Joint Governance Committee. He stressed he was not suggesting officers or elected members would not be acting out of remit. .

Mr Owen (Employer representative Clwyd Pension Fund Board) said in his view this would be dealt through the existing mechanisms once the IAA is agreed but Mr Hibbert stated that he would prefer all these matters to be clearly defined at the outset.

The Committee were then asked to vote on whether to approve the IAA as drafted at the moment in relation to the areas covered by the points for consideration. The result of the vote was:

For - 6

Against - 1

Proposal - Clwyd Pension Fund Committee does not support the delegations outlined in para's. 1.05 and 1.06 as it allows for a lower standard of Governance in the Pool than Clwyd Pension Fund currently benefits from.

The Committee were then asked to vote on whether support the delegations outlined in para's. 1.05 and 1.06 as drafted. The result of the vote was:

For - 6

Against - 1

The Committee then agreed the first three recommendations, subject to an amendment that the Chair and Vice Chair would automatically be the Member and Deputy for the JGC.

RESOLVED:

1. That the Committee considered and approved the IAA draft and supported its recommendation to Council.
2. That the Committee delegated authority to the Chief Executive to approve minor amendments to the IAA before submission to Council.
3. That the Committee supported the new delegations between the Council, the new JGC and this Committee and recommend to Council that the Chair and Vice Chair would automatically be the Member and Deputy for the JGC.
4. That the Committee noted the progress made with the appointment of the operator.

54. GOVERNANCE UPDATE

Mr Hughes (Pensions Finance Manager) gave an update on key points in the report relating to the Business Plan for 2016/17.

Mr Hibbert asked why the actuarial fees had been underestimated. Mr Latham said it had been underestimated in relation to areas such as the Flightpath restructure and equity protection work.

Mr Hibbert asked if his training log could be updated in relation to his attendance at the Annual TUC event – A Decent Retirement. Mr Hughes was confirmed this could be added to his training log if he provide the details.

Mr Latham noted that a large number of new employers have joined the Pension Fund which had added to workloads.

RESOLVED

1. Committee noted the business plan and agreed actions.
2. Committee approved the recommendation to move G4 (Key Man Risk) to 2017/18.
3. Committee approved the change to Officers' Delegations incorporating changes to Funding Risk Management decisions.

ADMINISTRATION AND COMMUNICATIONS

55. LGPS UPDATE

Mr Middleman presented the report on current issues affecting the LGPS. He highlighted the item regarding the Employment Tribunal ruling regarding age discrimination against younger judges given they were not protected against changes in benefits. This could potentially affect the LGPS as members within 10 years of

retirement in 2012 have an underpin applied to their benefits. Further updates will be provided if required.

Mr Middleman also reported on the Guaranteed Minimum Pension (GMP) Consultation which covered the issue of equalising GMPs between males and females and also the promise to Government employees that they would receive full indexation on their GMP element via the State Scheme. The consultation covered 3 proposals. The deadline for responses was 20 February.

Mr Middleman explained that the proposals were effectively passing the burden from the State Scheme to the public sector schemes. The proposals will also increase the administration burden, materially so under the first proposal. This would entail LGPS Funds having to do a year on year benefit comparison including what members would receive from the State Scheme.

In summary the 3 options:

1. Case by Case approach: The lowest funding cost for employers but very difficult and costly operationally given the requirement for a year on year benefit comparison for each member.
2. Full indexation for all members who reach SPA after 6 April 2016: No year on year benefit test so simpler operationally. Would be the highest funding cost/risk and based on the valuation this is estimated to be £7m for the CPF. This approach is already in place for members reaching SPA up to 5 December 2018.
3. GMP conversion: Similar to 2 but requires a full GMP reconciliation and conversion. The cost depends on the conversion terms.

Mr Middleman noted that the operational costs under proposal 1 should not be underestimated and would require significant investment in systems and processes. Most LGPS Funds are favouring option 2 in their responses due to these operational challenges.

Mrs Burnham noted that the preferred option after discussions at Advisory Panel is option 2. This is in line with the objectives of the CPF which is to streamline operational matters as far as possible.

Due to tight time scales Mrs Burnham requested that the consultation response is prepared by her and it is formally delegated to officers to respond on behalf of the PFC.

RESOLVED

1. PFC noted the report and made themselves aware of the various current issues.

2. PFC noted the Employment Tribunal Ruling and the consultation regarding GMPs.
3. PFC agreed to the delegation to respond to the Pension Fund officers and that the response should propose option 2.

56. PENSION ADMINISTRATION AND COMMUNICATION UPDATE

Mrs Burnham gave an update on the Business Plan 2016/17 and Current Developments. She noted that in regards to paragraph 1.03, the online data transmission tool has been set up and they were hoping to enrol more employers into using it. The request to delegate the appointment of a provider for the GMP reconciliation project was also highlighted.

RESOLVED

1. The Committee considered and noted the update.
2. The Committee agreed to delegate the appointment of the provider for the GMP reconciliation project.

INVESTMENT AND FUNDING

57. MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID) II

Mr Harkin gave a presentation on MIFID II and how this would have implications for the Fund. The intention for MIFID II is to increase protection for investors. The main impact for LGPS Funds would be to reclassify local authorities from “professional clients” to “retail clients” as in the UK, Local Authorities are not separate from the Pension Fund. Retail clients have the highest “protection” under MIFID II. However this would have a material impact on the ability to operate as a Fund as many investment managers and advisors only work with “professional clients”. It was noted that the pools would have professional client status.

Mr Harkin explained there is an option for LGPS Funds to “opt-up” to professional status if certain quantitative and qualitative criteria are met. There would be no issue meeting the qualitative criteria but the quantitative criteria could be difficult to achieve. There is significant potential risk to Funds unless this process is made simpler.

The FCA issued a consultation which closed in January 2017 and a response is expected in March 2017. All stakeholders have input into the consultation to express concerns and meetings with the FCA are going on with both the LGA/PLSA who have been lobbying regarding the LGPS implications, however nothing will be clear until March.

The LGPS pools are forming a group of practitioners to communicate these issues to the FCA. Flintshire County Council volunteered and is providing the representation for the Wales Pool on this matter. Mr Hibbert noted the importance of

sorting the issues out at the start of a process so was supportive of the representation from the Fund.

RESOLVED

1. The Committee noted the content of the presentation and the ongoing discussions at a national level.

58. INVESTMENT AND FUNDING UPDATE

Mrs Fielder (Pensions Finance Manager) gave an investment and funding update on the Business Plan 2016/17, current development and news, funding and investment related policy and delegated responsibilities.

The main points highlighted were:

- Actuarial valuation – this needs to be finished by the 31 March and the final Funding Strategy Statement will be tabled at the March committee. Officers are currently liaising with employers to confirm final contribution rates for 2017/20.
- The AVC review will be finished by the end of March and the next steps will be communicated at the next meeting.
- Investment Strategy Statement work has commenced and the proposed statement will be brought to the meeting in March.
- The delegated responsibilities and actions taken were noted in para 1.07.

RESOLVED

1. The committee considered and noted the update and next steps.

59. ECONOMIC AND MARKET UPDATE

Mr Harkin gave a report on the economic and market update for the quarter to 31 December 2016 and noted that the sentiment has been driven by the US election result.

Key points made:

- the weakening of Sterling
- Higher inflation expectations
- Rising commodity prices

Asset markets have generally been positive and there has been a big “bounce” in the US equities market.

Mr Hibbert noted that the lack of detailed discussion was likely due to the fact that there was a lot of information to absorb but this was seen as a positive position.

Mr Harkin offered to discuss the detail in the report with any Committee members who wished to do so before the meeting to aid discussion if that would be helpful.

RESOLVED

1. Committee noted the Economic and Market Update and the information in the report.

60. INVESTMENT STRATEGY AND MANAGER SUMMARY

Mr Harkin presented a report on the performance of both the Fund's investment strategy and investment managers over the quarter to 31 December 2016. A "light touch" strategy review was completed in conjunction with the actuarial valuation.

Key additional points covered were:

- The strongest performance element came from the In House assets, equities and the Best Ideas portfolio.
- At the current time there are no concerns with any of the Fund's investment managers.

Cllr Bateman asked if it was possible to continue to live with a lower interest rate environment. Mr Harkin and Mr Middleman both noted this depended on what happened with inflation. A sustained period of low interest rates/returns and high inflation would impact materially on funding positions and costs for employers. This cannot be ruled out in the current fiscal environment and supports the need for a robust risk management framework and well diversified asset portfolio.

RESOLVED

1. Committee noted and discussed the investment and strategy manager performance.

61. FUNDING, FLIGHT PATH AND RISK MANAGEMENT FRAMEWORK UPDATE

Mr Middleman explained the report on the funding and risk management framework.

Main additional points were as follows:

- there were no concerns on risk management and all measures were rated "green"
- The LDI mandate has increased significantly in value so the intention is to release collateral back into the portfolio to rebalance the holding back to closer to the benchmark level. This had been estimated to be c£60m but the level will be reviewed before implemented.

- The LDI restructuring agreed at the last PFC has not yet been implemented as the gain has not been over the £25m threshold. This will be monitored and implemented when (and if) market conditions are favourable enough.
- The implementation of the Equity protection is ongoing and the PFC will be updated at future meetings.

RESOLVED

1. Committee noted the report and progress of the various elements of the risk management framework.

The meeting commenced at 10:00 and ended at 12:45. The next meeting will be on 21 March 2017.

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Chairman

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	21 March 2017
Report Subject	Pooling Investments in Wales and Governance Policy Statement
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The project to pool investments across the eight LGPS fund in Wales continues.

1. Flintshire County Council agreed the Inter Authority Agreement (IAA) at their meeting on 1st March. As a result the Pension Fund Committee's terms of reference have been updated with some additional responsibilities. The Committee are now being asked to agree to some specific officer and Host Council delegations as well as amendments to the Fund's Governance Policy and Compliance Statement.
2. The tender for the procurement of the operator has been issued.
3. There is a Joint Chairs Group meeting on 20th March 2017 and a verbal update will be given to this Committee.

RECOMMENDATIONS

1	That the Committee note the contents of the report and particularly the approval of the Inter Authority agreement at Council, the appointment of the Chair of the Pension Fund Committee to the Joint Governance Committee (and the Vice-Chair as the Deputy) and the delegation to the Chair and Vice-Chair to exercise the delegated function.
2	That the Committee note the updated Pension Fund Committee terms of reference within the Council's Constitution incorporating reserved matters that are delegated to the Pension Fund Committee.
3	That the Committee agree the Pension Fund Manager (currently held by Philip Latham) and Pension Finance Manager (currently held by Debbie Fielder) are the nominated officers for the Officer Working Group and that the Delegation of Functions to Officers is updated accordingly.

4	That the Committee agree that further officer and Host Council responsibilities relating to the Inter Authority Agreement are delegated as outlined in paragraph 1.04 and that the Delegation of Functions to Officers is updated accordingly.
5	That the Committee agree the amendments to the Clwyd Pension Fund Governance Policy and Compliance Statement.
6	That the Committee agree that minor changes may be made to the Fund's policies by the Pension Fund Manager and either the Corporate Finance Manager or the Chief Executive, and that the Delegation of Functions to Officers is updated accordingly.
7	That the Committee note progress with the procurement of an operator.

REPORT DETAILS

1.00	Pooling Investment in Wales
1.01	<p>Council Agreement of the Inter-Authority Agreement</p> <p>The draft Inter-Authority Agreement was shared with the Committee at the meeting on 16th February 2017. On 1st March 2017, a report went to Flintshire County Council with the following recommendations:</p> <ol style="list-style-type: none"> 1. Note the content of the draft Inter Authority Agreement attached at Appendix B and delegate authority to the Chief Executive in consultation with the Chair of the Clwyd Pensions Committee and the Monitoring Officer to: <ul style="list-style-type: none"> • agree any further minor amendments to the IAA; and • approve and sign the final version of the IAA. 2. Establish a joint committee (hereinafter referred to as the Joint Governance Committee) on the basis of the terms of reference attached within the proposed Constitution amendments. 3. Delegate the exercise of certain functions to the Joint Governance Committee as detailed within the proposed Constitution amendments. 4. Note the functions reserved to Council, and delegate all matters to the Clwyd Pension Fund Committee apart from the termination or significant amendment of the Inter Authority Agreement. 5. Approve the appointment of the Chair of the Clwyd Pension Fund Committee to the Joint Governance Committee as the Flintshire County Council Representative and the Vice-Chair of the Clwyd Pension Fund Committee as his/her nominated Deputy. 6. Provide delegation to the nominated representative and his/her Deputy to act within the terms of reference of the Joint Governance Committee to enable the exercise of any delegated function. 7. Approve that Carmarthenshire County Council (Dyfed Pension Fund) acts as the host authority with the responsibilities set out in the Inter Authority Agreement. 8. Approve the amendments to the Constitution as set out in Appendix A. <p>The Committee are asked to note that the Council agreed all</p>

	recommendations at the meeting.
1.02	Appendix 1 includes the updates agreed at Council to the Constitution. The Committee are asked to note these updates, particularly the updated responsibilities within the Terms of Reference for the Pension Fund Committee.
1.03	<p>Officer and Host Council delegations</p> <p>As a result of the updated responsibilities for the Pension Fund Committee, the Committee are being asked to confirm the officer nominations for the Officer Working Group from Clwyd Pension Fund. It is recommended that the officers to be nominated are:</p> <ul style="list-style-type: none"> • The Clwyd Pension Fund Manager – this position is currently held by Philip Latham • The Pension Finance Manager – there are two positions in the Pension Fund Management Team and the position currently held by Debbie Fielder is the recommended position to be the second nomination.
1.04	<p>The updated responsibilities for the Pension Fund Committee also provide that it may delegate powers to Flintshire County Council's own officers and the Host Council where required. Accordingly, the Committee are being asked to agree:</p> <ul style="list-style-type: none"> • that any further responsibilities within the Inter Authority Agreement for officers of the Fund are delegated to the Clwyd Pension Fund Manager (i.e. Philip Latham), who may in turn delegate them to a Pension Finance Manager (i.e. currently Debbie Fielder or Alwyn Hughes) subject to ongoing advice from the Pension Fund Manager. • that any responsibilities within the Inter Authority Agreement that are relevant to the Host Council are delegated to Carmarthenshire County Council. <p>A copy of the current Inter Authority Agreement is attached at Appendix 2 for information.</p>
1.05	The existing Delegations of Functions to Officers has been updated to incorporate these recommendations and is attached at Appendix 3.
1.06	<p>Governance Policy</p> <p>As a result of the changes to the Council's Constitution, it is necessary to update the Clwyd Pension Fund Governance Policy and Compliance Statement. The recommended changes include:</p> <ul style="list-style-type: none"> • updating the governance structure explanation to include the Joint Governance Committee and Officers Working Group for the Asset Pooling Collaboration arrangement • updating the Pension Fund Committee terms of reference in the appendix in accordance with the changes agreed by Council on 1st March 2017. <p>The opportunity has also been taken to update the compliance statement with more information about the interaction between the Pension Board and Pension Fund Committee, illustrating improved engagement with</p>

	<p>employer and scheme member representatives.</p> <p>The Committee are asked to agree the updated Governance Policy and Compliance Statement as attached in Appendix 4. All changes to the Policy are highlighted in yellow.</p>
1.07	<p>The move to asset pooling will require further changes to other existing Clwyd Pension Fund policies, as well as day to day procedures. During 2017/18, all existing policies will be reviewed to ensure they remain appropriate and any recommended changes will be brought to the Pension Fund Committee for approval. The Committee is asked to agree that any minor changes to these policies (due to asset pooling or otherwise) can be made by the Pension Fund Manager and either the Corporate Finance Manager or Chief Executive, noting that all policies will be brought back to Pension Fund Committee periodically (most being every three years). The Delegations of Functions to Officers has been updated to incorporate these recommendations and is attached at Appendix 3.</p>
1.08	<p>Operator Procurement</p> <p>Officers and advisors to the pool (Hymans Robertson and Burges Salmon) continue to work on the procurement of an operator. The contract notice has now been published and expressions of interest have been received. The Committee are reminded that Flintshire County Council is facilitating the issuing of the tender. The contract notice and selection questionnaire recognise the potential issue of MIFID II. The Officer Working Group (OWG) and advisor will evaluate the responses in late April and agree a short list of bidders to go forward to the 'Invitation to Tender' stage in May.</p>
1.09	<p>Officers and 'pool advisors' continue to work on:</p> <ol style="list-style-type: none"> 1. Operator Agreement (contract with the operator) 2. Invitation to Tender (ITT), the detailed questionnaire upon which the selection will be made.
1.10	<p>It is planned that a recommendation by OWG will be made to the Joint Governance Committee (JGC) in July 2017 which under the Schedule 2 and 3 of IAA will then be recommended to the Constituent Authorities for appointment.</p>
1.11	<p>There is a Joint Chairs Group meeting on 20th March. The agenda will provide Chairs with a detailed update on the procurement and governance arrangements. It is intended that the LGA will be able to provide an update on MIFID II and any other matters developing nationally which may impact on pooling. A verbal update will be provided to this Committee.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>The costs of advisors appointed on behalf of the eight funds are being shared equally between the eight pension funds. The cost charged to the Fund for 2016/17 to date is £73k.</p>
2.02	<p>There has been considerable time allocated by the Clwyd Pension Fund</p>

	Manager and Pension Finance Managers on this project which has impacted on time available for other Fund matters. This is expected to continue for the foreseeable future and may result in greater reliance on external advisers for other matters than would otherwise be the case.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The recommendations to Council on 1 st March 2017 were consulted with the Pension Fund Committee on 16 th February 2017.

4.00	RISK MANAGEMENT
4.01	How the Wales Pool operates will be key in enabling the Fund to implement its investment strategy in the future, and hence may contribute to the cost of the scheme to employers in future Actuarial Valuations.
4.02	This risk has been identified as significant in the Fund's risk register.

5.00	APPENDICES
5.01	Appendix 1 – Pension changes to Council Constitution agreed on 1 st March 2017. Appendix 2 – Current Inter Authority Agreement. Appendix 3 - Delegation of Functions to Officers. Appendix 4 – Governance Policy and Compliance Statement

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Earlier Committee reports on the progress of the Working Together in Wales project. 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) **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.

NB: The Inter- Authority Agreement Section 1 provides a list of agreed terms.

Recommended Changes to Constitution

Key to recommended changes:

New text

~~Removed text~~

SECTION 9 – OTHER COMMITTEES

9.14 Clwyd Pension Fund Committee

The Council will establish a Clwyd Pension Fund Committee.

9.14.2 **Composition**

(a) *Membership*

The Clwyd Pension Fund Committee will be composed of 9 members. Its membership will include:

- i) 5 Councillors of Flintshire County Council, determined by the Council.

Four co-opted members comprising:-

- ii) One Councillor of Wrexham County Borough Council, determined by that Council.
- iii) One Councillor of Denbighshire County Council, determined by that Council.
- iv) One representative of the other Scheme Employers (not admission bodies) in the Clwyd Pension Fund as defined by Schedule 2 of the Local Government Pension Scheme 2013, as amended from time to time, appointed in accordance with procedures agreed by the Chief Officer, People & Resources in consultation with the members of the Pension Fund Advisory Panel*.
- v) One representative of the scheme members of the Clwyd Pension Fund, appointed in accordance with procedures agreed by the Chief Officer, People and Resources.
- vi) Named substitutes are permitted for Flintshire County Council members only, providing they satisfy the knowledge and skills policy of the pension fund.

*The Pension Fund Advisory Panel is a group of officers and advisers to the

Clwyd Pension Fund, currently consisting of:

- The Chief Officer, People & Resources of Flintshire County Council
- The Chief Finance Officer of Flintshire County Council
- The Clwyd Pension Fund Manager
- Investment Consultant
- Fund Actuary
- Independent Adviser

(b) *Term of office*

- i) The representative members (for other scheme employers and scheme members) are appointed for a period of no more than six years and may be reappointed for further terms.
- ii) Councillors of Flintshire County Council will be appointed annually and may be reappointed for further terms.
- iii) Councillors of other local authorities who are members of the Pension Fund Committee will have a term of office to the next ordinary local government election following their appointment. They may be reappointed for further terms.

(c) *Quorum.*

A meeting of the Pension Fund Committee shall only be quorate when:

- i) At least five members are present, and
- ii) At least three of the members present are councillors of Flintshire County Council

(d) *Voting*

The Councillors from Wrexham County Borough Council and Denbighshire County Council and the representative members will be entitled to vote at meetings as well as Councillors of Flintshire County Council;

(e) *Chairing the Committee.*

- i) Only Councillors of Flintshire County Council may be the Chair and Vice-Chair.
- ii) The Chair ~~and Vice-Chair~~ will be elected annually by members of Flintshire County Council.
- iii) The Vice-Chair will be elected annually by members of the Pension Fund Committee.

- (f) The Council Procedure Rules should apply to this Committee in the same way as they apply to other Committees unless different provision is made in this article.
- (g) Location. The Pension Fund Committee may occasionally meet outside of the Flintshire County Council area.

9.14.3 **Role and Function**

The Pension Fund Committee's principal aim is to carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund in accordance with Local Government Pension Scheme legislation.

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the Chief Officer, People & Resources and the Fund's professional advisers:

- a) Ensuring the Clwyd Pension Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non statutory best practice guidance in relation to its management of the Clwyd Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
 - i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Flintshire County Council and making recommendations to Flintshire County Council about any changes to that framework.
 - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
 - iii) Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring

these are aligned with the Fund's specific liability profile and risk appetite.

- iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
 - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.
 - vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
- f) In relation to the Wales Pooling Collaboration arrangements:
- i) Undertaking the following matters reserved to Flintshire County Council as outlined in the Inter-Authority Agreement:
 - Appointment, termination or replacement of the Operator following the making of a recommendation by the Joint Governance Committee.
 - Approval of additional expenditure not included within the Business Plan which exceeds 30 % of the approved budget in the Business Plan in any one Financial Year.
 - Formulation, approval or revisions of each respective Constituent Authority's investment strategy for the purposes of regulation 7 of the Investment Regulations.
 - Admitting a new administering authority within the LGPS to the Investment Pool as a Constituent Authority.
 - Amendment of the Agreement which is not significant to the operation of the arrangements.
 - Material change to the nature of the Operator Contract.
 - Approval of the initial strategic objectives to allow preparation of the first Business Plan (which objectives shall reflect the objectives set out in the procurement of the Operator).
 - Approval of any evaluation or scoring criteria for any procurement of a replacement Operator.

- Approval of the Business Plan which shall include approval of the ongoing strategic objectives of the Investment Pool.
- Determination of the timing of the transition of the assets held by Clwyd Pension Fund into the Pooling Collaboration and the funds or sub-funds operated by the Operator.

Note the Council shall retain the power to terminate the Inter-Authority Agreement or make amendments to the Inter-Authority Agreement that may be significant to the operation of the arrangements.

- ii) Delegating powers to Flintshire County Council's own officers and the Host Council where required.
 - iii) Nominating Flintshire County Council's officers to the Officer Working Group.
 - iv) Monitoring of the performance of the Wales Pooling Collaboration and its Operator and recommending actions to the Joint Governance Committee, Officer Working Group or Host Council, as appropriate.
- g) Considering the Fund's financial statements prior to approval by the Council and agreeing the Fund's annual report.
 - h) Selection, appointment, ~~and~~ dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.
 - i) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - j) Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - k) Agreeing Pension Fund business plans and monitoring progress against them.
 - l) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
 - m) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or

its stakeholders.

- n) Receiving ongoing reports from the Chief Officer, People & Resources and Pensions Advisory Panel in relation to delegated functions.

No matters relating to Flintshire County Council's responsibilities as an employer participating within the Clwyd Pension Fund are delegated to the Pension Fund Committee.

9.14.4 **Officers**

The Committee may delegate a limited range of its functions to one or more officers of the Authority.

The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee.

9.15 Wales Pooling Collaboration Joint Governance Committee

9.15.1 The Council will establish the Joint Governance Committee.

9.15.2 The Chairman and Vice Chairman of Flintshire County Council's Pension Fund Committee shall be the Member and Deputy Member on the Joint Governance Committee.

9.15.4 The Joint Governance Committee Matters, Terms of Reference and Procedures are as included within the Inter-Authority Agreement as shown below.

(a) Joint Governance Committee Matters

Subject to the terms of the Agreement, the Joint Governance Committee shall undertake those matters which are not Matters Reserved to the Constituent Authorities which shall include (without prejudice to the generality of the foregoing):

- i) Making a recommendation on the appointment, replacement or termination of the Operator to the Constituent Authorities.
- ii) Appointing and replacing service providers, advisers to the Joint Governance Committee (other than the Operator).
- iii) Approving the creation of new pooled vehicles for the Operator.
- iv) Approving the creation of new sub-funds provided by the Operator.
- v) Approving the termination of sub-funds provided by the Operator.

- vi) Preparing a plan relating to the overall transition of assets in accordance with each Constituent Authority's asset transition plan.
- vii) Approving changes to the Operator Contract which are not material changes to the nature of the Operator Contract.
- viii) Dealing with the necessary general ongoing management of the Pooling Collaboration.
- ix) Delegation of tasks to the Officer Working Group, including the preparation of reports and draft documents and the undertaking of consultations.
- x) Liaison with Pension Boards as appropriate in line with CIPFA Guidance, guidance issued by the Pensions Regulator and other applicable legislation or regulatory guidance.
- xi) Determining the best means of alternative investment structures for assets where a sub-fund is not being provided by the Operator.

Notwithstanding the above, for the avoidance of doubt, the Joint Governance Committee may not delegate its responsibilities.

(b) Joint Governance Committee - Terms of Reference

The Joint Governance Committee responsibilities are:

- i) Making recommendations to the Constituent Authorities on the termination of the Operator Contract before the conclusion of the fixed term contract, where the performance of the Operator is considered unacceptable;
- ii) Ensuring that there are an appropriate range of sub-funds available in order to allow the Constituent Authorities to meet their strategic investment aims. Following representation from any, some or all of the Constituent Authorities, the Joint Governance Committee may direct the Operator to set up a sub-fund in a particular asset class. The Joint Governance Committee must be mindful at all times of the need to balance the requirement to provide a particular sub-fund with the benefits of holding aggregated assets;
- iii) Monitoring the performance of the Operator against the agreed set of key performance indicators;
- iv) Reporting on the performance of the Investment Pool, its costs and other activities, but not limited to, the Constituent Authorities, government, the Scheme Advisory Board and the general public;

- v) From time to time, to review the appropriateness of the existing structures, including the number and make-up of sub-funds and to make recommendations to the Constituent Authorities as to the respective merits of procuring Operator services by means of a third party or through ownership by the Constituent Authorities of the Operator;
- vi) Liaising with the Operator, in such areas as the Operator seeks the preferences and views of the Joint Governance Committee, on the appointment of suppliers, for example manager preferences or the appointment of depositories;
- vii) Liaising with the Constituent Authorities on the appropriate range of sub-funds to be provided in the Investment Pool;
- viii) From time to time reviewing policies in respect of ethical, social and governance matters and voting rights and where appropriate make recommendations to the Constituent Authorities as to any changes deemed necessary;
- ix) Applying any processes or policies that are assigned to it within the Agreement;
- x) Recommend a high level plan for initial transition of assets to the pool and further asset transitions in the event, for example, of new sub-funds being created or manager changes within sub-funds;
- xi) Ensuring that the Officer Working Group acts within its remit as set out in clause 4 and Schedule 8 of the Agreement;
- xii) Providing any analysis or commentary on annual accounts to the Constituent Authorities;
- xiii) Monitoring the implementation and effectiveness of the policies listed in Schedule 5 of the Agreement and initiating reviews of these where required;
- xiv) Delivery and ongoing monitoring against the Pooling Collaboration objectives, Business Plan and budgets;
- xv) Approving responses from the Pooling Collaboration in relation to consultations or other matters considered appropriate;

- xvi) Seeking advice from professional and authorised and regulated advisers where necessary;
- xvii) Agreeing the Business Plan to be put forward to the Constituent Authorities for approval;
- xviii) Report to the Constituent Authorities quarterly (and at any other time when the Joint Governance Committee considers it to be necessary) on the matters within their remit including but not limited to the performance of the Operator, the structure of the funds and the ongoing monitoring of the Business Plan;
- xix) Agreeing criteria for the evaluation of bids or tenders for any procurement (other than the first appointment of the Operator) to be put forward for the approval of the Constituent Authorities.

(c) Joint Governance Committee Schedule of Procedure

- i) **MEMBERSHIP**
- i.1 The membership of the Joint Governance Committee shall consist of one elected member (or their appointed deputy) per Constituent Authority.
- i.2 No substitutes other than deputies shall be allowed.
- i.3 The Joint Governance Committee shall not include any non-voting or co-opted members.

MEETINGS

- i.4 Meetings shall be held a minimum of four times per municipal year (being May to May). The anticipated schedule of meetings and the locations in which they will be held will be agreed in advance of the commencement of the next Financial Year no later than the final meeting of the current Financial Year.
- i.5 A meeting may be held at such time and place as the Chair of the Joint Governance Committee thinks fit provided that at least two meetings per annum shall be held in rotating locations between the Constituent Authorities to facilitate public access. The Constituent Authorities shall make available suitable accommodation for the holding of such meetings in public including the provision of Welsh Language translation, video-conferencing and webcasting services as appropriate.

- i.6 All agendas, reports and minutes in relation to the Joint Governance Committee shall be in both Welsh and English, and simultaneous translation of proceedings will be available throughout all meetings of the Joint Governance Committee.
- i.7 The Joint Governance Committee may decide to allow remote participation in meetings via video-conference or any similar medium. Any Member attending by video-conference shall be held to be in attendance at the meeting for the purposes of this Schedule of Procedure.
- i.8 A meeting of the Joint Governance Committee may be called by a proper officer of the Host Council on the request of the Chair. Members must declare any conflict of interest in respect of any business being conducted at the meeting which would likely to be regarded to prejudice the exercise of a person's function as a participant in the meeting.
- i.9 The Chair is responsible for the running of meetings. The Chair shall invite Members expressing a desire to speak in turn. All discussion and debate shall be held through the Chair and the Chair may draw a discussion to a vote at any time where they consider that every Member has been given a fair opportunity to speak.
- i.10 Minutes will be kept of all meetings. The Chair will sign the minutes of the proceedings at the next suitable meeting.
- i.11 Notice of meetings
- (a) A notice of meeting specifying the place, date and time of the meeting and containing a statement of the matters to be discussed at the meeting, shall be served on all of the Members of the Joint Governance Committee by the appropriate governance officer of the Host Council;
- (b) Subject to the next clause ((c)), notice of each meeting, copies of the agenda and any reports to be presented at the meeting, shall be given to all Constituent Authorities by the Host Council no later than seven clear days before the date of the meeting. The Constituent Authorities shall ensure that a minimum of five clear days' notice of all meetings is given in accordance with their normal procedures for notification of Council meetings and all papers made available at all of the Constituent Authorities head offices for

inspection for those five days unless certified as confidential in which case agendas and any non-certified items are made available only.

- (c) If a meeting is required to be held with less than five days' notice, the Chair must agree it is required urgently, approve the shortened notice period and allow as much notice as possible to be given. Notice should be given in the same manner, and the documents should be made available to all of the Constituent Authorities for as many days as practicable before the meeting.

i.12 Exclusion of the public and press

- (a) Where any item to be discussed forms exempt information the Chair shall move that the public and press are excluded from the meeting for the duration of the discussion and voting on that item. Motions to exclude the press and public do not require to be seconded and shall be determined by simple majority vote of the Members present.

- (b) Where the press and public are excluded under (a) above the Chair may invite any person to remain in the meeting where they consider it to be necessary or appropriate to do so and any members of the Officer Working Group present shall be presumed to be invited to remain unless the Chair specifies otherwise.

- (c) Any person may be excluded from a meeting or required to leave a meeting where in the opinion of the Chair they are causing a disturbance to the running of the meeting and have not desisted from doing following a request; or where any person is so disruptive that their conduct if allowed to remain would prevent the meeting from proceeding in a fair and acceptable manner.

i.13 The Joint Governance Committee may, through the Chair, invite any person to speak at a meeting.

i.14 Officers of the Officer Working Group presenting reports to the Joint Governance Committee may be asked questions following such presentation.

i.15 Section 151 Officers and Monitoring Officers (and in their absence their deputies) of any Constituent Authority are entitled to attend all meetings including any part of any meeting which is closed to the public and press.

QUORUM

- i.16 The quorum shall be five Members.
- i.17 Where a quorum is not present within 15 minutes of the start of the meeting and the Chair has not been notified that one or more Members have been delayed but will be attending, the meeting shall not be held and the Host Council will be ask to schedule and give notice of a replacement meeting.
- i.18 Where, during any meeting there is no quorum present, then the meeting will adjourn immediately. If the Chair has been unable to ascertain within 15 minutes that the quorum can be restored the remaining business will be considered at another time and date fixed by the Chair.

CHAIR AND VICE CHAIR.

- i.19 The Chair and Vice-Chair shall be Members and shall be appointed by vote for a term of 12 calendar months.
- i.20 In the absence of the Chair, the Vice-chair shall be entitled to exercise all of the functions of the Chair.
- i.21 The decision of the Chair of the meeting on all points of procedure and order and the Chair's interpretation of any rule in this Schedule of Procedure shall be final and no debate may ensue thereon. The Chair shall be entitled to take the advice of a governance officer in interpreting any rule or objection on procedure.
- i.22 The Chair may be assisted during meetings by a governance officer on procedural matters and such administrative officers as the Chair considers appropriate. Such governance and secretarial officers shall be entitled to remain in the meeting where the public and press are excluded.

AGENDA

- i.23 An agenda shall be produced in advance for each meeting by the Host Council following consultation with the Chair.
- i.24 The agenda for each meeting shall contain as the first substantive item the approval of the minutes of the previous meeting. The Chair will move that the minutes of the

previous meeting be signed as a correct record. The only part of the previous minutes that can be discussed is their accuracy and any matters arising from those previous minutes shall be regarded as new items on the agenda of the current meeting

i.25 The Officer Working Group and the Constituent Authorities may ask the Chair to include any matter on the agenda which they consider should be discussed by the Joint Governance Committee.

i.26 The decision on whether to allow discussion on any other matter not on the agenda of a meeting at that meeting shall be made by the Chair.

MOTIONS

i.27 Any Member may propose a motion. All motions must be seconded. Motions which are opposed shall be put to a vote in accordance with the voting provisions of **this Schedule** of Procedure.

i.28 A Member may raise a point of order at any time. The Chair will hear them immediately. A point of order may only relate to an alleged breach of the provisions of **this Schedule** of Procedure, or the law or other competent authority. The Member must indicate the provision or law or regulation and the way in which he/she considers it has been broken. The ruling of the Chair on the matter will be final. The Chair may take advice on the point of order from the appropriate officer.

VOTING

i.29 The Chair shall seek consensus wherever possible however where a vote is required the provisions of this section shall apply.

i.30 Each Member present will have one vote and voting will be by means of a show of hands. In the event of a tied vote, the Chair shall have a second or casting vote.

i.31 All decisions will be determined by simple majority.

i.32 In the event that a vote is taken, the voting positions and any abstentions of members will be recorded in the minutes.

SUB-COMMITTEES AND WORKING GROUPS

- i.33 The Joint Governance Committee shall form such sub-committees and working groups as it considers expedient to performing its function. The Joint Governance Committee shall at the time of forming sub-committees or working groups set out the remit of the sub-committees or working groups, what the sub-committees or working groups are required to deliver and the timescale for that delivery.
- i.34 Sub-committees and working groups shall be entitled to request the input and support of the Officer Working Group in the same manner as the Joint Governance Committee.
- i.35 Each sub-committee and working group shall appoint a chair for that sub-committee or working group, who is to be one of the Members of the sub-committee or working group.
- i.36 Working groups may invite any person who is not a Member to join the group in order to assist in carrying out its function.
- i.37 The Chairs of sub-committees and working groups shall report to Joint Governance Committee at each meeting of that committee on the process of the matters within their remit.
- i.38 Sub-committees and working groups may be disbanded at any time on the vote of the Joint Governance Committee.
- i.39 The provisions of the paragraphs in this Schedule of Procedure relating to Agendas, Motions and Voting shall apply to any sub-committee and working group meetings.

**SECTION 11 -OFFICERS
 SUB-SECTION E – SPECIFIC DELEGATIONS TO STATUTORY , LEGAL,
 FINANCIAL, HUMAN RESOURCES AND TECHNICAL SERVICES OFFICERS**

Chief Officer People & Resources	
PR11	The day to day management of Clwyd Pension Fund matters including ensuring arrangements for investments of assets and administration of contributions and benefits, excluding matters delegated to the Clwyd Pension Fund Committee.
PR12	Establish and Chair a Clwyd Pension Fund Advisory Panel consisting of officers of the Council and an advisors to the Clwyd Pension Fund to provide advice and propose recommendations to the Clwyd Pension Fund Committee and carry out such matters as delegated to it from time to time by the Clwyd Pension Fund Committee.

SECTION 30
30. SCHEDULE OF MEMBER REMUNERATION

APPENDIX 2

Entitlement as Statutory Co-optees

Chairperson of the Standards Committee (Edward Michael Hughes)	£256 per day £128 per half day
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All other co-opted members are entitled to a daily fee of -	£198 per day £ 99 per half day
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Co-opted members:-

Standards Committee:-

Mr Robert Dewey
Mrs Phillipa Ann Earlam
Mr Jonathan Duggan-Keen
Mr Kenneth Harry Molyneux

Education & Youth:-

Mrs Rebecca Stark
Mrs Rita Price
Mr David Hytch
The Venerable John Thelwell
Mrs Janine Beggan

Audit Committee:-

Mr Paul Williams

Pensions Committee:-

Mr Steve Hibbert
Councillor Steve Wilson
Councillor Huw Llewelyn Jones
Councillor Andrew Rutherford

Clwyd Pension Board

Mrs Gaynor Brooks
[Mr James Duffy](#)

Dated _____ 2017

FINAL DRAFT

Inter-Authority Agreement between

Carmarthenshire County Council	(1)
City & County of Swansea Council	(2)
City of Cardiff Council	(3)
Flintshire County Council	(4)
Gwynedd Council	(5)
Powys County Council	(6)
Rhondda Cynon Taff County Borough Council	(7)
Torfaen County Borough Council	(8)

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THIS DEED is made on

2017

BY

- (1) **CARMARTHENSHIRE COUNTY COUNCIL** of County Hall, Carmarthen, Carmarthenshire, SA31 1JP ("**Carmarthenshire Council**")
- (2) **CITY & COUNTY OF SWANSEA COUNCIL** of The Guildhall, Swansea, SA1 4PE ("**Swansea Council**").
- (3) **THE COUNTY COUNCIL OF THE CITY AND COUNTY OF CARDIFF** of County Hall, Atlantic Wharf, Cardiff, CF10 4UW ("**Cardiff Council**").
- (4) **FLINTSHIRE COUNTY COUNCIL** of Flintshire County Council, County Hall, Mold, Flintshire, CH7 6NA ("**Flintshire Council**").
- (5) **GWYNEDD COUNCIL** of Shirehall Street, Caernarfon, Gwynedd LL55 1SH ("**Gwynedd Council**")
- (6) **POWYS COUNTY COUNCIL** of County Hall, Llandrindod Wells, Powys, LD1 5LG ("**Powys Council**")
- (7) **RHONDDA CYNON TAFF COUNTY BOROUGH COUNCIL** of Rhondda Cynon Taf County Borough Council, The Pavilions, Clydach Vale, Tonypany, CF40 2XX ("**Rhondda Council**")
- (8) **TORFAEN COUNTY BOROUGH COUNCIL** of Civic Centre Pontypool Torfaen NP46YB ("**Torfaen Council**")

(together referred to as the "**Constituent Authorities**" and individually as a "**Constituent Authority**")

BACKGROUND

- (A) The Constituent Authorities are committed to the development of a formal joint committee pursuant to section 101 and section 102 of the Local Government Act 1972 to ensure the effective operation of the arrangements for asset pooling within the LGPS under a framework of strong internal governance to achieve economies of scale and improved investment infrastructure.
- (B) The Constituent Authorities are all councils responsible for the administration of local government within their areas as set out in the Local Government Act 1972. The Department for Communities and Local Government in its letter dated 23 November 2016 has confirmed that the Constituent Authorities have been granted permission for each Constituent Authority to continue to collaborate with every other Constituent Authority to form a pool of assets in respect of each of their respective funds under the LGPS.

- (C) The Constituent Authorities shall carry on the Pooling Collaboration (as defined below) under the terms of this Agreement to oversee its governance.

AGREED TERMS

1 INTERPRETATION

- 1.1 The following definitions and rules of interpretation apply in this Agreement.

Business Day means a day other than a Saturday, a Sunday or a public holiday in England when banks in London are open for business.

Business Plan has the meaning given by clause 6.

CIPFA Guidance means the guidance published in October 2016 by the Chartered Institute of Public Finance and Accountancy entitled *investment pooling governance principles for LGPS Administering Authorities*.

Commencement Date means [] 2017.

Constituent Authorities means the parties to this Agreement, and all other administering authorities within the LGPS who are or become parties to this Agreement at any time.

Financial Year means in the case of the first Financial Year, the period from the Commencement Date to (and including) the following 31 March. For subsequent Financial Years the period between 1 April and 31 March (inclusive) and for the last Financial Year any lesser period necessary.

Host Council means the Constituent Authority appointed in accordance with clause 7 and whose duties are described within that clause.

Investment Pool means the pooled investments (whether held in single funds, multiple sub-funds or held in alternative structures outside of a collective investment vehicle) derived from assets held by the Constituent Authorities in their capacity as administering authorities within the LGPS for the purpose of the Pooling Collaboration described by this Agreement.

Investment Regulations means the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946).

Joint Governance Committee means the joint committee formed by this Agreement.

LGPS the Local Government Pension Scheme established pursuant to regulations made by the Secretary of State in exercise of powers under section 7 and 12 of the Superannuation Act 1972 and the provisions of the PSPA 2013.

Member in this Agreement means a member of the Joint Governance Committee appointed in accordance with clause 3.3 or their deputy appointed in accordance with clause 3.4.

Monitoring Officer means the person designated by each Constituent Authority for the purposes of section 5 of the Local Government and Housing Act 1989.

Operator means the operator of the pooled investment vehicles principally being an Authorised Contractual Scheme or "ACS" (as defined by the Operator Contract) and any other collective investment vehicle used to hold assets of the Investment Pool pursuant to the Operator Contract.

Operator Contract means the agreement between the Constituent Authorities and the Operator.

OWG means the Officers Working Group described in clause 4.

Pension Board means a local pension board or a joint local pension board within the meaning given to each phrase by regulation 106 of the Local Government Pension Scheme Regulations 2013 (SI 2013/2356) and section 5 of the PSPA 2013.

Pooling Collaboration means the arrangements for asset pooling under the Investment Pool within a framework of strong internal governance to achieve economies of scale and improved investment in infrastructure carried on by the Constituent Authorities as described by this Agreement.

Pooling Contribution means as defined in clause 10.1.

PSPA 2013 means the Public Service Pensions Act 2013.

S151 officer means the person appointed by each Constituent Authority for the purposes of section 151 of the Local Government Act 1972.

Secretary of State means the Department for Communities and Local Government or such replacement department which has responsibility for the LGPS.

Submission means the document created by the Constituent Authorities dated 15 July 2016 entitled "*Submission by the Wales Pool to the Department for Communities and Local Government (DCLG) In response to the publication in November 2015: LGPS: Investment Reform Criteria and Guidance*".

Terms of Reference means the governing framework document concerning the functions and operations of the Joint Governance Committee as set out in Schedule 4.

TUPE means the Transfer of Undertakings (Protection of Employment) Regulations 2006.

- 1.2 Clause, schedule and paragraph headings shall not affect the interpretation of this agreement.
- 1.3 A **person** includes a natural person, corporate or unincorporated body (whether or not having a separate legal personality).
- 1.4 The schedules form part of this agreement and shall have effect as if set out in full in the body of this agreement. Any reference to this agreement includes the schedules.
- 1.5 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.
- 1.6 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.
- 1.7 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.8 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time and includes any subordinate legislation made from time to time under it.
- 1.9 A reference to **writing** or **written** includes faxes and email.
- 1.10 Documents in **agreed form** are documents in the form agreed by the parties and initialled by them or on their behalf for identification.
- 1.11 References to clauses and schedules are to the clauses and schedules of this Agreement; references to paragraphs are to paragraphs of the relevant schedule.
- 1.12 Any words following the terms **include, including, in particular** or **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding them.
- 1.13 Any obligation in this agreement on a person not to do something includes an obligation not to agree or allow that thing to be done.
- 1.14 Any reference to the title of an officer or any of the Constituent Authorities shall include any person holding such office from time to time by the same or any title substituted thereafter or such other officer of the relevant Constituent Authority as that Constituent Authority may from time to time appoint to carry out the duties of the officer referred to.

2 COMMENCEMENT AND CESSATION OF THE MEMORANDUM OF UNDERSTANDING

- 2.1 The Agreement shall commence on the Commencement Date. For the avoidance of doubt, this Agreement is only effective when each Constituent Authority has executed it and each Constituent Authority shall be of equal status with equal rights except where expressly stated otherwise and shall continue on the terms of this Agreement until the earlier of the following:
- (a) all Constituent Authorities agree in writing to its termination; or
 - (b) there is only one remaining Constituent Authority who has not exited this Agreement in accordance with clauses 21 or 22.
- 2.2 The Constituent Authorities confirm that the memorandum of understanding between them relating to *The procurement of services by the administering authorities of the local government pension scheme in Wales* shall cease to have effect from the Commencement Date.

3 FORMATION OF THE JOINT GOVERNANCE COMMITTEE

- 3.1 The Constituent Authorities by this Agreement hereby form the Joint Governance Committee pursuant to section 101(5) and 102(1) of the Local Government Act 1972 for the purposes of overseeing and reporting on the performance of the Investment Pool. The Joint Governance Committee shall not be responsible for formulating or revising the investment strategy described by regulation 7 of the Investment Regulations in respect of each or any of the Constituent Authorities.
- 3.2 Meetings of the Joint Governance Committee are subject to the provisions of the Local Government Act 1972 including the provisions on access to information and meetings held in public.
- 3.3 The membership of the Joint Governance Committee shall be one elected member nominated by each of the Constituent Authorities provided that the elected member is a member of that Constituent Authority and that Constituent Authority's pensions committee (or equivalent body) for the purposes of the Local Government Pension Scheme Regulations 2013.
- 3.4 For the purposes of clause 3.3, each Constituent Authority may appoint a named deputy who must be an elected member of the same Constituent Authority and the same Constituent Authority's pension committee (or equivalent body) for the purposes of the Local Government Pension Scheme Regulations 2013 as the Member for whom they are acting as deputy

- 3.5 The Joint Governance Committee shall undertake its role and act in accordance with the Terms of Reference set out in Schedule 4 and undertake the matters set out in Schedule 3 and shall seek and have regard to the advice of the OWG and any professional advisors appointed in carrying out its functions under this Agreement.
- 3.6 Every meeting shall be governed by the procedure and requirements set out in Schedule 6.
- 3.7 A programme of training will be provided to Members and their deputies having regard to CIPFA Guidance and the training provided to Members in their roles on their respective Constituent Authority pension committees. In order to be eligible to participate in the Joint Governance Committee Members are required to attend and complete this training within 9 months of being appointed to the Joint Governance Committee and must thereafter attend update and refresher sessions provided at intervals deemed appropriate by the Joint Governance Committee. Any failure to undertake the required training shall be a matter for consideration of the relevant Member's Constituent Authority.

4 OFFICERS WORKING GROUP

- 4.1 The Joint Governance Committee shall appoint the OWG on the following terms:
- (a) **Purpose:** the OWG shall support and advise the Joint Governance Committee on such matters as the Joint Governance Committee may reasonably request or any matters relating to the Pooling Collaboration which are raised by any Constituent Authority's Section 151 Officer or Monitoring Officer;
 - (b) **Membership:** each Constituent Authority shall nominate up to two officers employed by that Constituent Authority as its representatives on the OWG;
 - (c) **Remit:** the remit of the OWG shall be as set out in Schedule 8;
- 4.2 The OWG shall undertake its role and have regard to the Joint Governance Committee Terms of Reference .
- 4.3 Each Constituent Authority's Section 151 Officer and Monitoring Officer (or in their absence their deputies) shall, where they are not members of the OWG, have the right to attend meetings of the OWG and receive copies of any papers.

5 DECISION MAKING

- 5.1 The Constituent Authorities have identified the following two categories of decisions together with the means by which they will be taken:
- (a) **"Joint Governance Committee Matter":** means a matter, identified in Schedule 3 which is to be decided upon at a quorate meeting of the Joint Governance

Committee by those present and entitled to vote and any such decision will be binding on all of the Constituent Authorities;

- (b) **"Matters Reserved to the Constituent Authorities"**: means a matter identified in Schedule 2, which will have to be referred to each Constituent Authority for decision (having regard to any recommendation to be made thereon by the Joint Governance Committee). Such matter requiring a decision shall not be dealt with by the Joint Governance Committee until the matter has been determined by all of the Constituent Authorities. If the Constituent Authorities fail to reach a unanimous decision in respect of such matter then the matter shall be referred under clause 36 (Alternative Dispute Resolution) as a dispute for resolution.

6 BUSINESS PLAN

6.1 The Joint Governance Committee shall, with the support of the OWG, produce a draft Business Plan to cover the medium term (being up to five years) having regard to the electoral cycle and the operational requirements of the Constituent Authorities for consultation with the Constituent Authorities. The draft Business Plan shall have regard to:

- (a) the strategic objectives of the Pooling Collaboration over the relevant Business Plan period;
- (b) the financial budget for the relevant Business Plan period and/or any annual budget set;
- (c) the delivery plan produced by the Operator in connection with the Investment Pool including any costs or fees proposed by the Operator or any other supplier;
- (d) the requirements on each of the Constituent Authorities in their individual capacity as an administering authority pursuant to the Investment Regulations;
- (e) the requirements of each Constituent Authority's investment strategy;
- (f) the advice of appropriately qualified and authorised and regulated professional advisors;
- (g) the guidance issued from time to time by the Secretary of State as referred to in regulation 7(1) of the Investment Regulations;
- (h) such other matters that the Constituent Authorities may consider necessary to the furtherance of the Pooling Collaboration including (subject to clause 10.2), the proposal and development of ad hoc projects.

- 6.2 Consultation on the draft Business Plan shall be carried out by the OWG (with the the Operator (where appropriate) and the Constituent Authorities and such other parties as it may deem necessary) who shall report on the outcome of that consultation. The Joint Governance Committee shall hold a meeting to discuss and, having had due regard to the consultation response report and the advice of the appropriately qualified and regulated professional advisors, agree a final Business Plan which may include such revisions to the draft as the Joint Governance Committee considers appropriate.
- 6.3 Following approval by the Joint Governance Committee the Business Plan shall be sent to all Constituent Authorities for their written approval.
- 6.4 The Business Plan will be reviewed by the Joint Governance Committee and the Constituent Authorities annually. Where any revisions are agreed by the Joint Governance Committee the revised Business Plan shall be sent to all Constituent Authorities for their written approval.
- 6.5 For the avoidance of doubt, final approval of the Business Plan shall be treated as a Matter Reserved to the Constituent Authorities (as defined in clause 5).

7 HOST COUNCIL

- 7.1 The Constituent Authorities (acting severally) have agreed, with effect from the Commencement Date, that Carmarthenshire County Council will be the Host Council for the Pooling Collaboration which shall be carried out for and on behalf of itself and the Constituent Authorities and Carmarthenshire County Council agrees to act in that capacity subject to and in accordance with and to the extent provided for by the terms of this Agreement. For the avoidance of doubt the role of Host Council includes:-
- (a) to act as the employing authority for any staff engaged in the discharge of the Pooling Collaboration's functions (appointing, employing or accepting the secondment of staff) in accordance with this Agreement;
 - (b) being the point of contact for the purposes of managing the Pooling Collaboration;
 - (c) providing such administrative resources and facilities that may be necessary for the purpose of discharging the Pooling Collaboration and hold all Pooling Contributions;
 - (d) providing such governance and administrative services that may be necessary for the purpose of supporting the Pooling Collaboration including arranging and clerking of meetings;
 - (e) providing training for Members to support their role on the Joint Governance Committee in line with the training plan and in accordance with clause 3.7.

- (f) provide appropriately qualified and experienced officers who will act as the primary legal and financial advisers to the Pooling Collaboration;
 - (g) for the purposes of the Pooling Collaboration require their Section 151 Officer and Monitoring Officer (or in their absence their deputies) to undertake oversight and review of the operation of the Pooling Collaboration and decisions of the Joint Governance Committee on behalf of all of the Constituent Authorities;
 - (h) power to enter into contracts for supplies and services as required for the purposes of the Pooling Collaboration (save for entry into the Operator Contract which is governed by other provisions of this Agreement);
 - (i) liaise with the Operator on behalf of the Constituent Authorities pursuant to the terms of the Operator Contract and in the manner and to the extent set out in the Contract Management, Co-ordination and Liaison with the Operator policy and procedure to be approved in accordance with Schedule 5 and to provide any contract management and co-ordination services for the purposes of the Pooling Collaboration set out in that policy and procedure.
- 7.2 For the avoidance of doubt the duties and responsibilities of the Host Council pursuant to this Agreement shall only bind the Host Council to the extent that they have been resourced by the Constituent Authorities through this Agreement.
- 7.3 Save and except where otherwise required by law all staff employed by the Host Council pursuant to this Agreement shall be employed on the Host Council's relevant terms and conditions of employment and related staff policies including salary structures.
- 7.4 A replacement Host Council may be appointed by a majority decision of the Constituent Authorities provided that the replacement Host Council agrees.
- 7.5 If the Host Council withdraws from the Pooling Collaboration pursuant to clause 21 (Voluntary Exit) or clause 22 (Compulsory Exit) then a replacement Host Council will be appointed by a majority decision of the Constituent Authorities provided that the replacement Host Council agrees. The withdrawing Host Council will not have the right to vote in regard to any such appointment.
- 7.6 Where a replacement Host Council is appointed pursuant to Clause 7.4 or 7.5 above, any reference to Carmarthenshire County Council (in its capacity as the initial Host Council) shall be read with reference to the replacement Host Council from the effective date of the replacement.
- 7.7 Where TUPE applies in connection with the appointment of any replacement Host Council, then the Constituent Authorities shall comply with the provisions of Schedule 7.

7.8 For the duration of this Agreement, the Host Council shall act diligently and in good faith in all its dealings with the other Constituent Authorities.

7.9 For the duration of this Agreement, the Constituent Authorities shall act diligently and in good faith in all their dealings with the Host Council and shall use their reasonable endeavours to assist the Host Council to support the Pooling Collaboration.

8 OPERATOR CONTRACT

8.1 Each Constituent Authority shall promptly execute the Operator Contract in counterpart and return the executed counterpart to the Host Council as soon as reasonably practicable following execution. The Host Council shall as soon as reasonably practicable confirm that the Operator Contract has been duly executed by all Constituent Authorities and is in force and effect.

8.2 The Constituent Authorities authorise the Host Council to exercise their rights, duties and obligations pursuant to clause 7.1(i).

8.3 For the avoidance of doubt, any allocation of liability arising under the Operator Contract shall be apportioned between the Constituent Authorities pursuant to the terms of the Operator Contract and/or clause 10 (as appropriate).

9 LIABILITIES AND INDEMNITIES FOR THE HOST COUNCIL

9.1 Nothing in this Agreement will make the Host Council liable in respect of anything done or omitted to be done by a Constituent Authority up to the Commencement Date.

9.2 The Host Council shall be indemnified from and against all liabilities, costs, expenses, damages and losses (including but not limited to any direct, indirect or consequential loss, loss of profit, loss of reputation and all interest, penalties and legal costs (calculated on a full indemnity basis) and all other reasonable costs and expenses) arising from the performance of its functions authorised pursuant to clause 7 save in the case of its wilful default or fraud.

10 COMMITMENT OF THE CONSTITUENT AUTHORITIES AND CONTRIBUTIONS

10.1 Subject to clause 10.2, the Constituent Authorities agree to pay the contributions, which shall be calculated equally, of the estimated governance, procurement and administration costs included within the Business Plan or additional expenditure later required as part of any revised estimated governance, procurement and administration costs contemplated by the Business Plan (the "**Pooling Contributions**") except where the Business Plan provides otherwise.

- 10.2 The Constituent Authorities shall meet the costs of ad hoc projects to which they are a party equally between the Constituent Authorities who are parties only and any non-participating Constituent Authorities shall not be liable for any proportion of such costs.
- 10.3 The Constituent Authorities agree to pay the Pooling Contributions to the Host Council on such dates, and at such frequency, as is determined by the Business Plan. Any costs incurred prior to the approval of the Business Plan shall be payable on being invoiced by the Host Council.
- 10.4 All Pooling Contributions shall be made by way of payment to the bank account notified to the Constituent Authorities by the Host Council for the purposes of the Pooling Collaboration. The Host Council shall maintain a separate account or accounts as appropriate for all monies received or expended in connection with the Pooling Collaboration in a manner which complies with their accounting arrangements.
- 10.5 Following the termination of this Agreement, once the costs of the Host Council have been met, the sum standing to the credit of the account or accounts in which Pooling Collaboration funds are held shall be returned to the then remaining Constituent Authorities in the proportions in which they were originally contributed.
- 10.6 Following the termination of this Agreement, where any further contribution is required, or repayments are to be made, the Constituent Authorities shall decide the following:
- (a) the total amount;
 - (b) the apportionment of such contribution or repayment between the Constituent Authorities; and
 - (c) the form of such contribution or repayment.

In the absence of any agreement to the contrary, such contributions or repayments shall be by or to all of the Constituent Authorities equally.

- 10.7 For the avoidance of doubt, any charges incurred in respect of investment management of the Investment Pool shall be attributed to each Constituent Authority by reference to the assets under management for that Constituent Authority and the investment management charges applicable to each sub-fund (or assets held in any alternative investment structure), are not determined by this Agreement. The liability of each Constituent Authority to meet the fees of the Operator shall be determined by the Operator Contract and not this Agreement.

11 ACCOUNTS

- 11.1 The Host Council shall keep proper books of account (which expression shall include any computerised accounting system for the time being used by the Pooling Collaboration)

and shall be responsible for ensuring that full and proper entries of all receipts and payments are promptly recorded in them. The books of account shall be kept at the premises of the Host Council and be made available for inspection by all of the Constituent Authorities (who may also take copies). The Host Council shall make available on reasonable request such information as is required by any Constituent Authority to prepare their own accounts or respond to any internal or external audit.

- 11.2 The Host Council shall ensure that the contributions and payments made by each Constituent Authority shall be held in an account in the name of the Host Council which does not breach regulation 6 of the Investment Regulations.
- 11.3 The Host Council shall prepare annual accounts in relation to each Financial Year for the Pooling Collaboration in accordance with the appropriate code of practice on accounting and the regulations which relate to accounting and audit as applicable to local authorities by no later than 31 May in the following Financial Year.
- 11.4 The Host Council shall be responsible for ensuring that the accounts relating to the Pooling Collaboration are audited where and when required by law or other competent authority and shall make copies of the audited accounts available to all of the Constituent Authorities
- 11.5 The Joint Governance Committee may hold a reserve of funds for the purposes of meeting the costs of the Pooling Collaboration. Where the reserve exceeds 40% of the budget for the forthcoming year then the amount by which the reserve exceeds that sum may be repaid to the Constituent Authorities and such repayment shall be in proportion to the total amount contributed by each unless the Joint Governance Committee decides to the contrary.

12 INVESTMENT MANAGEMENT COSTS

- 12.1 In accordance with clause 10.7, each Constituent Authority shall bear its own costs in respect of investment management they incur or expect to incur in the Pooling Collaboration which shall include all transition costs for the investment and disinvestment of assets.

13 INTELLECTUAL PROPERTY

- 13.1 Any intellectual property developed by any Constituent Authority for the purposes of the Pooling Collaboration shall be retained by the Constituent Authorities and each Constituent Authority will grant all of the other Constituent Authorities a non-exclusive, perpetual, non-transferable and royalty free licence to use, modify amend and develop it for the purpose of the Pooling Collaboration whether or not the Constituent Authority granting the licence remains a party to this Agreement. All costs and expenses relating to such intellectual property shall be borne by the Constituent Authorities and the other

Constituent Authorities shall indemnify the Constituent Authority or Constituent Authorities in whom such property is vested against all liabilities that may arise directly or indirectly in respect of the use of it.

14 REPORTS

- 14.1 The Joint Governance Committee shall oversee the Pooling Collaboration and ensure that it is provided in accordance with the Business Plan.
- 14.2 To ensure that the Constituent Authorities are kept up-to-date with the performance of the Pooling Collaboration, the Joint Governance Committee shall report quarterly and annually to the Constituent Authorities with progress measured against the Business Plan and the objectives of the Investment Pool.

15 INSURANCE

- 15.1 Where the operation of the Pooling Collaboration is not covered by any existing insurance of the Constituent Authorities, the Host Council shall effect and at all times keep in force (for the benefit of the Members of the Joint Governance Committee and the officers appointed to the OWG) such policies of insurance for such amounts as it shall decide. Such policies shall be maintained at the expense of the Constituent Authorities and shall be an administration cost of this Pooling Collaboration for the purposes of clause 10.1.

16 DUTIES AND POWER

Each Constituent Authority shall at all times:

- (a) use its reasonable skills and endeavours to promote and carry on the Pooling Collaboration for the benefit of the Constituent Authorities, and conduct itself in a proper and responsible manner;
- (b) devote such time and attention as the Constituent Authorities may decide in writing to be necessary and appropriate to the Pooling Collaboration;
- (c) comply with all legislation, regulations, professional standards and other provisions as may govern the conduct of the Pooling Collaboration, or be determined by the Constituent Authorities as standards to be voluntarily applied to the Pooling Collaboration;
- (d) show the utmost good faith to the other Constituent Authorities in all transactions relating to the Pooling Collaboration and give them a true account of, and full information about, all things affecting the Pooling Collaboration;
- (e) inform the Constituent Authorities without delay on becoming party to any legal proceedings in connection with the Pooling Collaboration;

- (f) punctually pay and discharge its present and future debts and financial obligations;
- (g) shall not do or fail to do anything which shall bring any of the other Constituent Authorities, or itself, into disrepute;
- (h) obtain all necessary consents sufficient to carry on their duties to the Pooling Collaboration.

16.2 No action which would otherwise be a breach of this clause shall constitute a breach where the Constituent Authority was required to carry out that action in compliance with a statutory duty or order of any court, tribunal or ombudsman.

17 DELEGATION

17.1 Prior to the commencement of the Pooling Collaboration the Constituent Authorities shall put in place such authorisations as are required within their internal governance arrangements to:

- (a) delegate the making of the decisions set out in Schedule 3 (Joint Governance Committee Matters) to the Joint Governance Committee;
- (b) delegate any other matter which is required to comply with the obligations of this Pooling Collaboration, including delegations to its own officers and to the Host Council where required.

17.2 The Constituent Authorities shall review and where necessary amend their delegations throughout the duration of the Pooling Collaboration to ensure that they can comply with the provisions of this Agreement.

17.3 The Joint Governance Committee may appoint contractors or agents to undertake tasks, advise on or support the implementation of its functions.

18 OBLIGATIONS ON CONSTITUENT AUTHORITIES

18.1 Without prejudice to the terms of this Agreement, the Constituent Authorities, on an individual basis, commit to the implementation of the Pooling Collaboration consistently with the Submission (subject to any variation agreed by the Constituent Authorities) and to use their reasonable endeavours to ensure the success of the Pooling Collaboration.

18.2 Nothing in this Agreement shall fetter the discretion of each Constituent Authority to formulate and revise an investment strategy appropriate for their fund within the LGPS pursuant to regulation 7 of the Investment Regulations.

18.3 It is acknowledged and agreed that the obligations and liabilities of each Constituent Authority shall bind any successor authority in the event of any local government re-organisation.

19 INDEMNITY

19.1 Subject to clause 8.3, any Constituent Authority who is in material breach of any of the provisions of this Agreement shall indemnify the other Constituent Authorities from and against all liabilities, costs, expenses, damages and losses, (including but not limited to any direct, indirect or consequential loss, loss of profit, loss of reputation and all interest, penalties and legal costs (calculated on a full indemnity basis) and all other reasonable costs and expenses) resulting from that breach, without prejudice to any other right or remedy of the other Constituent Authorities howsoever arising.

20 POLICIES AND PROCEDURES

20.1 The Joint Governance Committee shall prepare, maintain and adhere to the policies and procedures which are listed in Schedule 5 and any further policies and procedures which the Joint Governance Committee decides are appropriate, in accordance with applicable law and regulation, competent authority, and CIPFA Guidance, and having had regard to applicable guidance specific to local government management of funds or accounting and auditing requirements. The Joint Governance Committee shall provide them to the Constituent Authorities and OWG and provide them to sub-delegates and other necessary parties with the aim of achieving uniformity and efficiency in operating practices.

20.2 Where any policy or procedure provided for under this Agreement requires the Constituent Authorities to address or copy any communication or similar to any contract management or co-ordination function the Joint Governance Committee will advise the Constituent Authorities of that requirement in writing. As of the date of receipt of an advisory under this clause the Constituent Authorities shall address or copy any communication as advised.

21 VOLUNTARY EXIT

21.1 Any Constituent Authority (the "**VE Authority**") may exit from the Pooling Collaboration by giving not less than 18 (eighteen) months' written notice to the Host Council of its intention to exit the Pooling Collaboration and the date of expiration of that notice is the 31 March which next falls after or is coincident with the end of the 18 (eighteen) month notice period provided that the Constituent Authorities may agree with the VE Authority that a different notice period applies (the "**Exit Date**").

21.2 A VE Authority may exit the Pooling Collaboration and be released from its obligations under this Agreement (other than clause 23) provided that:

- (a) it has satisfied all of its obligations up to the Exit Date;
 - (b) it has satisfied its share of the costs and expenses up to the Exit Date, as well as any necessary costs and expenses to facilitate the exit whether or not incurred after the Exit Date;
 - (c) subject to clause 21.5 below, it redeems all of its investments from the Investment Pool;
 - (d) its representatives on the Joint Governance Committee and the OWG resign on or before the Exit Date.
- 21.3 With effect from the date of the notice given by the VE Authority pursuant to clause 21.1 the Member (and any nominated deputy for the purposes of clause 3.4) nominated by the VE Authority for the purposes of clause 3.3 shall cease to have any voting rights for the purposes of the Joint Governance Committee and the VE Authority shall cease to be a Constituent Authority.
- 21.4 For the avoidance of doubt, the VE Authority shall remain liable to make the Pooling Contributions which are due prior to the Exit Date.
- 21.5 The Constituent Authorities recognise that there may be circumstances where the VE Authority may not be able to redeem all of its assets from the Investment Pool due to the nature of a particular investment (for example where an investment is illiquid or redeeming the asset would be in breach of contract) (the "**Retained Asset(s)**") provided that the Constituent Authorities and the VE Authority shall work together in good faith to redeem the Retained Asset(s) as soon as reasonably practicable. In such circumstances the VE Authority shall continue to make Pooling Contributions after the Exit Date until all of the Retained Asset(s) are redeemed from the Investment Pool. The Pooling Contributions shall be determined by the Business Plan which shall have regard to the relative value of the Retained Assets when compared to the assets applicable to the Constituent Authorities in the Investment Pool.

22 COMPULSORY EXIT

- 22.1 The Constituent Authorities (other than the CE Authority) may by majority decision compulsorily require any Constituent Authority (the "**CE Authority**") to leave the Pooling Collaboration, by the Host Council (or in the case of the Host Council being the CE Authority, any other Constituent Authority) giving the CE Authority written notice if the CE Authority:
- (a) commits any serious breach or persistent breaches of this Agreement;
 - (b) fails to pay any money owing by it to the Host Council within 28 (twenty-eight) days of a written request for payment from the Host Council;

- (c) fails to account for, or pay over or refund any money received and belonging to the Constituent Authorities within 28 (twenty-eight) days after being so required by notice from the Host Council;
- (d) wilfully neglects, refuses or omits to perform its duties, obligations and responsibilities under this Agreement; or
- (e) is guilty of conduct which, in the reasonable opinion of the other Constituent Authorities, is likely to have a serious adverse effect on the Pooling Collaboration;

provided that in each case the CE Authority is first given 28 days following receipt of the written notice to remedy the breach or issue described in paragraphs (a) to (e) and the CE Authority has failed to remedy such breach or issue or to take reasonable steps to do so.

22.2 The effective date of the CE Authority being required to leave the Pooling Collaboration is the 31 March which next falls after or is coincident with the period of 18 (eighteen) month after the notice given in clause 22.1 above provided that the other Constituent Authorities may notify the CE Authority that a different notice period applies (the "**Compulsory Exit Date**").

22.3 The CE Authority shall exit the Pooling Collaboration from the Compulsory Exit Date and must prior to the Compulsory Exit Date:

- (a) have satisfied all of its obligations up to the Compulsory Exit Date;
- (b) have satisfied its share of the costs and expenses up to the Compulsory Exit Date, as well as any necessary costs and expenses to facilitate the exit whether or not incurred after the Compulsory Exit Date.
- (c) subject to the same circumstances in clause 21.5, it redeems all of its investments from the Investment Pool;
- (d) its representatives on the Joint Governance Committee and the OWG resign on or before the Compulsory Exit Date.

22.4 With effect from the date of the notice given by the Host Council to the CE Authority pursuant to clause 22.1 the Member (and any nominated deputy for the purposes of clause 3.4) nominated by the CE Authority for the purposes of clause 3.3 shall cease to have any voting rights for the purposes of the Joint Governance Committee and shall cease to be a Constituent Authority.

22.5 For the avoidance of doubt, the CE Authority shall remain liable to make the Pooling Contributions which are due prior to the Compulsory Exit Date and liable to the continuing liability provisions of clause 23.

22.6 The Constituent Authorities recognise that there may be circumstances where the CE Authority may not be able to redeem the Retained Asset(s) provided that the Constituent Authorities and the CE Authority shall work together in good faith to redeem the Retained Asset(s) as soon as reasonably practicable. In such circumstances the CE Authority shall continue to make Pooling Contributions after the Compulsory Exit Date until all of the Retained Asset(s) are redeemed from the Investment Pool. The Pooling Contributions shall be determined by the Business Plan which shall have regard to the relative value of the Retained Asset(s) when compared to the assets applicable to the Constituent Authorities in the Investment Pool.

23 FURTHER PROVISIONS RELATING TO A VE AUTHORITY OR A CE AUTHORITY

23.1 When any Constituent Authority ceases to be a Constituent Authority by virtue of being a VE Authority or a CE Authority, the continuing Constituent Authorities shall publish notice of the change in the Pooling Collaboration and shall give notice in writing of the change in the Pooling Collaboration to all third parties who have in the last 12 (twelve) months had any dealings with the Pooling Collaboration (as advised by the Host Council and whether as suppliers to the Host Council or as clients or customers of it).

23.2 The VE Authority or CE Authority (as applicable) irrevocably agree and undertake to execute and deliver within 5 working days of request all deeds and documents and to do all acts and things necessary to give effect to the terms of this Agreement and for vesting in the continuing Constituent Authorities the full benefit of the assets, rights and benefits to be transferred to the continuing Constituent Authorities under this Agreement.

Continuing liability

23.3 Where any Constituent Authority exits from this Agreement in accordance with Clause 21 or 22 they shall remain liable to the extent they would have been were they still party to this Agreement for any acts, omissions, costs and expenses arising from acts taken or decisions made during the period in which that Constituent Authority was a party to this Agreement.

23.4 Any Constituent Authority who enters this Agreement after the Commencement Date shall have liability for any acts, omissions, costs and expenses arising from acts taken or decisions made from the date of their entry only.

24 NEW CONSTITUENT AUTHORITY

24.1 The Constituent Authorities shall consider applications from other administering authorities of funds within the LGPS to join the Pooling Collaboration (a "**New Member Application**").

- 24.2 A New Member Application will be considered on the merits of its business case and the conditions which the Constituent Authorities consider appropriate from time to time.
- 24.3 A New Member Application will only be approved by the Constituent Authorities at their absolute discretion and, subject to regulation 8 of the Investment Regulations, there shall be no obligation under the terms of this Agreement for a New Member Application to be accepted.

25 CONFIDENTIALITY

25.1 For the purposes of this Agreement, **Confidential Information** means, any information which has been certified as exempt information in accordance with Section 100I of the Local Government Act 1972 and all confidential information (however recorded or preserved) disclosed by a Constituent Authority or its representatives or advisers to another Constituent Authority and his representatives or advisers (except where by law the information cannot be retained as confidential) concerning:

- (a) any information relating to the prospective business, technical processes, computer software or intellectual property rights of the Pooling Collaboration;
- (b) all documents, papers and property that may have been made or prepared by, or at the request of, any Constituent Authority and which are marked as being exempt information or confidential and which come into any Constituent Authority's possession or under its control in the course of the Pooling Collaboration; and
- (c) compilations of two or more items of such information and all information that has been, or may be, derived or obtained from any such information which, at any time, comes into any Constituent Authority's possession or under its control in the course of the Pooling Collaboration and which the Pooling Collaboration regards or could reasonably be expected to regard as confidential, whether or not such information is, in itself, confidential, marked as "confidential" or reduced to tangible form.

25.2 Save as provided otherwise in this agreement either expressly or by implication, each Constituent Authority undertakes that it shall not, at any time, disclose to any person any Confidential Information of the other Constituent Authorities and shall use its reasonable endeavours to keep all Confidential Information of the other Constituent Authorities confidential (whether it is marked as such or not) except as permitted by clause 25.3.

25.3 Each Constituent Authority may disclose the other Constituent Authority's Confidential Information:

- (a) to its representatives or advisers who need to know such information for the purposes of carrying out the Constituent Authority's obligations under or in connection with this Agreement. Each Constituent Authority shall ensure that its representatives or advisers to whom it discloses the other Constituent Authority's Confidential Information comply with this clause.
- (b) as may be required by law, a court of competent jurisdiction or any governmental or regulatory authority including an ombudsman.

26 PENSIONS

26.1 The Constituent Authorities are scheduled employers in the LGPS. The employees employed by the Host Council in the Pooling Collaboration will be active members of the LGPS from and including the Commencement Date or later date of commencement of employment subject to the Local Government Pension Scheme Regulations 2013.

27 FREEDOM OF INFORMATION

27.1 Each Constituent Authority acknowledges that the other Constituent Authorities and the Joint Governance Committee are subject to the requirements of the Freedom of Information Act 2000 ("**FoIA**") and each Constituent Authority shall where reasonable assist and co-operate with the other Constituent Authorities (at their own expense) to enable the other Constituent Authorities to comply with these information disclosure obligations.

27.2 Where a Constituent Authority receives a request for information under the FoIA in relation to information which it is holding on behalf of any of the other Constituent Authorities in relation to the Pooling Collaboration, it shall:

- (a) transfer the request for information to the other Constituent Authorities as soon as practicable after receipt and in any event within 2 (two) Business Days of receiving a request for information;
- (b) provide the other Constituent Authorities with a copy of all information in its possession or power in the form that the Constituent Authorities reasonably require within 10 (ten) Business Days (or such longer period as the Constituent Authorities may specify) of the Constituent Authority requesting that information; and
- (c) provide all necessary assistance as reasonably requested by the other Constituent Authorities to enable the Constituent Authority to respond to a request for information within the time for compliance set out in the FoIA.

27.3 Where a Constituent Authority receives a request for information under the FoIA which relates to this Agreement or the Pooling Collaboration it shall;

- (a) advise the person making the request that the information is held by another public authority being the Joint Governance Committee and that the request has been passed to that public authority to respond;
- (b) transfer the request for information to the Host Council on behalf of the Joint Governance Committee as soon as practicable after receipt and in any event within 2 (two) Business Days of receiving a request for information;
- (c) provide the Host Council with a copy of all information in its possession or power in the form that the Host Council reasonably require within 10 (ten) Business Days (or such longer period as the Constituent Authorities may specify) of the Constituent Authority requesting that information; and
- (d) provide all necessary assistance as reasonably requested by the Host Council to enable the Host Council to respond to a request for information on behalf of the Joint Governance Committee within the time for compliance set out in the FoIA.

27.4 The Constituent Authorities or the Host Council shall be responsible for determining in their absolute discretion whether any information requested under the FoIA:

- (a) is exempt from disclosure under the FoIA;
- (b) is to be disclosed in response to a request for information.

27.5 Each Constituent Authority acknowledges that the other Constituent Authorities and the Joint Governance Committee may be obliged under the FoIA to disclose information:

- (a) without consulting with the other Constituent Authorities where it has not been practicable to achieve such consultation; or
- (b) following consultation with the other Constituent Authorities and having taken their views into account.

28 DATA PROTECTION

28.1 The Constituent Authorities shall comply with the Data Protection Act 1998.

29 DISSOLUTION

29.1 No Constituent Authority shall be capable of dissolving the Pooling Collaboration unilaterally by means of a notice.

29.2 The Pooling Collaboration and this Agreement shall be terminated upon the unanimous agreement of all of the Constituent Authorities.

29.3 Each Constituent Authority shall act in good faith in the wind up of the Pooling Collaboration following the unanimous decision to dissolve as soon as reasonably

practicable thereafter, and all costs and expenses shall be borne equally by the Constituent Authorities.

30 ENTIRE AGREEMENT

- 30.1 This Agreement constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.
- 30.2 Each Constituent Authority acknowledges that, in entering into this Agreement it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement.
- 30.3 Each Constituent Authority agrees that it shall have no claim for innocent or negligent misrepresentation (or negligent misstatement) based on any statement in this agreement.
- 30.4 Nothing in this clause shall limit or exclude any liability for fraud.

31 NOTICES

- 31.1 Any notice, demand or communication in connection with this Agreement will be in writing and may be delivered by hand, post, facsimile or email addressed to the recipient as set out in Schedule 1 or any other address notified to the other party in writing in accordance with this clause as an address to which notices, invoices and other documents may be sent. The notice, demand or communication will be deemed to have been duly served:
- (a) if delivered by hand during business hours, at the time of delivery;
 - (b) if delivered by post, 48 hours after being posted (excluding Saturdays, Sundays and public holidays);
 - (c) if delivered by facsimile during business hours, at the time of transmission, provided that a confirming copy is sent by first class post to the other party within 24 hours after transmission; or
 - (d) if delivered by email or other electronic form of communication during business hours, at the time of transmission provided that a confirming copy is sent by first class post to the other party within 24 hours after transmission.
- 31.2 Where notice is served by hand, facsimile or email outside business hours, it will be deemed to have been served on the next business day.

32 CONTRACTS (THIRD PARTY RIGHTS)

- 32.1 The Constituent Authorities as parties to this Agreement do not wish that any of its terms to be enforceable by virtue of the Contract (Rights of Third Parties) Act 1999 by any person not a party to this Agreement.

33 SEVERANCE

- 33.1 If any provision or part-provision of this Agreement is or becomes invalid, illegal or unenforceable, it shall be modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision of part-provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.
- 33.2 If one Constituent Authority gives notice to the other Constituent Authorities of the possibility that any provision or part-provision of this Agreement is invalid, illegal or unenforceable, the Constituent Authorities shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable, and, to the greatest extent possible, achieves the intended result of the original provision.

34 AMENDMENTS

- 34.1 No amendment to this Agreement shall be binding unless it is in writing and signed by a duly authorised representative of each of the Constituent Authorities and expressed to be for the purpose of such amendment.

35 GOVERNING LAW AND JURISDICTION

- 35.1 This agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales as it applies in Wales.
- 35.2 Each party irrevocably agrees that the courts of England and Wales have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this agreement, its subject matter or formation.

36 ALTERNATIVE DISPUTE RESOLUTION

- 36.1 The Constituent Authorities agree:
- (a) to pursue a positive approach towards dispute resolution with an objective of reaching a consensus without formal dispute resolution and/or legal proceedings and maintaining a strong working relationship between the Constituent Authorities;

- (b) that any dispute between the Constituent Authorities in relation to matters covered by this Agreement will be referred to in the first instance to the Chief Executives of the Constituent Authorities who may, at their sole discretion, delegate the dispute to the appropriate senior officer within 10 Business Days of written notice of the dispute;
- (c) that if the Chief Executives or their delegates are not able to resolve the dispute within 5 Business Days of meeting or there is disagreement over a Member matter, then any Member may refer the matter to a mediation facilitated by the Welsh Local Government Association or to a suitably qualified and independent person, as recommended by the Chief Executives and the Constituent Authorities agree;
- (d) that where any dispute is agreed to be of a legal or technical nature the parties to the dispute may (but not must) jointly take the opinion of an appropriate expert including opinion of senior legal counsel where appropriate. Such expert opinion must be instructed through the OWG and be instructed within 10 days of referral to Chief Executives under sub-clause (b) following which the opinion should be delivered within a further 10 days unless the nature and/or details of the dispute or opinion dictate that an alternative timeframe needs to be followed.
- (e) that, if after exhausting other methods of dispute resolution, one of the Constituent Authorities commences legal proceedings then this will be subject to the exclusive jurisdiction of the Courts of England and Wales.

All costs are borne equally between the Constituent Authorities which are party to the dispute unless agreed otherwise by the Joint Governance Committee or ordered by the Courts.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1

Contact Details

Council name	Address	Contact details
Carmarthenshire County Council	County Hall Carmarthen Carmarthenshire SA31 1JP	Chris Moore s. 151 Officer Tel: 01267 224160 e-mail: CMoore@carmarthenshire.gov.uk ; Linda Rees-Jones Monitoring Officer Tel. 01267 224010 e-mail: LRJones@carmarthenshire.gov.uk
City & County of Swansea Council	The Guildhall Swansea SA1 4PE	Mike Hawes Tel: 01792 636423 e-mail: Mike.hawes@swansea.gov.uk
City of Cardiff Council	County Hall Atlantic Wharf Cardiff CF10 4UW	Gareth Henson Pension Manager Tel. 02920 872975 e-mail: g.henson@cardiff.gov.uk Christine Salter Corporate Director Resources and Section 151 Officer Tel: 02920 872300 email: c.salter@cardiff.gov.uk Davina Fiore Director of Legal, Governance and Monitoring Officer, Tel: 02920 873860 email: Davina.fiore@cardiff.gov.uk
Flintshire County Council	County Hall Mold Flintshire CH7 6NA	Philip Latham Clwyd Pension Fund Manager Tel: 01352 702264 e-mail: Philip.latham@flintshire.gov.uk Gareth Owens Chief Officer (Governance) Tel:01352 702344 e-mail: Gareth.legal@flintshire.gov.uk
Gwynedd Council	Shirehall Street Caernarfon Gwynedd LL55 1SH	Dafydd L Edwards Head of Finance and Section 151 Officer Tel number: 01286 682668 e-mail: dafyddle@gwynedd.llyw.cymru Iwan G D Evans Head of Legal Services and Monitoring Officer, Tel: 01286679015 e-mail: iwangdevans@gwynedd.llyw.cymru

Council name	Address	Contact details
Powys County Council	County Hall Llandrindod Wells Powys LD1 5LG	<p>David Powell Strategic Director Resources Tel No: 01597 826729 email: david.powell@powys.gov.uk</p> <p>Clive Pinney Solicitor to the Council Tel No: 01597 826746 email: clive.pinney@powys.gov.uk</p> <p>Joe Rollin Pension Fund Manager Tel No: 01597 827641 email: joe.rollin@powys.gov.uk</p>
Rhondda Cynon Taff County Borough	The Pavilions Clydach Vale Tonypany CF40 2XX	<p>Chris Lee Deputy Chief Executive and Section 151 Officer Tel: 01443 424026 and e-mail: Christopher.d.lee@rctcbc.gov.uk</p> <p>Chris Jones Director of Legal & Democratic Services and Monitoring Officer Tel: 01443 424105 e-mail: chris.b.jones@rctcbc.gov.uk</p>
Torfaen County Borough Council	Civic Centre Pontypool Torfaen NP46YB	<p>Nigel Aurelius Assistant Chief Executive Officer and Section 151 Officer, Tel: 01495 742623 and e-mail: Nigel.Aurelius@torfaen.gov.uk</p> <p>Graeme Russell, Head of Human Resources and Pensions Tel: 01495 742625, e-mail: Graeme.Russell@torfaen.gov.uk</p> <p>Delyth Harries, Interim Monitoring Officer Tel: 01495 742652 and e-mail: Delyth.Harries@torfaen.gov.uk</p>

Schedule 2

Matters Reserved to the Constituent Authorities

- 1 Appointment, termination or replacement of the Operator following the making of a recommendation by the Joint Governance Committee.
- 2 Approval of additional expenditure not included within the Business Plan which exceeds 30 % of the approved budget in the Business Plan in any one Financial Year.
- 3 Formulation, approval or revisions of each respective Constituent Authority's investment strategy for the purposes of regulation 7 of the Investment Regulations.
- 4 Admitting a new administering authority within the LGPS to the Investment Pool as a Constituent Authority (pursuant to clause 24).
- 5 Amendment of this Agreement (pursuant to clause 34).
- 6 Termination of this Agreement (pursuant to clause 29).
- 7 Material change to the nature of the Operator Contract.
8. Approval of the initial strategic objectives to allow preparation of the first Business Plan (which objectives shall reflect the objectives set out in the procurement of the Operator).
- 9 Approval of any evaluation or scoring criteria for any procurement of a replacement Operator.
- 10 Approval of the Business Plan which shall include approval of the ongoing strategic objectives of the Investment Pool.
11. Determination of the timing of the transition of the assets held by the LGPS fund for which they are an administering authority into the Pooling Collaboration and the funds or sub-funds operated by the Operator.

Schedule 3

Joint Governance Committee Matters

Subject to the terms of the Agreement, the Joint Governance Committee shall undertake those matters which are not Matters Reserved to the Constituent Authorities which shall include (without prejudice to the generality of the foregoing):

- 1 Making a recommendation on the appointment, replacement or termination of the Operator to the Constituent Authorities.
- 2 Appointing and replacing service providers, advisers to the Joint Governance Committee (other than the Operator).
- 3 Approving the creation of new pooled vehicles for the Operator.
- 4 Approving the creation of new sub-funds provided by the Operator.
- 5 Approving the termination of sub-funds provided by the Operator.
- 6 Preparing a plan relating to the overall transition of assets in accordance with each Constituent Authority's asset transition plan.
- 7 Approving changes to the Operator Contract which are not material changes to the nature of the Operator Contract.
- 8 Dealing with the necessary general ongoing management of the Pooling Collaboration.
- 9 Delegation of tasks to the OWG, including the preparation of reports and draft documents and the undertaking of consultations.
- 10 Liaison with Pension Boards as appropriate in line with CIPFA Guidance, guidance issued by the Pensions Regulator and other applicable legislation or regulatory guidance.
11. Determining the best means of alternative investment structures for assets where a sub-fund is not being provided by the Operator.

Notwithstanding the above, for the avoidance of doubt, the Joint Governance Committee may not delegate its responsibilities.

Schedule 4

Joint Governance Committee - Terms of Reference

The Joint Governance Committee responsibilities are:

- Making recommendations to the Constituent Authorities on the termination of the Operator Contract before the conclusion of the fixed term contract, where the performance of the Operator is considered unacceptable;
- Ensuring that there are an appropriate range of sub-funds available in order to allow the Constituent Authorities to meet their strategic investment aims. Following representation from any, some or all of the Constituent Authorities, the Joint Governance Committee may direct the Operator to set up a sub-fund in a particular asset class. The Joint Governance Committee must be mindful at all times of the need to balance the requirement to provide a particular sub-fund with the benefits of holding aggregated assets;
- Monitoring the performance of the Operator against the agreed set of key performance indicators;
- Reporting on the performance of the Investment Pool, its costs and other activities, but not limited to, the Constituent Authorities, government, the Scheme Advisory Board and the general public;
- From time to time, to review the appropriateness of the existing structures, including the number and make-up of sub-funds and to make recommendations to the Constituent Authorities as to the respective merits of procuring Operator services by means of a third party or through ownership by the Constituent Authorities of the Operator;
- Liaising with the Operator, in such areas as the Operator seeks the preferences and views of the Joint Governance Committee, on the appointment of suppliers, for example manager preferences or the appointment of depositories;
- Liaising with the Constituent Authorities on the appropriate range of sub-funds to be provided in the Investment Pool;
- From time to time reviewing policies in respect of ethical, social and governance matters and voting rights and where appropriate make recommendations to the Constituent Authorities as to any changes deemed necessary;
- Applying any processes or policies that are assigned to it within this Agreement;

- Recommend a high level plan for initial transition of assets to the pool and further asset transitions in the event, for example, of new sub-funds being created or manager changes within sub-funds;
- Ensuring that the OWG acts within its remit as set out in clause 4 and Schedule 8 of this Agreement;
- Providing any analysis or commentary on annual accounts to the Constituent Authorities;
- Monitoring the implementation and effectiveness of the policies listed in Schedule 5 and initiating reviews of these where required;
- Delivery and ongoing monitoring against the Pooling Collaboration objectives, Business Plan and budgets;
- Approving responses from the Pooling Collaboration in relation to consultations or other matters considered appropriate;
- Seeking advice from professional and authorised and regulated advisers where necessary;
- Agreeing the Business Plan to be put forward to the Constituent Authorities for approval;
- Report to the Constituent Authorities quarterly (and at any other time when the Joint Governance Committee considers it to be necessary) on the matters within their remit including but not limited to the performance of the Operator, the structure of the funds and the ongoing monitoring of the Business Plan;
- Agreeing criteria for the evaluation of bids or tenders for any procurement (other than the first appointment of the Operator) to be put forward for the approval of the Constituent Authorities.

Schedule 5

Policies and Procedures

- Training and Competence
- Complaints
- Breaches and Errors
- Conflicts of Interests
- Business Continuity Planning
- DSAR/FOI
- Contract Management, Co-ordination and Liaison with the Operator

Schedule 6

Joint Governance Committee Procedure

1 MEMBERSHIP

- 1.1 The membership of the Joint Governance Committee shall consist of one elected member (or their appointed deputy) per Constituent Authority.
- 1.2 No substitutes other than deputies shall be allowed.
- 1.3 The Joint Governance Committee shall not include any non-voting or co-opted members.

2 MEETINGS

- 2.1 Meetings shall be held a minimum of four times per municipal year (being May to May). The anticipated schedule of meetings and the locations in which they will be held will be agreed in advance of the commencement of the next Financial Year no later than the final meeting of the current Financial Year.
- 2.2 A meeting may be held at such time and place as the Chair of the Joint Governance Committee thinks fit provided that at least two meetings per annum shall be held in rotating locations between the Constituent Authorities to facilitate public access. The Constituent Authorities shall make available suitable accommodation for the holding of such meetings in public including the provision of Welsh Language translation, video-conferencing and webcasting services as appropriate.
- 2.3 All agendas, reports and minutes in relation to the Joint Governance Committee shall be in both Welsh and English, and simultaneous translation of proceedings will be available throughout all meetings of the Joint Governance Committee.
- 2.4 The Joint Governance Committee may decide to allow remote participation in meetings via video-conference or any similar medium. Any Member attending by video-conference shall be held to be in attendance at the meeting for the purposes of this Schedule.
- 2.5 A meeting of the Joint Governance Committee may be called by a proper officer of the Host Council on the request of the Chair. Members must declare any conflict of interest in respect of any business being conducted at the meeting which would likely to be regarded to prejudice the exercise of a person's function as a participant in the meeting.
- 2.6 The Chair is responsible for the running of meetings. The Chair shall invite Members expressing a desire to speak in turn. All discussion and debate shall be held through the Chair and the Chair may draw a discussion to a vote at any time where they consider that every Member has been given a fair opportunity to speak.

- 2.7 Minutes will be kept of all meetings. The Chair will sign the minutes of the proceedings at the next suitable meeting.
- 2.8 Notice of meetings
- (a) A notice of meeting specifying the place, date and time of the meeting and containing a statement of the matters to be discussed at the meeting, shall be served on all of the Members of the Joint Governance Committee by the appropriate governance officer of the Host Council;
 - (b) Subject to clause 2.8(c), notice of each meeting, copies of the agenda and any reports to be presented at the meeting, shall be given to all Constituent Authorities by the Host Council no later than 7 clear days before the date of the meeting. The Constituent Authorities shall ensure that a minimum of five clear days' notice of all meetings is given in accordance with their normal procedures for notification of Council meetings and all papers made available at all of the Constituent Authorities head offices for inspection for those five days unless certified as confidential in which case agendas and any non-certified items are made available only.
 - (c) If a meeting is required to be held with less than 5 days' notice, the Chair must agree it is required urgently, approve the shortened notice period and allow as much notice as possible to be given. Notice should be given in the same manner, and the documents should be made available to all of the Constituent Authorities for as many days as practicable before the meeting.
- 2.9 Exclusion of the public and press
- (a) Where any item to be discussed forms exempt information the Chair shall move that the public and press are excluded from the meeting for the duration of the discussion and voting on that item. Motions to exclude the press and public do not require to be seconded and shall be determined by simple majority vote of the Members present.
 - (b) Where the press and public are excluded under (a) above the Chair may invite any person to remain in the meeting where they consider it to be necessary or appropriate to do so and any members of the OWG present shall be presumed to be invited to remain unless the Chair specifies otherwise.
 - (c) Any person may be excluded from a meeting or required to leave a meeting where in the opinion of the Chair they are causing a disturbance to the running of the meeting and have not desisted from doing following a request; or where any person is so disruptive that their conduct if allowed to remain would prevent the meeting from proceeding in a fair and acceptable manner.

- 2.10 The Joint Governance Committee may, through the Chair, invite any person to speak at a meeting.
- 2.11 Officers of the OWG presenting reports to the Joint Governance Committee may be asked questions following such presentation.
- 2.12 Section 151 Officers and Monitoring Officers (and in their absence their deputies) of any Constituent Authority are entitled to attend all meetings including any part of any meeting which is closed to the public and press.

3 QUORUM

- 3.1 The quorum shall be five Members.
- 3.2 Where a quorum is not present within 15 minutes of the start of the meeting and the Chair has not been notified that one or more Members have been delayed but will be attending, the meeting shall not be held and the Host Council will be ask to schedule and give notice of a replacement meeting.
- 3.3 Where, during any meeting there is no quorum present, then the meeting will adjourn immediately. If the Chair has been unable to ascertain within 15 minutes that the quorum can be restored the remaining business will be considered at another time and date fixed by the Chair.

4 CHAIR AND VICE CHAIR.

- 4.1 The Chair and Vice-Chair shall be Members and shall be appointed by vote for a term of 12 calendar months.
- 4.2 In the absence of the Chair, the Vice-chair shall be entitled to exercise all of the functions of the Chair.
- 4.3 The decision of the Chair of the meeting on all points of procedure and order and the Chair's interpretation of any rule in this schedule shall be final and no debate may ensue thereon. The Chair shall be entitled to take the advice of a governance officer in interpreting any rule or objection on procedure.
- 4.4 The Chair may be assisted during meetings by a governance officer on procedural matters and such administrative officers as the Chair considers appropriate. Such governance and secretarial officers shall be entitled to remain in the meeting where the public and press are excluded.

5 AGENDA

- 5.1 An agenda shall be produced in advance for each meeting by the Host Council following consultation with the Chair.

5.2 The agenda for each meeting shall contain as the first substantive item the approval of the minutes of the previous meeting. The Chair will move that the minutes of the previous meeting be signed as a correct record. The only part of the previous minutes that can be discussed is their accuracy and any matters arising from those previous minutes shall be regarded as new items on the agenda of the current meeting.

5.3 The OWG and the Constituent Authorities may ask the Chair to include any matter on the agenda which they consider should be discussed by the Joint Governance Committee.

5.4 The decision on whether to allow discussion on any other matter not on the agenda of a meeting at that meeting shall be made by the Chair.

6 MOTIONS

6.1 Any Member may propose a motion. All motions must be seconded. Motions which are opposed shall be put to a vote in accordance with the voting provisions of this schedule.

6.2 A Member may raise a point of order at any time. The Chair will hear them immediately. A point of order may only relate to an alleged breach of the provisions of this Schedule, or the law or other competent authority. The Member must indicate the provision or law or regulation and the way in which he/she considers it has been broken. The ruling of the Chair on the matter will be final. The Chair may take advice on the point of order from the appropriate officer.

7 VOTING

7.1 The Chair shall seek consensus wherever possible however where a vote is required the provisions of this section shall apply.

7.2 Each Member present will have one vote and voting will be by means of a show of hands. In the event of a tied vote, the Chair shall have a second or casting vote.

7.3 All decisions will be determined by simple majority.

7.4 In the event that a vote is taken, the voting positions and any abstentions of members will be recorded in the minutes.

8 SUB-COMMITTEES AND WORKING GROUPS

8.1 The Joint Governance Committee shall form such sub-committees and working groups as it considers expedient to performing its function. The Joint Governance Committee shall at the time of forming sub-committees or working groups set out the remit of the sub-committees or working groups, what the sub-committees or working groups are required to deliver and the timescale for that delivery.

- 8.2 Sub-committees and working groups shall be entitled to request the input and support of the OWG in the same manner as the Joint Governance Committee.
- 8.3 Each sub-committee and working group shall appoint a chair for that sub-committee or working group, who is to be one of the Members of the sub-committee or working group.
- 8.4 Working groups may invite any person who is not a Member to join the group in order to assist in carrying out its function.
- 8.5 The Chairs of sub-committees and working groups shall report to Joint Governance Committee at each meeting of that committee on the process of the matters within their remit.
- 8.6 Sub-committees and working groups may be disbanded at any time on the vote of the Joint Governance Committee.
- 8.7 The provisions of paragraphs 5-7 (Agenda, Motions and Voting) of this Schedule shall apply to any sub-committee and working group meetings.

Schedule 7

TUPE

1 DEFINITIONS

1.1 The following definitions shall apply in this Schedule:

Data Protection Legislation means the Data Protection Act 1998, the Data Protection Directive (95/46/EC), the Regulation of Investigatory Powers Act 2000, the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000, the Electronic Communications Data Protection Directive (2002/58/EC), the Privacy and Electronic Communications (EC Directive) Regulations 2003 and all applicable laws and regulations relating to the processing of personal data and privacy, including where applicable the guidance and codes of practice issued by the Information Commissioner.

Expected Transferring Employees means those Host Council Personnel who are reasonably expected by the Host Council to be a Transferring Employee.

Future Host Council means any relevant Constituent Authority who provides services which are identical or substantially similar to any of the Host Council Services (directly or indirectly) following the termination or expiry of this Agreement or the termination of the provision of any of the Host Council Services by the Host Council.

Host Council Personnel means the individuals employed or engaged by the Host Council or any other person in the provision of the Host Council Services under this Agreement from time to time.

Host Council Services means the services to be provided by the Host Council under this Agreement as more particularly described at clause 7.

Redundancy Costs means any notice pay (including payment in lieu of notice), holiday pay and statutory and/or contractual redundancy payments.

Sub-Contractor means any person to whom the provision of any of the Host Council Services may be sub-contracted by the Host Council.

Subsequent Transfer Date means the date on which responsibility for the provision of the Host Council Services, or any part of the Host Council Services, transfers from the Host Council to the Future Host Council.

Transferring Employee means an individual whose contract of employment has effect from and after the Subsequent Transfer Date, by virtue of the operation of TUPE, as if originally made between such person and the Future Host Council.

2 NO TRANSFER ON COMMENCEMENT

- 2.1 The Constituent Authorities agree that the neither the commencement of this Agreement nor the implementation of any of the arrangements contemplated within it shall give rise to a "relevant transfer" within the meaning of TUPE on or around the Commencement Date.

3 EMPLOYEE INFORMATION ON TERMINATION

- 3.1 Subject to the Data Protection Legislation, during the period of twelve months preceding the expiry of this Agreement, or at any time after the Host Council has given notice to withdraw from the Pooling Collaboration or at any time after the Host Council has actually ceased to provide any of the Host Council Services:

- (a) the Host Council shall within 28 days of the reasonable request by any Future Host Council disclose to that Future Host Council details of the number, age and terms and conditions of employment, in relation to any Host Council Personnel assigned to the provision of the Host Council Services or any relevant part of the Host Council Services;
- (b) the Host Council shall not and, if relevant, shall procure that any Sub-Contractor shall not, save in the ordinary course of business, materially vary the terms and conditions of employment or engagement of any Host Council Personnel or redeploy, replace or dismiss any Host Council Personnel, or employ or engage any additional individual in the provision of the Host Council Services, without the prior written consent of the Future Host Council (such consent not to be unreasonably withheld or delayed).

4 EMOLUMENTS

All wages, salaries, bonus and commission payments, contributions to pension schemes, entitlement to holiday pay and any other emoluments (whether monetary or otherwise), tax and national insurance contributions relating to the Transferring Employees shall be paid or borne by the Host Council (or Sub-Contractor) in relation to the period before the Subsequent Transfer Date (and the Host Council shall procure such payment by any Sub-Contractor) and by the relevant Future Host Council thereafter (and the Constituent Authorities shall procure such payment by any Future Host Council), and all necessary apportionments shall be made.

5 COMPLIANCE AND INDEMNITIES

- 5.1 The Host Council shall and/or, if relevant, shall procure that any Sub-Contractor shall:
- (a) comply with its or their obligations to inform and consult the Expected Transferring Employees pursuant to Regulation 13 of TUPE;

- (b) use reasonable endeavours to agree with the Future Service Provider, and deliver to the Expected Transferring Employees prior to the Subsequent Transfer Date, a suitable joint statement regarding the proposed transfer of their employment to the Future Host Council on the Subsequent Transfer Date; and
 - (c) give employees of the Future Host Council such access to the Expected Transferring Employees prior to the Subsequent Transfer Date as the Future Host Council may reasonably require for the purposes of consultation or of effecting an efficient transfer of the Host Council Services and Transferring Employees with effect from the Subsequent Transfer Date.
- 5.2 The Host Council shall indemnify and keep indemnified the Future Host Council against all and any costs, expenses, liabilities, damages and losses arising out of or in connection with any claim, demand, action or proceeding which is made or brought against the Future Host Council in relation to:
- (a) the employment or termination of employment of any Transferring Employee during the period before the Subsequent Transfer Date; or
 - (b) the Host Council's failure or alleged failure to comply with its obligations under Regulation 13 of TUPE, save to the extent that any such failure or alleged failure is as a result of or in consequence of a failure by the Future Host Council to comply with its obligations under Regulation 13(4) of TUPE.
- 5.3 If a claim or allegation is made by any person who is not a Transferring Employee (a **"Non-Disclosed Transferring Employee"**) that his contract of employment has or should have effect as if originally made between himself and the Future Host Council by virtue of the operation or alleged operation of TUPE:
- (a) the Future Host Council shall notify the Host Council in writing as soon as reasonably practicable of any such claim or allegation and the Future Host Council shall then allow the Host Council (or any relevant Sub-Contractor) a period of 10 working days to consult with any such Non-Disclosed Transferring Employee concerning his claim or allegation;
 - (b) the Future Host Council shall give to the Host Council (or any relevant Sub-Contractor) such co-operation or assistance as the Host Council (or relevant Sub-Contractor) may reasonably require;
 - (c) if, following the period of 10 working days referred to in paragraph 4.3(a) above, any Non-Disclosed Transferring Employee continues to assert that his contract of employment has or should have effect as if originally made between himself and Future Host Council, the Future Host Council may, within a further period of 20 working days (or such other period as may be agreed in writing between the

Host Council and Future Host Council), serve notice to terminate the employment or alleged employment of such Non-Disclosed Transferring Employee with immediate effect; and

- (d) subject to the Future Host Council's compliance with this paragraph 5.3, the Host Council shall indemnify and keep indemnified the Future Host Council against all and any costs, expenses, liabilities, damages and losses arising out of or in connection with any claim, demand, action or proceeding which is made or brought by any such Non-Disclosed Transferring Employee in relation to any sums paid or payable to such Non-Disclosed Transferring Employee up to the date of the termination of such Non-Disclosed Transferring Employee's employment or alleged employment, and in relation to such termination.

5.4 The Future Host Council shall indemnify and keep indemnified the Host Council (for itself and any Sub-Contractor) against all and any costs, expenses, liabilities, damages and losses arising out of or in connection with any claim, demand, action or proceeding which is made or brought:

- (a) by any Transferring Employee in relation to any act or omission of the Future Host Council on or after the Subsequent Transfer Date and/or in relation to any events or circumstances relating to the employment or termination of employment of any Transferring Employee occurring or arising on or after the Subsequent Transfer Date;
- (b) in relation to any failure or alleged failure of the Future Host Council to comply with their obligations under Regulation 13 of TUPE; or
- (c) in relation to any substantial change made or proposed by the Future Host Council in the working conditions of any of the Transferring Employees, or any individual who would have been a Transferring Employee but whose employment terminated prior to the Subsequent Transfer Date, where that change is to the detriment of such Transferring Employee(s) or such individual(s).

6 REDUNDANCY COSTS

6.1 The Constituent Authorities shall indemnify and keep indemnified on a joint and several basis the Host Council (for itself and any Sub-Contractor) against all and any Redundancy Costs arising out of or in connection with any claim, demand, action or proceeding which is made or brought against the Host Council (or Sub-Contractor) arising out of or in connection with the termination or alleged termination of employment of any Host Council Personnel by reason of redundancy within 6 months of the Subsequent Transfer Date, where the employment such Host Council Personnel does not transfer to a Future Host Council (under TUPE or otherwise) on the cessation of the provision of any or all of the

Host Council Services, provided that the Host Council shall, or shall procure that any Sub-Contractor shall, use reasonable endeavours to:

- (a) mitigate the amount of any such Redundancy Costs;
- (b) search for and, if available, offer alternative employment within the Host Council's or the Constituent Authorities' (or, as the case may be, the Sub-Contractor's) organisation to any Host Council Personnel at risk of redundancy and shall give that Host Council Personnel a reasonable opportunity to accept any such offer of alternative employment before terminating that Host Council Personnel's employment; and
- (c) comply with any applicable statutory obligations.

Schedule 8 - Officers Working Group Remit

The remit of the OWG shall include:

- (a) proposing to the Joint Governance Committee and procuring external support requirements (including legal, governance, tax and other financial support) relevant to the Pooling Collaboration;
- (b) proposals to the Joint Governance Committee on governance arrangements including how the Operator should be held to account by reference to the Operator Contract;
- (c) proposals to the Joint Governance Committee on the most appropriate means of accessing different asset types, the structure of the Investment Pool including the number and make-up of sub-funds and where appropriate use of any external or national investment vehicles;
- (d) proposing high level transition plans for the transfer of assets to the Investment Pool;
- (e) challenging and contributing to the development of the Pooling Collaboration to enable the Pooling Collaboration and the Joint Governance Committee to achieve its objectives;
- (f) making recommendations to the Joint Governance Committee on the appointment, replacement or termination of the Operator including recommendations on whether to use a third party supplier or an owned entity;
- (g) monitoring and reviewing the performance of the Operator in meeting its objectives, service levels and key performance indicators and reporting to the Joint Governance Committee within the quarterly reports and on other occasions as required;
- (h) receiving reports on performance of the assets and reporting to the Joint Governance Committee;
- (i) external reporting on the Pooling Collaboration and its performance no less than quarterly to professional advisors or competent authorities if required;
- (j) liaison with other pools as required;
- (k) considering and making recommendations to the Joint Governance Committee in relation to the Business Plan, prepare a draft Business Plan for consideration by the Joint Governance Committee, consulting upon the approved draft Business Plan and reporting on the outcomes of such consultation including

proposing any revisions to the draft Business Plan to the Joint Governance Committee;

- (l) developing and keeping under review the programme of training to be delivered to Members ensuring that it complies with all relevant regulations and applicable guidance, which programme of training shall have regard to the training undertaken in Members' roles on their respective Constituent Authority pension committees and shall seek to avoid duplication of training;
- (m) seeking advice from professional advisors that are authorised and regulated by competent authorities;
- (n) managing the procurement process for the procurement of any replacement Operator including proposing criteria for the evaluation of bids or tenders
- (o) such other matters as the Joint Governance Committee shall request or delegate to the OWG.

[Execution clauses to be inserted]

[The Common Seal of Carmarthenshire County Council was hereunto affixed in the presence of Authorised Signatory]

[The Common Seal of the City & County Swansea Council was hereunto affixed in the presence of Authorised Signatory]

[The Common Seal of the County Council of the City and County of Cardiff was hereunto affixed in the presence of Authorised Signatory]

[The Common Seal of Flintshire County Council was hereunto affixed in the presence of Chair / Legal Services Manager/Chief Officer Governance]

[The Common Seal of Gwynedd Council was hereunto affixed in the presence of an Authorised Officer]

[The Common Seal of Powys County Council was hereunto affixed in the presence of Authorised Signatory]

[The Common Seal of Rhondda Cynon Taf County Borough Council was hereunto affixed in the presence of an Authorised Officer]

[The Common Seal of Torfaen County Borough Council was hereunto affixed in the presence of Authorised Officer]

Delegation of Functions to Officers by Pension Fund Committee – March 2017

Key:

PFC – Pension Fund Committee

CFM – Corporate Finance Manager

FA – Fund Actuary

PAP - Pension Advisory Panel

CE - Chief Executive

IA – Independent Advisor

CPFM – Pension Fund Manager

IC – Investment Consultant

PFM – Pension Finance Manager

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
<p>Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.</p> <p>Monitoring the implementation of these policies and strategies on an ongoing basis.</p>	<p>Rebalancing and cash management</p> <p>Implementation of strategic allocation including use of both rebalancing and conditional ranges</p> <p>Short term tactical decisions relating to the 'best ideas' portfolio</p> <p>Risk Management Framework - Implementation of the agreed market Flightpath triggers and deciding action(s) to be taken when Flightpath funding triggers are reached within the existing constraints of the Investment Strategy.</p>	<p>CPFM (having regard to ongoing advice of the IC and PAP)</p>	<p>High level monitoring at PFC with more detailed monitoring by PAP</p>

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
	Investment into new mandates / emerging opportunities	CPFM and either the CFM or CE (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP
<p>In relation to Wales Pooling Collaboration arrangements:</p> <ul style="list-style-type: none"> Nominating Flintshire County Council's officers to the Officer Working Group. 	Members of the Officer Working Group	CPFM and PFM (Debbie Fielder)	High level monitoring at PFC with more detailed monitoring by PAP
<p>In relation to Wales Pooling Collaboration arrangements:</p> <ul style="list-style-type: none"> Delegating powers to Flintshire County Council's own officers and the Host Council where required. 	All matters included in the Inter Authority Agreement as being responsibilities of officers and the Host Council	<p>Officers – CPFM who may delegate to PFM subject to ongoing advice from CFM</p> <p>Host Council – Carmarthenshire County Council</p>	High level monitoring at PFC with more detailed monitoring by PAP
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.	Ongoing monitoring of Fund Managers	CPFM, CFM and CE (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
	Selection, appointment and dismissal of Fund Managers	CPFM, CFM and CE (having regard to ongoing advice of the IC) and subject to ratification by PFC	Notified to PFC via ratification process.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
<p>Agreeing the terms and payment of bulk transfers into and out of the Fund.</p>	<p>Agreeing the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff from the Fund. Exceptions to this would be where there is a dispute over the transfer amount or it relates to significant assets transfers relating to one employer or the Fund as a whole</p>	<p>CPFM and either the CFM or CE after taking appropriate advice from the FA.</p>	<p>Ongoing reporting to PFC for noting</p>
<p>Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.</p>	<p>Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund where the employer.</p>	<p>CPFM and either the CFM or CE after taking appropriate advice from the FA.</p>	<p>Ongoing reporting to PFC for noting</p>
<p>Discretions – determining how the various administering authority discretions are operated for the Fund.</p>	<p>Approving administering authority discretions policy other than in relation to:</p> <ul style="list-style-type: none"> • any key strategy/policies and • matters relating to admission bodies and bulk transfers as included in the preceding two rows. 	<p>CFM and CE (having regard to the advice of the rest of the PAP)</p>	<p>Copy of policy to be circulated to PFC members once approved.</p>

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PFC.	CPFM and either the CFM or CE , 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.
Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice ¹	CE	Regular reports provided to PFC and included in Annual Report and Accounts.
Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund	Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document.	CPFM and either the CFM or CE	Ongoing reporting to PFC for noting

¹ CIPFA Code of Practice recommends each administering authority delegates responsibility for implementation to a senior officer.

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee.	Other urgent matters as they arise	CPFM and either CFM or CE , subject to agreement with Chairman and Deputy Chairman (or either, if only one is available in timescale)	PFC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PFC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PFC and subject to monitoring agreed at that time.

Updates since last version are shown in **highlighted bold and italics**.

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Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
CLWYD PENSION FUND**

**GOVERNANCE POLICY and COMPLIANCE
STATEMENT**

March 2017

GOVERNANCE POLICY

Introduction and Legal Requirements

Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund on behalf of its stakeholders; the scheme members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme (LGPS) Regulations.

Flexibility is provided for each Administering Authority to determine their own governance arrangements. However the LGPS Regulations require each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority, and if so:

- a) the terms, structure and operational procedures of the delegation,
- b) the frequency of any committee or sub-committee meetings,
- c) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights
- d) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying, and
- e) details of the terms, structure and operational procedures relating to the local pension board.

The regulations require Administering Authorities to consult such persons as it considers appropriate when preparing the policy and compliance statement.

This document is the Governance Policy and Compliance Statement for Clwyd Pension Fund that has been prepared to meet the requirement of the LGPS Regulations. The compliance statement required by point (d) is included as Appendix A.

Aims and Objectives

Flintshire County Council recognises the significance of its role as Administering Authority to the Clwyd Pension Fund on behalf of its stakeholders which include:

- around 45,000 current and former members of the Fund, and their dependants
- around 39 employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

Our Fund's Mission Statement is:

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

In relation to the governance of the Fund we will aim to:

- 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
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- 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 success

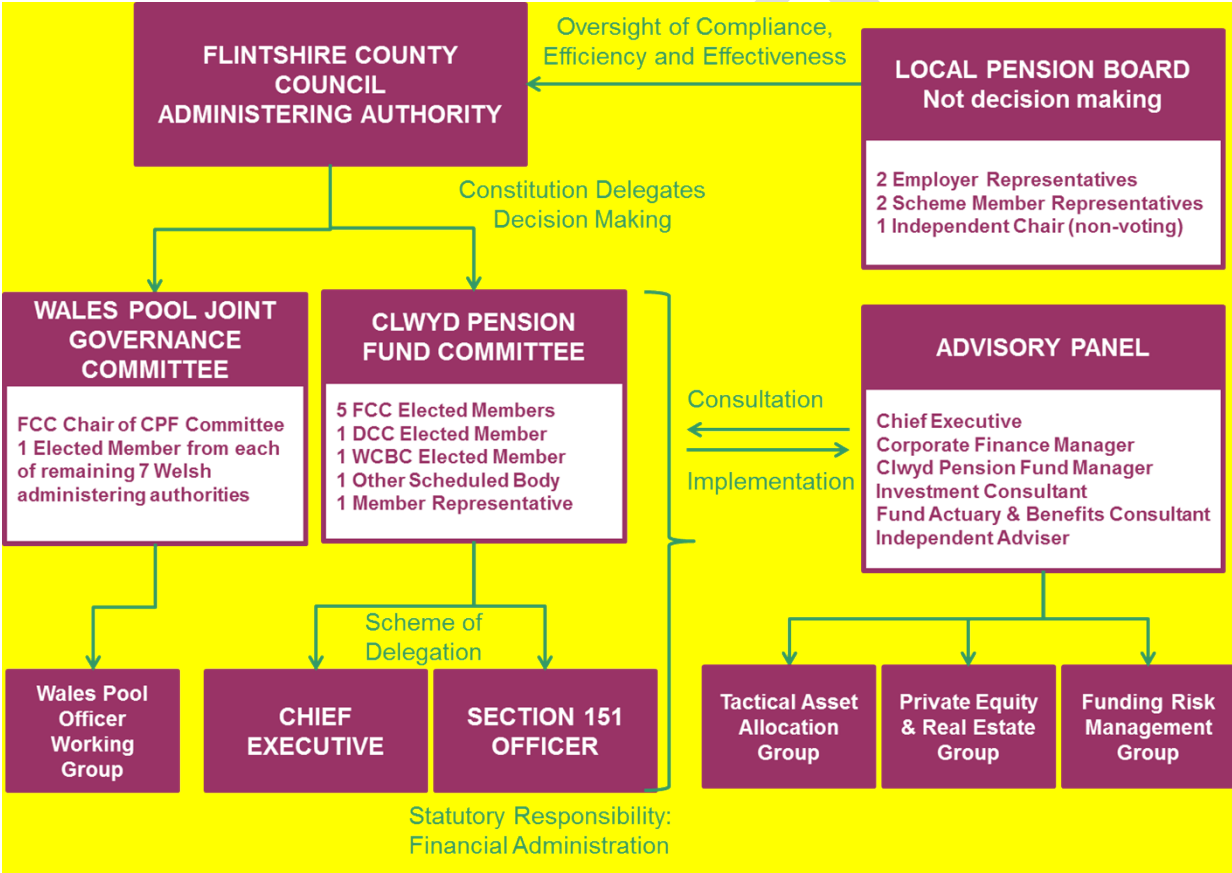
Background to Governance Arrangements

Flintshire County Council reviewed its Governance arrangements for the Clwyd Pension Fund in 2014. Prior to this date, the responsibility for the Clwyd Pension Fund rested with the Head of Finance who reported to the Clwyd Pension Fund Panel made up of elected members from Flintshire County Council, Denbighshire County Council and Wrexham County Borough Council. In addition the panel had non-voting members including an independent adviser and a scheme member representative.

An independent review by CIPFA in 2010 found the governance of the Fund to be very good but recognised that this governance structure did not meet best practice, in particular they recommended:

- Responsibility for the management of the Clwyd Pension Fund should be transferred from the Head of Finance to a newly constituted Committee
- There should be wider representation of stakeholders on the newly constituted committee with voting rights extended to all committee members.

As a result, in May 2014, the Fund's governance arrangements were reviewed and the Council established a formal Pension Fund Committee, supported by a Pensions Advisory Panel. The Corporate Finance Manager is the Section 151 Officer and has a statutory responsibility for the proper financial affairs of Flintshire County Council which include Clwyd Pension Fund matters. In addition, the Council has delegated specific responsibilities to the **Chief Executive**. This governance structure was expanded in early 2015 as a result of the requirement by the Public Service Pensions Act 2013 to introduce a local pension board to assist in compliance of pension fund matters. It was then further expanded in March 2017 to establish the Wales Pool Joint Governance Committee and Officer Working Group and facilitate the move to pooling of pension fund assets across the eight LGPS Pension Funds in Wales. The Council's governance structure for pension fund matters is as shown below:



Clwyd Pension Fund Committee

The Pension Fund Committee's principal aim is to carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund in accordance with LGPS legislation.

The members on the Clwyd Pension Fund Panel are not trustees of the Fund, however, they do have a duty of care which is analogous to the responsibilities of trustees in the private sector and they could be more accurately described as 'quasi trustees'. The management of the Clwyd Pension Fund is Non-Political.

The Committee's specific roles as outlined in the Council's Constitution are shown in Appendix B. The Committee may also delegate a limited range of its functions to one or more officers of Flintshire County Council.

No matters relating to Flintshire County Council's responsibilities as an employer participating within the Clwyd Pension Fund are delegated to the Pension Fund Committee.

The Pension Fund Committee meets at least quarterly and is composed of nine members as follows:

- Five Councillors of Flintshire County Council, determined by the Council.
- Four co-opted members comprising:-
 - One Councillor of Wrexham County Borough Council, determined by that Council.
 - One Councillor of Denbighshire County Council, determined by that Council.
 - One Representative of the other Scheme Employers (not admission bodies) in the Clwyd Pension Fund as defined by Schedule 2 of the Local Government Pension Scheme 2013, as amended from time to time, appointed in accordance with procedures agreed by the **Chief Executive** in consultation with the members of the Pension Fund Advisory Panel.
 - One Representative of the scheme members of the Clwyd Pension Fund, appointed in accordance with procedures agreed by the **Chief Executive** in consultation with the members of the Pension Fund Advisory Panel.

The Council's Constitution permits named substitutes for Flintshire County Council members only, providing they satisfy the knowledge and skills policy of the pension fund. The terms of reference for the members range from four to six years, and members may be reappointed for further terms.

All members have equal voting rights.

Chief Executive

Under the Council's Constitution, the **Chief Executive** is responsible for the following matters:

- The day to day management of Clwyd Pension Fund matters including ensuring arrangements for investment of assets and administration of contributions and benefits, excluding matters delegated to the Pension Fund Committee.
- Establish and Chair a Clwyd Pension Fund Advisory Panel consisting of officers of the Council and advisors to the Clwyd Pension Fund, to provide advice and propose recommendations to the Pension Fund Committee, and to carry out such matters as delegated to it from time to time by the Pension Fund Committee.

Section 151 Officer – Corporate Finance Manager

Under the Council's current operating model, the Chief Finance Officer (S151) role is designated to the Corporate Finance Manager. The Corporate Finance Manager therefore has a statutory responsibility for the proper financial administration of the Clwyd Pension Fund, in addition to that of Flintshire County Council.

Clwyd Pension Fund Advisory Panel

The Clwyd Pension Fund Advisory Panel has been established by the Chief Executive to provide advice and propose recommendations to the Pension Fund Committee, and to carry out such matters as delegated to it from time to time by the Pension Fund Committee.

Its membership consists of:

- The Chief Executive
- The Chief Finance Officer of Flintshire County Council
- The Clwyd Pension Fund Manager
- Investment Consultant
- Fund Actuary
- Independent Adviser

Wales Pool Joint Governance Committee

To satisfy the Government's requirements to reduce investment related costs, the eight LGPS administering authorities in Wales, including Flintshire County Council, have entered into an Inter Authority Agreement to pool pension fund assets, a key part of which will be done by appointment of an Authorised Contractual Scheme Operator to make the investments on behalf of the administering authorities. This was agreed at the Flintshire County Council meeting on 1st March 2017. The report and appendices can be found [here](#).

As part of this pooling arrangement, the authorities have also established a Joint Governance Committee with a number of responsibilities including the following:

- Monitoring the performance of the Operator
- Making decisions on asset class sub-funds to be made available by the Operator to implement the individual investment strategies of the eight Funds
- Providing accountability to the participating Funds on the management of the Pool
- Reporting on the Pool to the UK Government and other stakeholders
- Having oversight of an Officer Working Group

Flintshire County Council has determined that the Clwyd Pension Fund representative on the Joint Governance Committee will be the Chair of the Pension Fund Committee. In his or her absence, the Vice Chair will act as the Deputy.

The Pension Fund Committee will determine which officers of Clwyd Pension Fund will represent the Fund on the Officer Working Group.

The Joint Governance Committee meets at least four times each year and is

composed of one elected member from each Administering Authority responsible for maintaining an LGPS Pension Fund in Wales. These are:

- Carmarthenshire County Council
- City & County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council.

Each member present at the Joint Governance Committee is entitled to a vote and all members have equal voting rights.

Carmarthenshire County Council acts as Host Council in relation to the Wales Pool Inter Authority Agreement. This role includes the following in relation to the management of the pooling arrangements:

- Acting as the main point of contact
- Providing administrative resources and facilities, and governance and administrative services
- Entering into contracts for supplies and services
- Liaising with the Operator.

Wales Pool Officer Working Group

The Wales Pool Officer Working Group has been established as part of the Wales Pool Inter Authority Agreement to support and advise the Joint Governance Committee on such matters as the Joint Governance Committee may reasonably request or any matters relating to the pooling agreement which are raised by any of the authorities' Section 151 Officers or Monitoring Officers.

Each authority delegates to officers to the Officer Working Group. In relation to Clwyd Pension Fund, the Pension Fund Committee determines which of its officers sit on the Officer Working Group. Each authority's Section 151 Officer and Monitoring Officer are entitled to attend the Officer Working Group.

The full list of responsibilities and procedures relating to the Joint Governance Committee, Officer Working Group and Host Council are included in the Inter Authority Agreement which can be found on the Clwyd Pension Fund's website - www.clwydpensionfund.org.uk.

Pension Board

Each LGPS Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension

Fund

Such Pension Boards are not local authority committees; as such the Constitution of Flintshire County Council does not apply to the Pension Board unless it is expressly referred to in the Board's Protocol. The Clwyd Pension Board was established by Flintshire County Council in March 2015 and the full Protocol of the Board can be found within the Council's Constitution. The key points are summarised below.

The Pension Board provides oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pension Fund Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the Pension Fund Committee.

The Pension Board consists of five members as follows:

- Two Employer Representatives
- Two Scheme Member Representatives, one of whom is nominated by the joint trade unions, and one who is a member of the Clwyd Pension Fund
- One Independent Member who acts as chair of the Pension Board.

All Pension Board members, excluding the Independent Member, have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only considered quorate when at least three of the five members are present, including at least one Employer Representative, one Scheme Member Representative and the Independent Member.

Members of the Pension Board are required to declare, on appointment and at each meeting, any interests that may lead to conflicts of interest in relation to Pension Fund matters or agenda items..

The Pension Board meets a minimum of twice and a maximum of four times in each calendar year in the ordinary course of business. Additional meetings may be arranged, subject to approval by the **Chief Executive**, to facilitate its work.

Training

Flintshire County Council recognises that effective financial administration and decision making can only be achieved where those involved have the requisite knowledge and skills. Accordingly, in relation to the management of the Clwyd Pension Fund, we adopt the key recommendations of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

This means we will ensure that we have formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant LGPS and related knowledge and skills for those responsible for financial administration and decision-making relating to the Fund. These policies and practices will be guided by reference to the framework of knowledge and skills defined within the CIPFA Pensions Finance Knowledge and Skills Frameworks.

The Clwyd Pension Fund's Training Policy can be found on the Fund's website – www.clwydpensionfund.org.uk.

We will report on an annual basis how well this Policy has been adhered to throughout the financial year as part of the Fund's Annual Report and Accounts.

The Council has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the **Chief Executive**, who will act in accordance with the Fund's Policy.

In addition, in accordance with the Wales Pool Inter Authority Agreement, the Joint Governance Committee is required to prepare, maintain and adhere to a Training and Competence Policy. All members are required to undertake the training that is provided.

Conflicts of Interest

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

Clwyd Pension Fund's Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

The Policy can be found on the Fund's website – www.clwydpensionfund.org.uk.

In addition, in accordance with the Wales Pool Inter Authority Agreement, the Joint Governance Committee is required to prepare, maintain and adhere to a Conflicts of Interest Policy.

Monitoring Governance of the Clwyd Pension Fund

The Fund's governance objectives will be monitored as follows:

Objective	Monitoring Arrangements
Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.	<ul style="list-style-type: none"> • The Independent Adviser undertakes an annual review of the effectiveness of the Clwyd Pension Fund's governance arrangements, the findings of which are reported to the Committee and published. • The Pension Board prepares and publishes an annual report. • In line with the Regulations this document will be filed with the DCLG.
Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	<ul style="list-style-type: none"> • A Training Policy in place together with annual monitoring of all training by Pension Committee members and key officers. • The Joint Governance Committee has a Training Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.
Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	<ul style="list-style-type: none"> • The employers within the Fund, together with union representatives, are invited to an Annual Joint Consultative Meeting. Attendees receive presentations and have the opportunity to ask questions on the governance of the Fund. • The Pension Fund Committee includes representatives from scheme members and most employers in the Fund. • The Pension Board includes representatives from scheme members and employers in the Fund. • The Pension Board prepares and publishes an annual report which may include comment on decision making. • The Joint Governance Committee prepares an annual business plan which is brought to the Clwyd Pension Fund Committee for agreement in accordance with the Inter Authority Agreement
Understand and monitor risk	<ul style="list-style-type: none"> • A Risk Policy and register in place. • Ongoing consideration of key risks at Pension Fund Committee meetings.

Objective	Monitoring Arrangements
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	<ul style="list-style-type: none"> • The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to Committee. • The Fund has an Independent Adviser and their annual report includes reference to compliance with key requirements. • The Fund maintains a log of all breaches of the law in accordance with the Fund's breaches procedure. • The Pension Board prepares and publishes an annual report which may include comment on compliance matters. • The Joint Governance Committee has a Breaches and Error Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.
Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success	<ul style="list-style-type: none"> • All strategies and policies include reference to how objectives will be monitored. • Ongoing monitoring against key objectives at Pension Fund Committee meetings. • Ongoing monitoring of business plan targets at Pension Fund Committee meetings. • Quarterly and annual updates against the Joint Governance Committee's business plan and objectives are provided in accordance with the Inter Authority Agreement.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Pension Fund Committee members, with the assistance of the Clwyd Pension Fund Advisory Panel, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Fund Committee membership, Pension Board membership, Joint Governance Committee and/or key officers resulting in loss of continuity and potentially diminishing knowledge and understanding
- Changes in government / legislative requirements meaning insufficient time allocated to ongoing management, either at Pension Fund Committee meetings or as part of key officers' duties
- Ineffective delegation of duties and/or presentation of Pension Fund Committee items resulting in insufficient time spent on key matters
- Insufficient monitoring of the Joint Governance Committee responsibilities
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee members, Board members, Joint Governance Committee members, Advisory Panel members and/or other key officers resulting in a poor

- standard of decision making and/or monitoring
- Conflicts of interest not being appropriately managed by Committee members, Board members, **Joint Governance Committee** and/or key officers.

Best Practice Compliance Statement

As required by Local Government Pension Scheme Regulations the statement below compares Clwyd Pension Fund's current governance arrangements with the best practice guidance issued by the Secretary of State for Communities and Local Government. The statement provides an explanation where the Fund is not fully compliant.

Approval, Review and Consultation

The governance structure of the Clwyd Pension Fund was reviewed in 2014. The employers of the Fund were consulted prior to that review. **Employer and scheme member representatives have also been party to proposed changes to the structure including the arrangements for entering into the Wales asset pooling arrangement.**

This Governance Policy and Statement was approved at the Clwyd Pension Fund Committee on **21 March 2017**. It will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Governance Policy and Statement, please contact:

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

Appendix A - Clwyd Pension Fund Governance Compliance Statement

Best Practice	Compliant or not?	Explanatory Note
A. STRUCTURE		
<p>a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.</p>	COMPLIANT	<p>The majority of elements of administration of benefits and strategic management of fund assets are delegated by the Council to Pension Fund Committee.</p> <p>The Wales Pool Joint Governance Committee has responsibility for some elements of management of the All Wales Pool.</p>
<p>b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.</p>	COMPLIANT	<p>Representatives covering most employers and scheme members are Co-opted Members of the Pension Fund Committee.</p> <p>The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers.</p> <p>The Wales Pool Joint Governance Committee is required to liaise with scheme member and employer representatives.</p>

Best Practice	Compliant or not?	Explanatory Note
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	NOT APPLICABLE	There is no formal secondary committee or panel. However it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate. All Pension Board minutes are circulated around Pension Fund Committee members as soon as they are available as well as being included in Pension Fund Committee reports.
d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	NOT APPLICABLE	
B. REPRESENTATION		

Best Practice	Compliant or not?	Explanatory Note
<p>a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis). 	<p>PARTIALLY COMPLIANT</p>	<p>The Pension Fund Committee includes the following Co-opted Members:</p> <ul style="list-style-type: none"> • employer representatives covering all employers with the exception of admission bodies (as admission bodies make up just a small proportion of the liabilities of the Fund) • a scheme member representative covering all categories of scheme member. <p>In addition, an independent adviser attends all Pension Fund Committee meetings and the Fund's actuary and investment consultant regularly attend meetings on an ad-hoc basis.</p> <p>The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers.</p> <p>The Wales Pool Joint Governance Committee is required to liaise with scheme member and employer representatives.</p>

Best Practice	Compliant or not?	Explanatory Note
<p>b. That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p>COMPLIANT</p>	<p>All Pension Fund Committee members, including Co-opted Members, are treated equally with full opportunity to contribute to the decision making process and with unrestricted access to papers and training, and with full voting rights.</p> <p>There is no formal secondary committee or panel. However it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate.</p>
<p>C. SELECTION AND ROLE OF LAY MEMBERS</p>		
<p>a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>	<p>COMPLIANT</p>	<p>This is highlighted via regular training and also when presenting the Governance Strategy Statement for approval.</p>

Best Practice	Compliant or not?	Explanatory Note
<p>b. That at the start of any meeting committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	<p>COMPLIANT</p>	<p>This is no longer a legal requirement but we recognise that potential conflicts of interest can arise between existing roles (e.g. as employer representatives or scheme members) and accordingly we still carry out this practice. The Fund has a Conflicts of Interest Policy outlining the process for identifying and managing actual and potential conflicts of interest.</p>
<p>D. VOTING</p>		
<p>a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	<p>COMPLIANT</p>	<p>The Council's Constitution and the Fund's Governance Strategy Statement make it clear that all Pension Fund Committee members have equal voting rights.</p> <p>The Wales Pool Joint Governance Committee voting arrangements are outlined in the Inter Authority Agreement with one vote per authority.</p>
<p>E. TRAINING / FACILITY TIME / EXPENSES</p>		

Best Practice	Compliant or not?	Explanatory Note
<p>a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p>	<p>COMPLIANT</p>	<p>The Fund has a Training Policy that applies to all Pension Fund Committee members, Pension Board members and officers. Training is delivered through several avenues including:</p> <ul style="list-style-type: none"> • An initial induction for new Pension Fund Committee and Pension Board Members • On-going training through written reports or presentations at Committee meetings • Conferences and seminars. <p>The actual costs and expenses relating to approved training are met directly or can be reimbursed from the Clwyd Pension Fund. The co-opted members of the Pension Fund Committee and members of the Pension Board receive payments for attendance at meetings (including training events) as detailed within the Flintshire County Council Members' Remuneration Scheme and the Pension Board Protocol.</p> <p>The Wales Pool Joint Governance Committee is required to prepare, maintain and adhere to a Training Policy.</p>

Best Practice	Compliant or not?	Explanatory Note
<i>b.</i> That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	COMPLIANT	
<i>c.</i> That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	COMPLIANT	A log of individual Member training is maintained. In addition, the Fund has adopted the CIPFA Knowledge and Skills Framework and has a Fund specific Training Policy.
F. MEETINGS (FREQUENCY/QUORUM)		
<i>a.</i> That an administering authority's main committee or committees meet at least quarterly.	COMPLIANT	
<i>b.</i> That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	NOT APPLICABLE	
<i>c.</i> That an administering authority who do not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	NOT APPLICABLE	Even though we do have lay members on our Pension Committee, we also have an Annual Joint Consultative Meeting (AJCM) for employing bodies and scheme members. The Pension Board also provides a forum for stakeholders to be represented.
G. ACCESS		

Best Practice	Compliant or not?	Explanatory Note
<p>a. That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</p>	<p>COMPLIANT</p>	<p>All Members of the Pension Fund Committee have equal access to papers. In addition, all Pension Board members have access to the same papers. The Joint Governance Committee is a public meeting so all papers (except those classified as exempt) are available to Committee and Board members, as well as members of the public.</p>
<p>H. SCOPE</p> <p>a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements</p>	<p>COMPLIANT</p>	<p>The remit of the Pension Fund Committee covers all Fund matters, including administration, communications, funding, investments and governance. The Pension Board provides further opportunity for these matters to be considered.</p>
<p>I. PUBLICITY</p>		

Best Practice	Compliant or not?	Explanatory Note
a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	COMPLIANT	<p>The Fund publishes a detailed Annual Report, newsletters for active and pensioner members, road shows, drop in sessions and an Annual Meeting for Employers and representatives of stakeholders (AJCM). In addition all Pension Fund Committee reports are available to view on the Flintshire County Council website (other than exempt items).</p> <p>Arrangements relating to the Joint Governance Committee are available via this policy, with some information included in Pension Fund Committee papers. In addition the Joint Governance Committee will liaise with scheme member and employer representatives.</p>

Appendix B – Delegated Roles and Functions of the Clwyd Pension Fund Committee

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the **Chief Executive** and the Fund's professional advisers:

- a) Ensuring the Clwyd Pension Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non statutory best practice guidance in relation to its management of the Clwyd Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
 - i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Flintshire County Council and making recommendations to Flintshire County Council about any changes to that framework.
 - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
 - iii) Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
 - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
 - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.
 - vi) Discretions – determining how the various administering authority discretions are operated for the Fund.

e) Monitoring the implementation of these policies and strategies on an ongoing basis.

f) In relation to the Wales Pooling Collaboration arrangements:

i) Undertaking the following matters reserved to Flintshire County Council as outlined in the Inter-Authority Agreement:

- Appointment, termination or replacement of the Operator following the making of a recommendation by the Joint Governance Committee.
- Approval of additional expenditure not included within the Business Plan which exceeds 30 % of the approved budget in the Business Plan in any one Financial Year.
- Formulation, approval or revisions of each respective Constituent Authority's investment strategy for the purposes of regulation 7 of the Investment Regulations.
- Admitting a new administering authority within the LGPS to the Investment Pool as a Constituent Authority.
- Amendment of the Agreement which is not significant to the operation of the arrangements.
- Material change to the nature of the Operator Contract.
- Approval of the initial strategic objectives to allow preparation of the first Business Plan (which objectives shall reflect the objectives set out in the procurement of the Operator).
- Approval of any evaluation or scoring criteria for any procurement of a replacement Operator.
- Approval of the Business Plan which shall include approval of the ongoing strategic objectives of the Investment Pool.
- Determination of the timing of the transition of the assets held by Clwyd Pension Fund into the Pooling Collaboration and the funds or sub-funds operated by the Operator.

Note the Council shall retain the power to terminate the Inter-Authority Agreement or make amendments to the Inter-Authority Agreement that may be significant to the operation of the arrangements.

ii) Delegating powers to Flintshire County Council's own officers and the Host Council where required.

iii) Nominating Flintshire County Council's officers to the Officer Working Group.

iv) Monitoring of the performance of the Wales Pooling Collaboration and its Operator and recommending actions to the Joint Governance Committee, Officer Working Group or Host Council, as appropriate.

g) Considering the Fund's financial statements prior to approval by the Council and agreeing the Fund's annual report.

- h) Selection, appointment, dismissal **and monitoring** of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.
- i) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- j) Agreeing the terms and payment of bulk transfers into and out of the Fund.
- k) Agreeing Pension Fund business plans and monitoring progress against them.
- l) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
- m) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- n) Receiving ongoing reports from the **Chief Executive** and Pensions Advisory Panel in relation to delegated functions.



CLWYD PENSION FUND COMMITTEE

Date of Meeting	21 March 2017
Report Subject	Business Plan 2017/2018 to 2019/20
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The Committee approved a three year Business Plan in March 2016 and has received updates each quarter on progress. The purpose of this report is to summarise progress during 2016/17 and update the Plan for 2017/18.

The Business Plan includes business as usual, tasks, risks and an estimate of the financial resources required.

In summary, the majority of the tasks for 2016/17 have been completed, or are work in progress, which is illustrated in Appendix 1.

Looking ahead, the next few years will be challenging for those involved in the governance, management and operation of the Fund. The Fund's Business Plan covering the period from 2017/18 to 2019/20, which the Committee is asked to approve, has been updated (Appendix 2) to ensure that all our known risks are being managed and resourced.

RECOMMENDATIONS

1	That Committee members note progress made towards the Fund's Business Plan during 2016/17.
2	That the Committee approve the Business Plan 2 relating to the period 017/18 to 2019/20.

REPORT DETAILS

1.00	REVIEW OF THE FUND'S BUSINESS PLAN
1.01	<p>Progress of the Fund's Business Plan key tasks across the three main activities (governance, funding and investment, administration and communication) is shown in Appendix 1.</p> <p>The updated Plan for the three years commencing 2017/18 is attached as Appendix 2. It includes business as usual, main tasks or projects with descriptions, a current risk assessment and an estimate of the financial resources required.</p>
1.02	<p>In terms of a summary on Governance for 2016/17:</p> <ul style="list-style-type: none">• Business as usual has been completed.• Tasks have been completed, including establishing the new investment pooling governance arrangements. The exception being 'Key Person Risk' which has been delayed until the impact of 'pooling' on officers is better understood. <p>Looking ahead for 2017/18 new tasks include:</p> <ul style="list-style-type: none">• The local elections may result in changes to the Committee and hence additional training requirements.• The new Wales Pool governance structure will need to be resourced, which will include Joint Governance Committee and Officer Working Group meetings.• The Tender of the Actuarial and Benefits Services.
1.03	<p>In terms of a summary on Funding and Investment for 2016/17:</p> <ul style="list-style-type: none">• The investment strategy and funding 'flight-path', both of which have been reviewed during the year, have struck an appropriate balance between long term returns and funding objectives which has seen a significant improvement in the funding level. Cash flow management has ensured outgoings have been met.• The Actuarial Valuation was completed and employers agreed contribution payments for the next three years, along with improved covenant monitoring.• Business as usual, which also includes accounting, has been completed, albeit resources have been stretched, in the main, due to the investment pooling project, which has resulted in some additional consultancy costs. <p>Looking ahead for 2017/18 new tasks include:</p> <ul style="list-style-type: none">• Working through the potential implications of MiFID II.• In terms of asset pooling the initial focus will be on the Fund's contribution to the appointment of the operator, initial discussions with the appointed operator and potentially some transition of assets, but this is more likely to move into 2018/19.

1.04	<p>In terms of a summary on Administration and Communication for 2016/17:</p> <ul style="list-style-type: none"> • A number of tasks have either been completed or are in progress to be enable a high quality service provision in the future as desired in the Administration and Communication Strategies. These include performance measurement, clearing older tasks, and the better use of technology e.g. website, I-Connect and Member Self Service. • Although, not included in the original Business Plan, work commenced on an Employer Liaison Team, to undertake the role of certain employers with the provision of data to the Fund. This should assist the Fund to maintain more accurate records, improve the turnaround time for member events and help employers better understand their role. • Business as usual across administration, payroll, communication and technical has been completed whilst implementing the tasks outlined above and despite increased workloads in general. • There are pockets of knowledge gaps for more complex work within the team which are being filled over time. <p>Looking ahead for 2017/18 new tasks include:</p> <ul style="list-style-type: none"> • Planning the move towards electronic annual benefits statements. • Work for the new data protection requirements and the national pension dashboard. • Developing a workforce plan to recognise the profile of officers and changes to service delivery.
1.05	<p>In summary, the majority of the tasks on the 2016/17 Business Plan have been completed or are work in progress. Business as usual has also been completed.</p> <p>Looking ahead, the next few years will be challenging for those involved in the governance, management and operation of the Fund. The Fund's Business Plan has been updated to ensure that all our known risks are being managed and resourced.</p>

2.00	RESOURCE IMPLICATIONS
2.01	The resources required for managing the Fund are estimated in 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	Risks are considered as part of the business planning process.

5.00	APPENDICES
5.01	Appendix 1 – Business Plan 2016/17 Key Tasks Appendix 2 – Business Plan 2017/18 to 2019/20

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Clwyd Pension Fund Business Plan 2016/17 to 2018/19. 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</p> <p>NB: The terms used in the report are explained within Appendix 2.</p>

Business Plan 2016/7 to 2018/9 – Q4 Update

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	2016/17 Period				Later Years	
		Q1	Q2	Q3	Q4	2017/18	2018/19
G1	Review CPF Adviser Procurement Framework		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			
G4	Consider Key Person Risk			x	x	xM	

Funding and Investments (including accounting and audit) Tasks

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	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

Administration (including Communications) Tasks

Ref	Key Action –Task	2016/17 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	x	x	x		
A2	Tax Changes (Potentially from Spring Budget)	x					
A3	3rd Party Administrators Framework	x	x	x			
A4	Backlog to 31 March 2013 (Mercers)	x	x	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	xM	xM
A12	i-Connect		x	x	x	x	x
A13	Member Self Service			x	x	x	

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Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

BUSINESS PLAN 2017/18 TO 2019/20

March 2017

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 2017/18, 2018/19 and 2019/20. This business plan was approved at the Clwyd Pension Fund Committee meeting on 21st March 2017. 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 2017/18 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:

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Background to the Clwyd Pension Fund

The Clwyd Pension Fund ("CPF") is a £1.6bn¹ 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 45,000 with about 16,000 active contributors from 39 contributing employers and about 29,000 retired, survivor, deferred and other members.

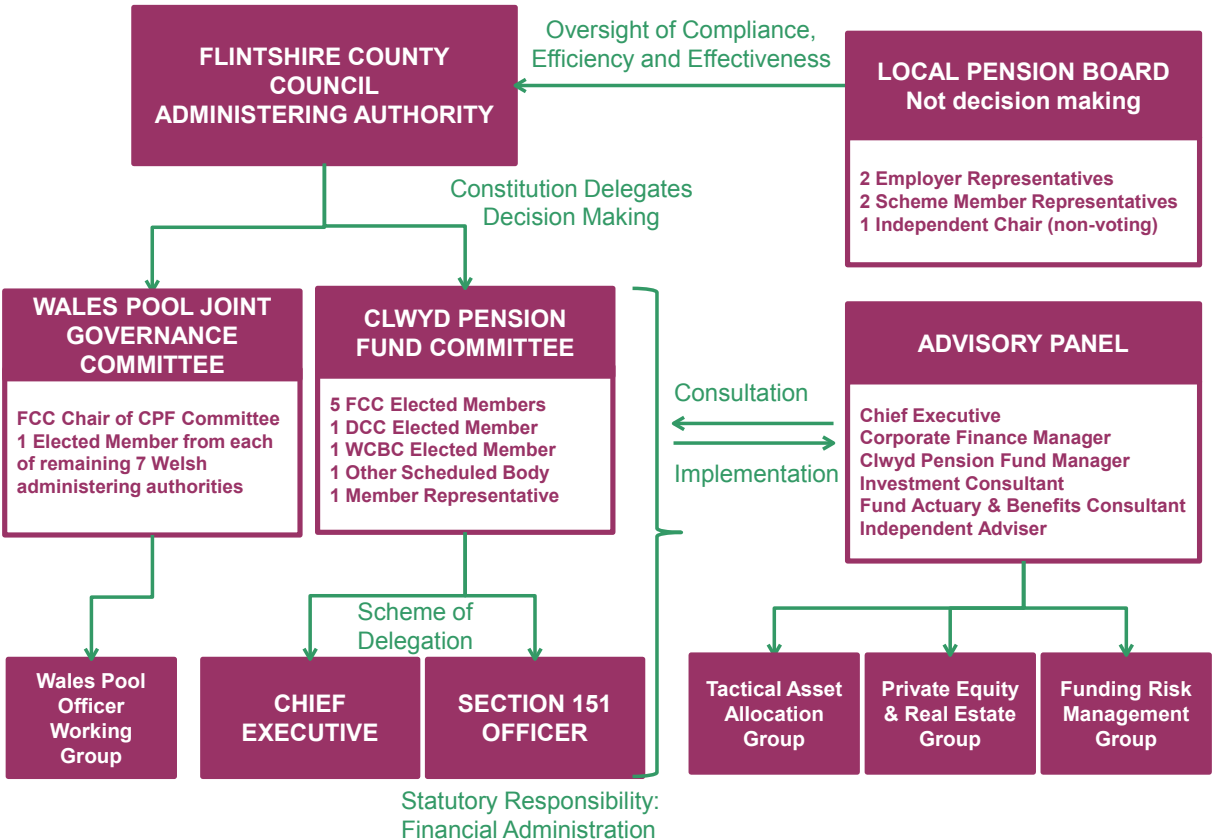
Governance and Management of the Fund

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"). 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.

A 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 December 2016.

The Joint Governance Committee (JGC) for the Wales Pool is a joint committee of the eight participating administering authorities. An inter-authority agreement has been agreed which delegates certain investment decisions to the JGC. The JGC will be advised by an Officer Working Group on which each of the administering authorities will be represented.

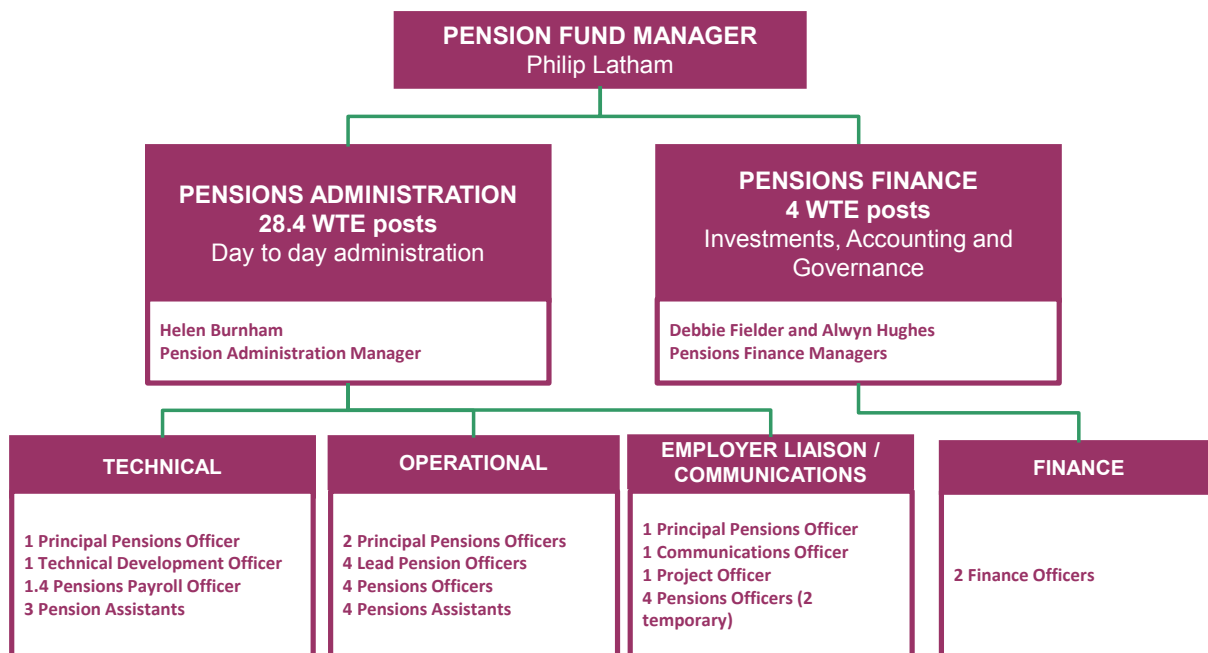
The Pension Fund Management Team

The day to day operations of the Fund are managed by the Clwyd Pension Fund Manager. He is supported by two sections:

- The Pensions Administration Section which is responsible for the day to day administration of pension benefits and is headed by Pension Administration Manager. The section is split between an Operational Team and a Technical Team. The Operational Team delivers a pensions service for approximately 45,000 scheme members and 39 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, and a pensioner payroll service for 13,700 pensioners, survivors and dependents.
- Additionally within the Pensions Administration Section there is an Employer Liaison Team that will be undertaking employer responsibilities which will be recharged to the employer through their employer contribution rate. This team was created in late 2016/17 and will be developed depending on the number of employers which take up the option of using the service. Two of the unitary authorities have currently agreed to use this service. The communication service is also included as part of this team but is provided to all employers and members as it is a Pension Fund responsibility.
- The Pensions Finance Section which is responsible for accounting, investment and governance matters, is headed by two Pension Finance Managers. The section is responsible for the day to day accounting and closure of the accounts. Additionally, the section is responsible for the monitoring of 6 core external fund managers as well as 47 non-core external fund managers responsible for around 110 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 structure as at March 2017 is illustrated below.

² Information correct as at March 2017



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

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
- Investment Strategy Statement and Compliance Statement
- Funding Strategy Statement
- Administration Strategy
- Communications Strategy
- Employer Service Level Agreements including Employer Liaison and Communications Team agreements

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the areas of governance, funding, investments, and administration,

communications and employer liaison team 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
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- 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 success

Funding and Investments

- Achieve and maintain assets equal to 100% of liabilities within the 15 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
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.

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 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 including through greater use of technology and partnership working
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

Employer Liaison Team

- Provide a high quality, professional, proactive, timely and customer focused service to the Employer
- Provide the agreed service in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Employer is aware of and understands their role and responsibilities under the LGPS regulations and the Fund's Administration Strategy
- Ensure that accurate member information is provided to the Fund, in the correct format, within the agreed timescales
- Ensure data is protected and has authorised use only.

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.
- Understanding the continuing pressure on resources and budgets for employers and the administering authority, Flintshire County Council has established an Employer Liaison team which can provide assistance to employers by carrying out a number of the employer responsibilities on the employers’ behalf.

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 and external audit in their role
- Replying to Freedom of Information requests.
- Participation at the Joint Governance Committee and Officer Working Group of the Wales Pool.

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
- Quarterly cash flow and treasury management
- Monthly monitoring of income and expenditure including employer and scheme member contributions
- Quarterly 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 covenant including their 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 including within a pooling environment
- Quarterly 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 through our role within the Joint Governance Committee and Officer Working Group.

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.

Employer Liaison Team

- Providing notifications regarding new starters, personal/employment changes and leavers/retirements in the Fund
- Undertaking estimates of benefits for scheme members and the employer
- Undertake response to outstanding requests for information in order to cleanse the pension records

- Providing information to the Fund's actuary as required for new alternative delivery models for employer services.
- Undertake work as necessary to clear outstanding year-end queries.

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 in 2014/15/16
- A fundamental review of the investment strategy in 2014/15, to ensure a closer relationship with the funding strategy through implementation of a flight-path risk management plan, which was refreshed in 2016/17
- The implementation of the new Local Government Pension Scheme from April 2014 and each year introducing innovative ways of working within the Administration Section
- Contributing towards the development of the governance arrangements for the Wales Pool during 2016/17.

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:

- Implementing the Government's requirements on the pooling of pension fund assets with the other LGPS pension funds in Wales.
- Responding to the requirements of the second Markets in Financial Instruments Directive (MIFID II).
- Implementing any required changes as a result of the national LGPS cost control mechanism.
- Achieving the objectives of the Fund's aspirational administration and communications strategy including how we work with employers.

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

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 (cash flow) as well as the expected operating costs.

Cash flow projection for 2017/18

	Estimated	Budget	Budget	Budget
	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s
Opening Cash	(13,640)	(9,684)	(26,114)	(16,660)
Payments				
Pensions	55,500	55,860	57,720	60,040
Lump Sums & Death Grants	17,000	15,000	15,000	15,000
Transfers Out	4,100	3,200	3,200	3,200
Expenses (excluding investments)	3,650	3,400	3,400	3,400
Support Services	250	120	120	120
Total Payments	80,500	77,580	79,440	81,760
Income				
Employer Contributions	(34,300)	(34,100)	(35,200)	(36,000)
Employee Contributions	(11,800)	(14,000)	(14,000)	(14,000)
Employer Deficit Payments	(28,500)	(51,784)	(18,123)	(18,247)
Transfers In	(2,000)	(2,000)	(2,000)	(2,000)
Pension Strain	(1,200)	(1,200)	(1,200)	(1,200)
Income	(170)	(100)	(100)	(100)
Total Income	(77,970)	(103,184)	(70,623)	(71,547)
Cash-flow Net of Investment Income	2,530	(25,604)	8,817	10,213
Investment Income	(3,300)	(3,000)	(3,000)	(3,000)
Investment expenses	3,200	3,000	3,000	3,000
Total Net of In House Investments	2,430	(25,604)	8,817	10,213
In House Investments				
Draw downs	49,112	47,008	39,607	38,100
Distributions	(61,170)	(77,834)	(68,970)	(59,699)
Net Expenditure /(Income)	(12,058)	(30,826)	(29,363)	(21,599)
Total Net Cash-Flow	(9,628)	(56,430)	(20,546)	(11,386)
Rebalancing Portfolio	13,584	40,000	30,000	15,000
Total Cash Flow	3,956	(16,430)	9,454	3,614
Closing Cash	(9,684)	(26,114)	(16,660)	(13,046)

Operating Cost Budget 2017/18

	Budget	Estimate	Budget
	2016/17	2016/17	2017/18
	£000s	£000s	£000s
Governance Expenses			
Employee Costs (Direct)	229	236	238
Support & Services Costs (Internal Recharges)	19	8	8
Premises	17	7	7
IT (Support & Services)	10	9	9
Other Supplies & Services	56	48	50
Audit Fees	40	40	40
Actuarial Fees	304	350	202
Consultant Fees	389	404	399
Advisor Fees	188	150	187
Legal Fees	30	50	40
Pooling (Additional Costs) *2	n/k	138	n/k
Total Governance Expenses	1,282	1,440	1,180
Investment Management Expenses			
Fund Manager Fees*1	11,028	11,028	11,878
Custody Fees	34	28	34
Performance Monitoring Fees	25	54	58
Pooling (Additional Costs) *2	n/k	n/k	n/k
Total Investment Management Expenses	11,087	11,110	11,970
Administration Expenses			
Employee Costs (Direct)	711	632	762
Support & Services Costs (Internal Recharges)	90	42	42
Outsourcing	1,240	165	900
Premises	75	39	33
IT (Support & Services)	250	210	250
Member Self Service	107	32	75
Other Supplies & Services)	70	60	70
Total Administration Expenses	2,543	1,180	2,132
Employer Liaison Team			
Employee Costs (Direct)	N/A	N/A	144
Total Employer Liaison Team	0	0	144
Total Costs	14,912	13,730	15,426

*1 following changes by CIPFA for 2016/17 underlying management fees are not disclosed in the accounts.

*2 additional costs resulting from Pooling, including governance and operator costs, are not yet known.

*3 Costs incurred by the Employer Liaison Team will be recovered from the participating employers making use of the service through their employer contribution rate.

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.

On the whole the next few years will be challenging for those involved in the governance, management and operation of the Fund. The risks discussed below are documented in the Risk Register which will be updated at each Committee next year as circumstances change. The Fund’s Business Plan has been completed to ensure that all our known risks are being managed and resourced.

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 make 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

The current governance structure of the Fund is working well as explained in the Fund's Independent Advisors Annual report for during 2017. There are some new risks that will need attention next year:

- The local elections which may result in a change of Committee membership and a loss of knowledge and experience.
- The delegation of some investment decisions relating to pooling, as outlined in the Inter-Authority Agreement, to the new Joint Governance Committee.

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.


▪ Target 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 Actuarial Valuation has been completed and employers agreed contribution payments. There was a light touch review of the investment strategy and a review of the Fund's flight-path with changes currently being implemented. The new Funding Risk Management Group, Tactical Asset Allocation Group and Private Equity and Real Asset Group are actively managing investment and funding risks. At the time of writing the funding level, albeit still in deficit, is at its highest point since Flintshire County Council has been administering the Fund, with some equity markets reaching record levels and currently riding political and economic uncertainty. It is likely that lower interest rates will persist into the next economic cycle albeit with increased inflation rates. Overall these risks seem to have marginally reduced since last year but there are some new risks as well as the on-going market risks:

- MIFID II has the potential to have a significant impact on the Funds ability to achieve its funding and investment objectives.
 - Despite all the investment risk mitigation the Fund has in place, a major and fundamental market event with longer term implications will impact the funding position but this risk will only materialise on employer affordability at the 2019 Valuation.
 - The investment risks from pooling are relatively small next year but may increase in future years if the pool does not deliver asset classes required by the Fund or the Operator does not deliver the services to the quality and/or timescales required.
 - The impact on small finance team of additional work relating to pooling and representation on the new Officer Working Group and potentially implementing changes resulting from MIFID II.
- 

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.

- Target 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 Fund has reviewed both its Administration and Communication Strategies which have ambitious targets. Currently, performance targets are not being achieved but there is a clear plan for on-going improvements, albeit there is a high reliance on appropriate engagement from employers. The establishment of an Employer Liaison team, better use of technology and talent management should provide an environment for improved outcomes for employers and members over the next few years. However, in the short term risks of not achieving objectives are higher than ideal despite best efforts. Further external pressures and complexities, which would increase risks, workloads and costs, are not welcome but unfortunately are likely. The new risks are:

- Additional tasks to be undertaken for GMP equalisation and employee exit payment changes which will increase workload and potentially delay payments.
- Additional communication burden of a national 'pension dashboard'.
- In the longer term, potential scheme changes due to cost management which may add to the communication and operational burden.



Training Plan

A Clwyd Pension Fund Training Policy has been established to aid Pension Fund Committee, Pension Board members and senior officers in performing and developing personally in their individual roles, with the ultimate aim of ensuring that Clwyd Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The following training plan has been developed for 2017/18 to assist in meeting that aim.

Title of session	Training Content	Timescale	Audience
PLSA Local Authority Conference, Gloucestershire	tbc	15-17/05/2017	Committee, Pensions Board and Officers
Induction/ Refresher training	DAY 1: Governance including Freedom of Information, and Administration	08/06/2017	Committee, Pensions Board and Officers
Induction/ Refresher training	DAY 2: Actuarial and Funding Matters	June/July 2017 (TBC)	Committee, Pensions Board and Officers
Induction/ Refresher training	DAY 3: Investments, Asset Pooling and Accounting Principles	June/July 2017 (TBC)	Committee, Pensions Board and Officers
CIPFA and Barnett Waddingham: Local Pension Boards - Two Years On...	Update by key players together with a focus on the Scheme's financial viability and the problem of managing data.	28/06/2017	Pensions Board
LGPS Trustees Conference, Bournemouth	Various topical presentations including pooling, cost control and the potential impact of European legislation.	29-30/6/2017	Committee, Pensions Board and Officers
LGC Investment Summit, Newport	Various topical presentations. Agenda not yet available.	6-8/09/2017	Committee, Pensions Board and Officers
Employer Risk Management	Employer Risk Management including the monitoring framework (employer covenant, funding and protections)	20/09/2017 (TBC)	Committee, Pensions Board and Officers
LAPFF, Bournemouth	Various topical presentations around the work of the LAPFF	6-8/12/2017	Committee, Officer
Alternative Delivery Models	Overview of Alternative Delivery Models including impact on the Clwyd pension Fund	14/12/2017 (TBC)	Committee, Pensions Board and Officers
LGC Investment Seminar, Carden Park	tbc	1-2/3/2018	Committee, Pensions Board and Officers

Appendix - BUSINESS PLAN 2017/18 - 2019/20 – Key Tasks

Governance

Ref	Key Action –Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	18/19	19/20
G1	Induction and refresher training for PFC	x	x				
G2	Review of governance related policies, including for asset pooling requirements			x			
G3	Consider key person risk			x	x		
G4	Review/ tender actuarial contract			x	x		
G5	Understanding implications of and actions required as a result of forthcoming legislation including Wales Act and Wellbeing Act				x	x	
G6	Review/Tender Investment Consultancy and Independent Adviser Contracts					x	
G7	Review/Tender Custodian Contract (if required)					x	
G8	Review appointment of Pension Fund Committee Representatives and Local Board Members					x	x
G9	Commence preparation for tender of administration system contract						x

G1 – 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 which are incorporated into the 2017/18 budget.

G2 – Review of Governance Related Policies, including as a result of asset pooling requirements

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 – March 2017

All of these policies are subject to a fundamental review at least every three years. However, due to the Wales Pool it is necessary to undertake an early review of all policies to ensure that the changes to governance of the Fund are reflected.

Timescales and Stages

Review of governance related policies

2017/18 Q3

Resource and Budget Implications

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

G3 – Consider Key Person Risk

What is it?

The Council needs to review any key person risk within the Pensions Finance team due to its small size and age profile, as well as the potential changes in responsibilities due to asset pooling.

Timescales and Stages

Review risk and staffing levels

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 albeit any necessary changes to staffing levels or numbers may impact on the budget.

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 Benefit Consultancy Services. Following this review, and discussions with procurement, the Council needs to put the actuarial contract out to tender. Due to the 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.

G5 – Implications of legislation in Wales

What is it?

The Wales Act 2017 received Royal Assent on the 31st January 2017 and moved Wales from a conferred matters model to a reserved matters model as used in Scotland. The Well-being of Future Generations (Wales) Act 2015 is about improving the social, economic, environmental and cultural well-being of Wales. The implications of these, if any, on the Fund need to be considered.

Timescales and Stages

Review of potential implications	2017/18 Q3/4 2018/19
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Resource and Budget Implications

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

G6 – Review/Tender Investment Consultancy and Independent Adviser Contracts

What is it?

The Fund's investment consultancy and independent Adviser contracts reached their initial break point on 31 March 2017 albeit, due to Government changes to investment regulations, including pooling, and also the implications of MIFID II, they were extended for 2 years to provide stability and consistency of approach. For these reasons the contracts will be retendered during 2018/19.

Timescales and Stages

Review and tender the contracts	2018/19
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Resource and Budget Implications

To be led by Pension Fund Manager within existing budget.

G7 – 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 will need 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.

G8 - Review appointment of Pension Fund Committee Representatives and Local Board Members

What is it?

The employer and scheme member representatives on the Local Board were appointed in July 2015 for a period of three years. This period may be extended to up to five years. The existing appointments will therefore need to be reviewed by July 2018 but they may be extended at that point.

The representative members (for other scheme employers and scheme members) on the Pension Fund Committee are appointed for a period of not more than six years. The existing representative members were appointed in July 2014 and may be reappointed for further terms. However their existing appointments will need reviewed by July 2020.

Timescales and Stages

Review current Pension Board membership (potential extension)	2018/19
Commence process for appointment of Pension Board representatives	2019/20

Resource and Budget Implications

It is expected this will mainly involve the Pension Fund Manager taking advice from the Independent Adviser. All costs are being met from the existing budget.

G9 - Review administration system contract

What is it?

The CPF has a rolling one year contract with Aquila 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) and to

tie in with end dates of existing add-on modules within Altair, it is better to defer this until 2019/20.

Timescales and Stages

Conduct tender for administration system

2019/20

Resource and Budget Implications

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

Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	18/19	19/20
F1	Asset Pooling	x	x	x	x	x	x
F2	Implications of MIFIDII		x	x	x		
F3	Flight-path “Health Check” Review				x	x	x
F4	Review of Investment Strategy						x
F5	Triennial Actuarial Valuation and associated tasks						x

F1 –Asset Pooling

What is it?

To enable the Wales funds to pool assets an operator will be appointed to provide the investment infrastructure and advice. Once the Operator has been appointed and registers the appropriate vehicles with the Financial Conduct Authority then asset transfers can begin.

Timescales and Stages

Appointment of Operator and registration	2017/18
Asset transition	2018/19 & 2019/20

Resource and Budget Implications

The Clwyd Pension Fund Manager and Pension Finance Manager will be involved in the procurement of the operator and agreeing asset transitions. Initially this this be within existing budget although the implications on internal resources will be kept under review.

F2 – 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. However, while the current focus is on investment management, there could be wider implications as it is understood that this will also impact on whether certain investment consultants can advise retail investors.

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.

F3 – 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 Investment Strategy Statement (ISS) 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

An annual health-check is undertaken 2017/18 Q4, 2018/19, 2019/20

Resource and Budget Implications

To be resourced through the Funding Risk Management Group.

F4 – 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

Triennial review 2019/20

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.

F5 – 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 2019
Initial whole Fund results (expected)	Q1 2019/20
Individual Employer results (expected)	Q2&3 2019/20
Deadline for agreement of all contributions and sign-off	31 March 2020

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 2020. It is a major exercise for the Fund and will take a lot of input from the Administration and Finance 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 will be included in the 2019/20 budget.

Administration (including Communications)

Ref	Key Action -Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	2018/19	2019/20
A1	Development of Workflow Management including Data improvements	x					
A2	Website Launch	x					
A3	Member Self Service	x	x				
A4	Workforce Planning	x					
A5	Backlog to 31 March 2013(Mercers)	x					
A6	Electronic and Centralised internal procedures	x	x	x	x		
A7	Move to Electronic Annual Benefit Statements	x		x		x	
A8	GMP Reconciliation	x	x	x	x	x	x
A9	iConnect		x	x	x	x	x
A10	Data Protection Changes			x	x	x	
A11	National Pensions Dashboard			x	x	x	x
A12	Review Administration & Communications Strategy Statements					x	
A13	Trivial Commutation					x	x
A14	Other Expected National Changes					x	x

A1 – Development of Workflow Management including Data Improvements

What is it?

Following the requirement to provide Key Performance Indicators, to improve the quality of data and to identify/record Breaches, a full review is being undertaken of our workflow systems and data quality to enable identification of issues and plans to resolve these issues.

Timescales and Stages

Develop workflow management
Identify data improvement requirements

2017/18 Q1
2017/18 Q1

Resource and Budget Implications

To be completed by the Pensions Administration Team. Internal costs are being met from the existing budget.

A2 – Website Launch

What is it?

Following a review of the Pension Fund Website in 2016/17, a new look website on the Member Self Service platform is to be launched.

Timescales and Stages

Launch alongside Member Self Service 2017/18 Q1

Resource and Budget Implications

All internal costs to be met from the existing budget.

A3 – Member Self Service

What is it?

Member Self-Service (MSS) will provide members with an easy-to-use interface which 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

Implement System 2017/18 Q1
Advise all scheme members of MSS availability 2017/18 Q1
Presentations and on-going promotions 2017/18 Q1/Q2

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 cost of the MSS system is included within the budget figures.

A4 Workforce Planning

What is it?

To ensure that a plan is in place to review the Pensions Administration workforce due to the age profile of staff, to have appropriate succession planning, and to provide all training requirements.

Timescales and Stages

Develop workforce plan 2017/18 Q1

Resource and Budget Implications

All internal costs to be met from the existing budget.

A5 – Backlog to 31 March 2013 (Mercers)

What is it?

A backlog of tasks prior to 31 March 2013 amounting to approximately 2,500 member cases was identified. This has now been reduced to approximately 200 but further interpretation of data relating to those cases is taking longer to resolve than expected.

Timescales and Stages

Clear cases externally and eliminate backlog

2017/18 Q1

Resource and Budget Implications

A proportion of the budget has been transferred into 2017/18 from 2016/17.

A6 – 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

This is a lower priority project and will be completed as and when resource allows.

Develop, collate, update and maintain

2017/18

Resource and Budget Implications

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

A7 Move to Electronic Annual Benefit Statements

What is it?

Following the implementation of Member Self Service, the move from paper based Annual Benefit Statements to Electronic is being planned for the 2018 statements. In order to comply with disclosure requirements the Clwyd Pension Fund will be writing out to the home address of all categories of membership within the Clwyd Pension Fund on at least two occasions to notify them on this change.

Timescales and Stages

First communication to all members

2017/18 Q1

Second communication to all members

2017/18 Q3

Resource and Budget Implications

All internal costs to be met from the existing budget.

A8– 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, and a significant amount of work will be required to determine the correct benefits, ensure all systems are updated and to process a potentially significant number of over/underpayment calculations. After the records are reconciled for former pensionable employees, the Fund must also ensure the accuracy of 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	2017/18 & 2018/19
Reconciliation of national insurance information (Active Members)	2017/18 & 2018/19
Benefit correction and system updates:	2018/19 & 2019/20

Resource and Budget Implications

Due to the magnitude of this project it is being outsourced. A tender process has resulted in this work being awarded to Equiniti and the estimated cost has been included in the budget for 2017/18.

A9 – 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 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. Denbighshire County Council, Bodelwyddan Castle Trust and Prestatyn Town Council have been successfully implemented.

Timescales and Stages

Coleg Cambria/North Wales Fire/Glyndwr	2017/18
FCC, WCBC and all other relevant Employers	2018/19 & 2019/20

Resource and Budget Implications

There will be a time and resource commitment required from employers. All internal costs are being met from existing budget. The system cost is also incorporated into the budget.

A10 – Data Protection Changes

What is it?

The General Data Protection Regulation is an EU regulation which will come into force from 25th May 2018, building on the existing Data Protection Act. This new regulation introduces stricter compliance requirements and much higher fines for non-compliance.

The main areas affecting the LGPS include the need to keep records of processing activities; enhanced privacy notices for members; privacy impact assessments where there is a high risk to the rights and freedoms of individuals; and the need to redraft any service level agreements to take account of new mandatory provisions. Funds must also put in place a data breach handling procedure as the new rules will require reporting of a breach within 72 hours.

Further information is available from the [website](#) of the Information Commissioner's Office.

Timescales and Stages

Understand implications and update processes 2017/18 Q3 to 2018/19 Q1

Resource and Budget Implications

Cannot be determined until more detail is available.

A11 – National Pensions Dashboard

What is it?

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all pension savers in the UK access to all of their pension pots through one central platform. The plan is to have a basic prototype available in March 2017 but the full launch is planned for 2019. Further points to be aware of are as follows:

- As well as the dashboard including details of occupational pensions held by individuals, it is planned for it to also include details of the state pension entitlement individuals have built up.
- No decisions have yet been made on the level of detail that individuals will be able to access about their pensions on the dashboard.
- Public service pensions are out of scope for the development of the prototype, but it is intended that public service pensions data will be included in the dashboard when it launches in 2019.
- It is planned that post-retirement data will be out of scope for the dashboard (i.e. the dashboard will only include data for pensions which are not yet in payment).
- The Government's preference is that the pensions industry participates in the dashboard on a voluntary basis, but they will reserve the right to legislate if needed.
- No decisions have yet been made on whether the Government will provide funding to public service pension schemes to cover the dashboard's implementation costs.

Timescales and Stages

Development expected 2017/18 Q3/4 & 2018/19
Launch 2019/20

Resource and Budget Implications

Cannot be determined until more detail is available.

A12 Review Administration and Communication Strategies

What is it?

The CPF Administration Strategy and Communications Strategy was 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

This will be led out by the Pensions Administration Team.

A13 – 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 a limit for members to trivially commute their pension in relation to their single pension (£10,000 value) and total benefits (£30,000).

Timescales and Stages

This is a lower priority project and will be completed as and when resource allows.

Identify members eligible to commute under £10,000:	2018/19
Communicate with eligible members and pay lump sums:	2018/19
Identify members eligible to commute under £30,000:	2019/20
Communicate with eligible members and pay lump sums:	2019/20

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.

A14 Other Expected National Changes

What is it?

- As a minimum we expect announcements in relation to
- Scheme Changes as a result of the Cost Management Process
 - Changes in Exit Payments
 - Indexation of GMP’s for members reaching SPA December 2018

Timescales and Stages

To be determined

Resource and Budget Implications

To be determined

Employer Liaison Team

Ref	Key Action –Task	2017/8 Period				Later Years	
		Q1	Q2	Q3	Q4	2018 /19	2019 /20
E1	Review processes	x			x		
E2	Ongoing development of workflow reporting	x			x		
E3	Design reporting information and procedures	x	x				
E4	Staff training for WCBC data extraction	x	x				
E5	Establish plan for outstanding requests		x				
E6	Liaise with new employers for potential agreements	x	x	x	x	x	
E7	Review of Agreements				x	x	x
E8	Data preparation for i-Connect				x	x	x

Understanding the continuing pressure on resources and budgets for employers and the administering authority the Clwyd Pension Fund have made provision to step in and provide assistance to Fund Employers in providing accurate and complete notifications to the Fund (and other Employer duties) in a timely manner. The Employer Liaison Team (ELT) will mainly assist in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It will also undertake outstanding requests for information in order to cleanse the pension records. The ELT will be monitored and progress reported on a regular basis. All costs will be met by employers through their employer contribution rate. As a new team, depending on the employer uptake, resources will need to match demand.

E1 – Review processes

What is it?

Checking reports from Employer payroll systems are comprehensive and accurate. Covering all requirements including Audit. Potentially extend current reporting and automate/streamline other processes.

Timescales and Stages

Compile query results and missing information from payroll reports.

Finalise feedback to FCC and agree improvement plan: 2017/18 Q1

Review improved procedures for further efficiencies with FCC: 2017/18 Q4

Begin feedback to WCBC and agree improvement plan: 2017/18 Q1

Review improved procedures for further efficiencies with WCBC: 2017/18 Q4

E2 – Ongoing development of workflow reporting

What is it?

Making sure processes for recording completed work, are accurate and meet the legal requirements and service standards within the ELT Agreement and provide appropriate monthly and annual reporting for employers and internal workflow management purposes.

Measuring the outstanding cases and reviewing the progress, as follows:

- Proportion of outstanding cases completed per employer against service standards
- Volume of cases completed and any recording and/or reporting of breaches of the law

Timescales and Stages

Review and recommend updates: 2017/18 Q1
Review updated procedures: 2017/18 Q4

E3 – Design financial reporting and recharge procedures

What is it?

Consider the staff time spent and tasks completed in order to break down charges to be applied to each employer.

Timescales and Stages

Formulate reporting and recharge procedures: 2017/18 Q1/2

E4 – Staff training for WCBC payroll systems

What is it?

Arrange for staff training at Wrexham to be carried out for all ELT staff in order to navigate, run reports and collate data from each of the systems used.

Timescales and Stages

Complete training and update procedures: 2017/18 Q1/2

E5 – Establish a plan for outstanding cases

What is it?

Consider and estimate how many cases can be completed per month to show how historical cases will be cleared up in addition to maintaining business as usual.

Timescales and Stages

Review cases completed and project according to staffing levels: 2017/18 Q2

E6 – Liaise with other employers for potential agreements

What is it?

Consider capacity of the Employer Liaison Team and review the service standards being recorded against other Fund employers with a view to offering the ELT service to a wider range of employers.

Timescales and Stages

Consider current and potential staffing levels: 2017/18
Review service standards and open contact with employers: 2017/18-18/19

E7 – Review of Agreements

What is it?

Periodic review of the scope of the agreements for each employer.

Timescales and Stages

Whistle-stop review to address any issues/new requirements FCC 2017/18 Q4
Fundamental review of agreement FCC 2019/20 Q4
Whistle-stop review to address any issues/new requirements WCBC. 2018/19 Q1
Fundamental review of agreement WCBC 2019/20 Q4

E8 – Data preparation for i-Connect

What is it?

The supply (manually) of significant volumes of missing data, in order to match records between the employer’s payroll system and the i-Connect software in preparation for automatic monthly uploads going forward.

Timescales and Stages

Begin reviewing inconsistencies (FCC): 2017/18 Q4
Continuous refining of mismatches going forward (FCC): 2018/19Q1/2
Begin reviewing inconsistencies (WCBC): 2018/19 Q3/4
Continuous refining of mismatches going forward (WCBC): 2019/20 Q1/2

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	21 March 2017
Report Subject	AVC Review Update
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

Under the LGPS Regulations, each Fund is required to provide access to an AVC arrangement where pension fund members can pay additional contributions in order to further boost retirement savings and/or to provide additional life insurance. Even though this is an individual choice, the Administering Authority is the policyholder for the “group” arrangement in place. This means that the Administering Authority has certain responsibilities.

TPR’s various Codes of Practice state that DC schemes (*including AVC arrangements for DB schemes*) should meet certain aims; they should be efficient, effective and give members “value for money”. These aims should be regularly evaluated to ensure this continues to be the case for the AVC arrangements.

Therefore a review of the Fund’s AVC arrangements has been carried out by Mercer and this report provides an update on it. It was agreed that the scope of the review extended to Prudential only, and not Equitable Life.

The review of the Fund’s AVC assets held with Prudential has not identified any material concerns that require significant or immediate action to be taken by the Administering Authority. The review has shown that there is a good range of asset classes available to members, the fund charges compare well against the typical AVC market and performance has been generally good for the majority of funds over the periods measured (2012 - 2016 inclusive).

The review also identified that take-up of the AVC option for a Fund of the size of Clwyd is not massively out of line (only slightly below average) compared to other Funds in Wales and beyond.

A number of areas have been identified where further consideration should be given to reviewing the “default” fund and lifestyle strategies available to members, in addition to building on existing communication and monitoring activities.

RECOMMENDATIONS

1	The Committee notes this report of the AVC review carried out by Mercer.
2	The Committee delegates power to Fund Officers to act on the recommendations and implement next steps, noting that the officers will report progress made at future Committee meetings.

REPORT DETAILS

1.00	AVC Review Update												
1.01	<p>Under the LGPS Regulations, each LGPS Fund is required to provide access to an AVC arrangement where pension fund members can elect to pay additional contributions in order to further boost retirement savings and/or to provide additional life insurance.</p> <p>Even though this is an individual choice, the Administering Authority is the policyholder for the “group” arrangement in place. The Administering Authority, therefore, has certain responsibilities.</p> <p>TPR’s various Codes of Practice state that DC schemes (<i>including AVC arrangements for DB schemes</i>) should meet certain aims; they should be efficient, effective and give members “value for money”. These aims should be regularly evaluated to ensure this continues to be the case for the AVC arrangements.</p>												
1.02	<p>There are a total of 571 members invested in the Prudential arrangement, although many are invested in more than one fund.</p> <p>The table below summarises the total AVC assets under the Fund held with Prudential.</p> <table border="1"> <thead> <tr> <th>AVC Provider</th> <th>Date fund value as at</th> <th>Unit Linked Funds</th> <th>With Profits Fund</th> <th>Deposit Fund</th> <th>Total of all Funds</th> </tr> </thead> <tbody> <tr> <td>Prudential</td> <td>November 2016</td> <td>£1,563,127</td> <td>£2,204,403</td> <td>£566,296</td> <td>£4,333,826</td> </tr> </tbody> </table> <p>There are 11 Unit Linked Funds, and one With Profits and Deposit Fund available to members.</p>	AVC Provider	Date fund value as at	Unit Linked Funds	With Profits Fund	Deposit Fund	Total of all Funds	Prudential	November 2016	£1,563,127	£2,204,403	£566,296	£4,333,826
AVC Provider	Date fund value as at	Unit Linked Funds	With Profits Fund	Deposit Fund	Total of all Funds								
Prudential	November 2016	£1,563,127	£2,204,403	£566,296	£4,333,826								
1.03	<p>Fund Officers met with Mercer at the outset of the review to agree the range and scope of the review carried out. This meeting also provided an opportunity for officers to express their views and objectives from the review. It was agreed with Mercer at the outset that the scope of the review extended to Prudential only, and <u>not</u> Equitable Life. This was on the grounds that Prudential is the current provider, and members with Equitable Life funds had received extensive support/information from the Fund over very many years.</p>												

1.04	<p>Fundamentally, Mercer's review of the Fund's AVC assets held with Prudential did not identify any material concerns that require significant or immediate action to be taken by the Administering Authority.</p> <p>The conclusions and next steps identified are set out in paragraphs 1.06 and 1.07 of this report. The full report is available to any PFC members who want to consider the detail.</p>
1.05	<p>Mercer's review covered the following areas:</p> <ul style="list-style-type: none"> - The communications, administration and marketing of the options available to members, and broad consideration of take up rates; - Details of the Prudential policy held by the Administering Authority and the types of investment funds available within them (including the availability of any Ethical / Socially Responsible funds); - Details of any charges or penalties that may be applied upon a transfer out, along with details of any preferential terms that may be lost; - The amount invested in each fund by members of the Fund; - Details of past performance of the investment funds in which members' AVCs are invested. - High level commentary on alternative investment funds available with Prudential.
1.06	<p>Conclusions</p> <p>The conclusions of the review are summarised below:</p> <ul style="list-style-type: none"> - Take-up of the AVC option for a Fund of the size of Clwyd is not massively out of line (only slightly below average) compared to other Funds in Wales and beyond. - Prudential's communication with Fund members is active and ahead of most providers. - The majority of unit-linked funds have performed in the upper quartiles when compared to similar funds within the same sector (with only a few exceptions). Performance should be monitored closely going forward. - Annual charges compare reasonably well against the typical AVC market. - There are a number of lifestyle strategies available to members, with differing switching periods (6, 8 or 10 years) that target annuity purchase at retirement. Recommendation is to explore merits of introducing a lifestyle option that targets cash at retirement. - Approximately 50% of members' AVC funds are invested in the Prudential With Profits Fund. Whilst performance has been good in the past, the continued use of this fund as the default choice should be reviewed. - A number of members have relatively high accrued terminal bonuses and a Market Value Reduction would not have been applied if they had transferred recently. For older members, at least, a high terminal bonus potentially makes this investment much higher risk than they are probably aware. It is recommended that this be highlighted to

	<p>members as these terms are not guaranteed and could be withdrawn. Members should also be reminded of the other funds available within the Prudential policy.</p> <ul style="list-style-type: none"> - There are a large number of members investing in the Deposit Fund who are more than 5 years from their intended retirement date. As such it is recommended that they be reminded of the features of the fund and their need to regularly review the appropriateness of their selection. - The Administering Authority should also consider completing the assessment against the Pension Regulator’s DC Code of Practice 13.
1.07	<p>Next Steps</p> <p>Fund Officers will be liaising with representatives from Prudential to discuss the findings of the review and the next steps that can be jointly taken. For completeness, the recommended next steps emerging from the AVC review were:</p> <p>Further consideration of</p> <ul style="list-style-type: none"> - The current default fund and its ongoing suitability. - The range of lifestyle strategies on offer to members <p>Communication of</p> <ul style="list-style-type: none"> - the AVC arrangement to new and prospective members (in particular, in the light of recent reductions to exit charges effective from 19 March 2017) - the AVC arrangement to all members with current AVC investments, clarifying where their monies are invested, reminding them of the options and the lifestyle strategies available, and how the optimal investment strategy today should be targeting the type of benefits members wish to obtain on retirement. (Members in a lifestyle strategy should also be communicated with on an ongoing basis as they approach retirement date in line with the Disclosure of Information Regulations.) - the accrued (non-guaranteed) terminal bonuses and transfer terms available to members in the With Profits fund - the Deposit Fund key features for members invested in this fund that are more than five years from their intended retirement date. <p>Ongoing monitoring of</p> <ul style="list-style-type: none"> - the performance of all AVC funds on a regular i.e. at least annual basis - the AVC arrangements against the Pension Regulator’s DC Code of Practice - the AVC provider and a more detailed review of the funds every two to three years (or earlier, if any significant changes take place in the market, within the LGPS, or with the provider).

2.00	RESOURCE IMPLICATIONS
2.01	The actions arising out of the findings of the review will mean further officer time is required, firstly to liaise with Prudential, and secondly to implement the agreed next steps. This may involve Fund-wide and targetted

	member communications but it is expected that support from Prudential and Mercer will also be provided as required.
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report but noting the developments in the highlighted areas.

4.00	RISK MANAGEMENT
4.01	This report addresses the item contained on the Fund's Business Plan, as well as some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): <ul style="list-style-type: none"> • Administration and Communication risks: A4 • Governance risks G5 & G6.
4.02	Whilst the findings of the review did not identify any major issues, some risks do remain and need to be considered. These include (but are not limited to) members having funds invested in a way that is not optimal to their objectives. The recommended next steps seek to address this and other risks present.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Full AVC Review report presented to Fund Officers on 2 March 2017. 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) **GAD** - The Government Actuary's Department.
- (f) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (g) **TPR - The Pensions Regulator** - a national body that is the UK regulator of work-based pension schemes.
- (h) **DCLG - Department for Communities and Local Government** - Central Government department responsible for the LGPS
- (i) **LGA - The 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. Performs various Secretariat and support roles for the LGPS.
- (j) **Additional Voluntary Contributions (AVCs)** - additional contributions paid into an investment vehicle provided by the Fund in order to boost savings for retirement. Proceeds at retirement can be used to take additional lump sum, or buy additional pension either in the LGPS or on the open market.
- (k) **Disclosure of Information Regulations** - legislation that sets down the detail of what information should be provided to members and when. TPR also issued a guide building on this legislation providing details about the availability of free and impartial advice from the government's guidance body "Pension Wise". The guide also included good practice examples that should be provided to members at the point they are required to make a decision to take their benefits in a particular form or to take a transfer to another scheme in order to take their benefits.
- (l) **Annuity** - a series of payments (which may be flat or increasing) payable at regular intervals into the future. This may be purchased from an insurance company from proceeds of an AVC arrangement.
- (m) **Lifestyling** - an investment mechanism that automatically switches investments from growth / return seeking asset classes to more secure ones as members approach retirement. This could target cash or an annuity/pension depending on the mechanism in place.
- (n) **With Profits Funds** - an investment fund that can have guaranteed returns attached to them, but also may pay when possible annual and final bonuses depending on performance. Early withdrawals may be

subject to reduction and may mean the loss of previous bonuses applied.

(o) **Unit Linked Funds** - an investment (pooled) fund where units are purchased and the value / returns achieved by the Fund are driven by the overall unit price. Typically these are open-ended vehicles and so funds can be accessed at any time.

(p) **quartiles** a descriptor for a set of data split into four equal groups, each group comprising a quarter of the data.

(q) **DC Code** - Code of Practice 13 issued by TPR in 2016 setting out the standards of conduct and practice that occupational pension schemes providing money purchase benefits (including AVCs) need to meet to comply with their legal duties.

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	21 March 2017
Report Subject	Pension Administration Update including Administration Strategy
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The Pension Administration Team are progressing a number of areas to improve services in line with the Administration Strategy. This report provides an update on a number of these and demonstrations and presentations will also be provided at the Committee.

The Committee are also being asked to agree some small changes to the Fund's Administration Strategy.

The GMP reconciliation procurement has now been completed and Equiniti have been appointed to carry out this work.

RECOMMENDATIONS

1	That the Committee note the contents of the report.
2	That the Committee agree the changes to the Fund's Administration Strategy.

REPORT DETAILS

1.00	ADMINISTRATION DEVELOPMENTS
1.01	<p>Demonstration and Presentations</p> <p><i>Member Self Service</i></p> <p>One of the key elements in the 2017/18 business plan is the implementation of Member Self-Service. This 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.</p> <p>David O’Keefe-Williams from Aquila Heywood will be attending the Pension Fund Committee and will provide a demonstration of the Member Self-Service facility.</p>
1.02	<p><i>Employer Liaison Team</i></p> <p>As mentioned at previous Committees, an Employer Liaison Team (ELT) was established in December 2016 to provide assistance to Fund Employers. The services are now well developed and Kerry Robinson, the Principal Pensions Officer for the ELT will carry out a presentation to the Committee outlining the services the team will provide, how these are being developed and which employers are using or plan to use the ELT.</p>
1.03	<p><i>Key Performance Indicators</i></p> <p>As has been mentioned at previous Committee meetings, the Pension Administration Team have been developing their work flow management systems and the reporting it produces over the last two years. Some of the key outputs of this are the measures against the key performance indicators included in the Administration Strategy. Karen Williams and Sandra Beales, Principal Pensions Officers will present the latest results to the Committee providing an explanation of what they mean. This will become a regular report at future Committee meetings.</p>
1.04	<p>Administration Strategy</p> <p>As a result of the work done by the Administration Team in the last year, including the elements covered above, a number of required changes have been identified to the Administration Strategy. Appendix 1 includes a tracked version of the Strategy with the recommended changes. The key changes are:</p> <ul style="list-style-type: none">• Adding a section describing the Employer Liaison team• Some changes to the timescales and wording in the service standards and key performance indicators to align with the development work that has been undertaken• Some small changes to the measures against the key performance indicators to make them more relevant. <p>The Committee are asked to agree the updated Administration Strategy as attached in Appendix 1. All changes to the Policy are highlighted in yellow.</p>

1.05	<p>GMP Reconciliation Procurement – Delegated Responsibilities</p> <p>The Business Plans for 2016/17 and 2017/18 include the need to reconcile certain Fund information relating to being contracted out of the State Pension arrangements with information held on HMRC's records. This is often referred to as GMP reconciliation. Due to the major amount of work involved with this, it was decided to outsource the work. We also believe this will result in greater efficiencies in the way the work is carried out. The Committee agreed in February to delegate the decisions relating to this procurement to the Clwyd Pension Fund Manager and Corporate Finance Manager. We are pleased to announce that the contract has now been awarded to Equiniti and it will be completed by their specialist GMP reconciliation team. Ongoing updates on this project will be provided to the Committee.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	All costs associated with the items discussed are included in the annual budgets. The costs associated with the GMP reconciliation are estimated and will vary depending on the quality of data and number of records that do not match.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Information about the consultation for the Administration Strategy is included within the Strategy.

4.00	RISK MANAGEMENT
4.01	<p>The two highest risks in the administration section of the risk register are:</p> <ul style="list-style-type: none"> • Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues • Scheme members do not understand or appreciate their benefits <p>The matters considered within this report, particularly the Employer Liaison Team and Member Self-Service, will assist in reducing these risks.</p>
4.02	There are a number of other high risks in the administration risk register that continue to be a concern, including not being able to meet legal and performance expectations due to staffing. The Administration Team continue to be particularly busy and are still recruiting. This will continue to be monitored whilst improvements are being put in place.

5.00	APPENDICES
5.01	Appendix 1 – Administration Strategy.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Earlier Committee reports on improvements to the Administration service.</p> <p>Contact Officer: Helen Burnham, Pension Administration Manager Telephone: 01352 702872 E-mail: helen.burnham@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>

Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

ADMINISTRATION STRATEGY

[March 2017](#) ~~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 39 employers with active members, and approximately 45,000 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 ~~was first agreed in April 2016, and it~~ 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 2016/17 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 includes further improvements to help deliver this Strategy including:

- implementing i-Connect with all other major employers
- implementing self-service web functionality to scheme members
- finalising the review of the Fund's website

This updated Strategy will be effective from 1 April 2017 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.

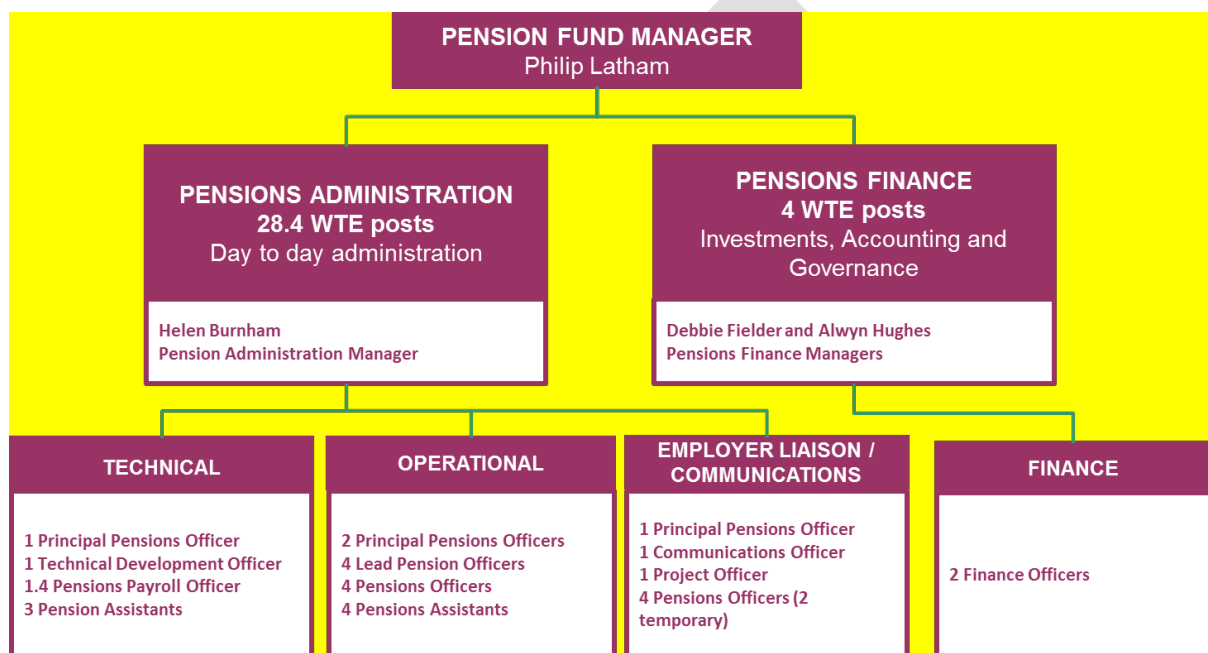
The Administration Strategy has a number of specific objectives, as follows;

- 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 approved 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	46 working days from date of joining (i.e. 2 months)	15 working days from receipt of all information
To inform members who leave the scheme before retirement age of their rights and options	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member) ²	46 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	46 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	46 working days from date of request	20 working days from receipt of all information
Notification of amount of retirement benefits	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	10 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	46 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	10 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.

Employer Liaison Team

Understanding the continuing pressure on resources and budgets for employers and the administering authority, Flintshire County Council has established an Employer Liaison team which can provide assistance to employers by carrying out a number of the employer responsibilities on the employers' behalf. The Employer Liaison Agreement has a number of specific objectives which are aligned with this Clwyd Pension Fund Administration Strategy and which are as follows;

- Provide a high quality, professional, proactive, timely and customer focused service to the Employer
- Provide the agreed service in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Employer is aware of and understands their role and responsibilities under the LGPS regulations and the Fund's Administration Strategy
- Ensure that accurate member information is provided to the Fund, in the correct format, within the agreed timescales
- Ensure data is protected and has authorised use only.

Subject to having access to the necessary systems and information, the Employer Liaison Team can carry out a number of responsibilities on behalf of an employer including:

- notification of new starters, changes in circumstances and leavers
- carrying out estimates of benefits (for example, for redundancy exercises)
- responding on behalf of the employer to queries from the Clwyd Pension Fund Operations and Technical teams, for example relating to year end submissions.

Any employer wishing to make use of this service will be expected to enter into a signed agreement which will include information relating to how the service is paid for by the employer. There may be opportunities to spread these costs, recognising the budgetary pressures that employers are currently subject to.

Measuring the Fund against the Administration Objectives

The Administrating 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.	<p>Key Performance Indicators achieved in 90% of cases* (100% for legal requirements).</p> <p>Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.</p>
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)
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>Annual data checks (including ongoing reconciliations) resulting in few issues that are resolved within 2 months.</p> <p>Key Performance Indicators achieved in 90% of cases* (100% for legal requirements).</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>

Objectives	Measurement
Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.	<p>Positive results in audit and other means of oversight/scrutiny.</p> <p>Key Performance Indicators achieved in 90% of cases* (100% for legal requirements).</p> <p>Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.</p> <p>Minimal issues against the Fund identified by Internal Dispute Resolution Procedures and complaints.</p>
Maintain accurate records and ensure data is protected and has authorised use only.	<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 originally approved in March 2016 and updated in March 2017 by the Clwyd Pension Fund Committee. It is effective from 1 April 2017.

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 the originalis Strategy we ~~have~~ consulted with the relevant employers, the scheme member and employer representatives on the Clwyd Pension Board and other persons considered appropriate. **No formal consultation was carried out in March 2017 due to the nature of the changes. However scheme member and employer representatives were able to comment when it was approved at the Pension Fund Committee meeting in March 2017.**

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

Any enquiries in relation to the services provided by the Employer Liaison Team should be sent to:

Kerry Robinson, Principal Pensions Officer – Employer Liaison Team
Flintshire County Council
County Hall,
Mold,
Flintshire
CH7 6NA
e-mail – kerry.robinson@flintshire.gov.uk
Telephone - 01352 702761

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 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 writing within 3 months with no previous LGPS	Month following the month of election

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	10 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	10 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	10 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



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday 21 March 2017
Report Subject	Investment Strategy Statement
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund. The responsibilities of administering authorities are contained in the Local Government Pension Scheme regulations (The Regulations) which are set by the Secretary of State under powers contained in the Public Service Pensions Act 2013 (The Act).

Under powers contained within the Act and the Regulations, the Secretary of State made the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, which replace the 2009 Investment Regulations. The new regulations came into force on 1 November 2016.

Regulation 7(1) of the new Investment Regulations requires administering authorities to formulate an Investment Strategy Statement (ISS) in accordance with the Secretary of State guidance. The ISS replaces the existing Statement of Investment Principles, and the first such document must be published by 1 April 2017.

The Fund's ISS is contained as Appendix to this report and demonstrates compliance with each of the areas required in the new Investment Regulations.

RECOMMENDATIONS

1	That the Committee approve for publication the Fund's Investment Strategy Statement
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REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund. The responsibilities of administering authorities are contained in the Local Government Pension Scheme regulations (The Regulations) which are set by the Secretary of State under powers contained in the Public Service Pensions Act 2013 (The Act).</p> <p>Under powers contained within the Act and the Regulations, the Secretary of State made the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, which replace the 2009 Investment Regulations. The new regulations came into force on 1 November 2016.</p> <p>Regulation 7(1) of the new Investment Regulations requires administering authorities to formulate an Investment Strategy Statement (ISS) in accordance with the Secretary of State guidance (The Guidance). The ISS replaces the existing Statement of Investment Principles, and the first such document must be published by 1 April 2017.</p>
1.02	<p>The Clwyd Fund has reviewed the requirements contained within the new Investment Regulations, and the accompanying guidance, and prepared an ISS, which is attached as an Appendix to this report. The ISS builds on the Fund's existing SIP, and designed to be read as a "stand-alone" document, although it is appropriate to also consider a number of the Fund's other published documents, including the Funding Strategy Statement, the Governance Policy and Compliance Statement and the Actuarial Valuation.</p>
1.03	<p>The ISS addresses each of the requirements of the new Investment Regulations, and is set out in such a way to demonstrate this, whilst still setting out clearly the Fund's aims and objectives, and how they are addressed.</p>
1.04	<p>The main focus of the ISS is to consider the Fund's investment strategy, and three of the seven areas contained in the Guidance are concerned with this. These requirements are:</p> <ul style="list-style-type: none">a) To invest in a wide variety of investments,b) To assess the suitability of particular investments and types of investments,c) To set out the maximum percentage of the total value of all investments that the Fund will invest in particular investments, or classes of investments.
1.05	<p>Each of the requirements shown in 1.04 is considered by the Fund on a regular basis, and in particular when the Investment Strategy is reviewed in line with each Actuarial Valuation. The most recent of these reviews was concluded and the revised strategy agreed by the Committee in September 2016, and updated at the November meeting.</p>

	<p>Whilst the first two requirements set out above would have been things that all LGPS funds should always have been considering, the third requirement is a new one. The previous Investment Regulations set out limits on funds' investments, and was more prescriptive in allowing, or not allowing particular types of investment. The new Investment Regulations allow funds greater freedom over their investments, provided they can demonstrate that they have considered appropriate diversification, and the risks associated with the strategy. The Investment Strategy section of the ISS starts at Page 6 and the agreed strategy is shown on Page 12.</p>
1.06	<p>The next requirement is that funds set out their approach to risk, and include ways in which the risks are to be measured and managed. This is something the Clwyd Fund has considered for a number of years, and has looked to address the liability risk with the Flight-Path strategy. The risk section of the ISS starts at Page 15.</p>
1.07	<p>The remaining three required sections of the ISS are:</p> <ul style="list-style-type: none"> a) To set out the approach to pooling investments b) The approach to including Environmental, Social and Governance (ESG) considerations within the Fund's investment strategy; and c) The policy on exercising rights (including voting rights).
1.08	<p>Members will be familiar with the Fund's approach to pooling as part of the Wales Pool. The ISS sets out this approach and elements of the wording have been drafted by the Wales Pool to ensure some consistency of approach. This section found on pages 19 and 20.</p>
1.09	<p>The Clwyd Fund has for a number of years considered ESG factors when formulating its investment strategy and so compliance with the requirements are not difficult to demonstrate. The Fund's existing Sustainability Policy, which is included in the ISS is not a requirement of the Investment Regulations, but is considered to be best practice, and enables the Fund to demonstrate a joined up approach to considering ESG factors.</p> <p>The Fund has included within the overall Funding and investment aims (on page 4 of the ISS) two additional sustainable objectives, which link to the Sustainability Policy and ensure that this important area is given the appropriate profile and is also monitored.</p>
1.10	<p>Similar to previous requirement the Clwyd Fund has always looked to be an engaged investor, and already has a policy on exercising voting rights. The Fund's statement of compliance with the Stewardship Code is included within the ISS and shows that the Clwyd Fund has an established approach to engaging with companies. The section on ESG and addressing voting rights has been combined and is found between pages 21 and 33.</p>
1.11	<p>As part of the ESG and Voting Rights section of the ISS the Fund addresses "social investments" meaning those that deliver a social impact as well as a financial return. In the Guidance, the Government considers</p>

	<p>that “social investments” are appropriate for LGPS funds where either the social impact is simply in addition to the financial return, or where some financial return is foregone at the expense of social impact. “Social investments” are allowed provided the Fund think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.</p> <p>The Fund is proactive in considering sustainability, and the policy on considering “social investments” can be found on Page 33 of the ISS.</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	Updates to policies and procedures sometimes require consultation with interested stakeholders, such as employers. Should any policies requiring consultation be updated as a result of the new ISS, then appropriate consultation will be carried out.

4.00	RISK MANAGEMENT
4.01	The ISS is a document demonstrating the Fund’s approach to a number of areas linked to its investments, and as such does not contain anything which affects the Risk Register. The underlying Investment Strategy does impact the Risk Register and this will have been considered when it was approved by the Committee.

5.00	APPENDICES
5.01	Investment Strategy Statement for the Clwyd Pension Fund

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>A copy of the Investment Regulations and associated guidance can be provided on request.</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
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7.01	<p>(a) CPF – Clwyd Pension Fund (The 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) PFC – Clwyd Pension Fund Committee (the Committee) – the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(c) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(d) Secretary of State – The Secretary of State for Communities and Local Government, who under the Public Sector Pension Act is the Responsible Authority for the LGPS.</p>
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Investment Strategy Statement

Flintshire County Council

Administering Authority for the Clwyd Pension Fund

1. Statutory Requirement for an Investment Strategy Statement

Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund (the Fund) on behalf of its stakeholders; the scheme members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme regulations; the regulatory framework is set out below.

The Public Service Pensions Act 2013 (The Act) enables the Secretary of State to make regulations creating schemes of pensions for, amongst others, local government workers.

In England and Wales, such a scheme was created by the Local Government Pension Scheme Regulations 2013 (The Regulations). These Regulations were made by the Secretary of State exercising powers in the Superannuation Act 1972.

Under powers contained in The Act and The Regulations, the Secretary of State made the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which replace the 2009 Investment Regulations. These regulations came into force on 1st November 2016.

Regulation 7(1) requires administering authorities to formulate an Investment Strategy Statement (ISS) which must be in accordance with guidance issue by the Secretary of State, and replaces the existing requirement to produce and maintain a Statement of Investment Principles.

The ISS must include:

- (a) A requirement to invest money in a wide variety of investments;
- (b) The authority's assessment of the suitability of particular investments and types of investments;
- (c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- (d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- (e) The authority's approach on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- (f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments that it will invest in particular investments or classes of investments. This, in effect, replaces Schedule 1 of the 2009 Regulations.

The statement must be published by 1st April 2017 and regularly reviewed and at least every three years. Under transitional arrangements key elements of the 2009 Regulations will remain in force until the ISS is published.

This document is designed to comply with the guidance given by the Secretary of State, is effective from 1 April 2017 and will be reviewed on a regular basis, with any material changes published.

The ISS should be read in conjunction with the following statutory documents:

- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Communications Strategy
- Clwyd Pension Fund Annual Report and Accounts
- Clwyd Pension Fund Actuarial Valuation.

All the above statements and documents can be found on the Fund's web site at <http://www.clwydpensionfund.org.uk/>

About the Fund

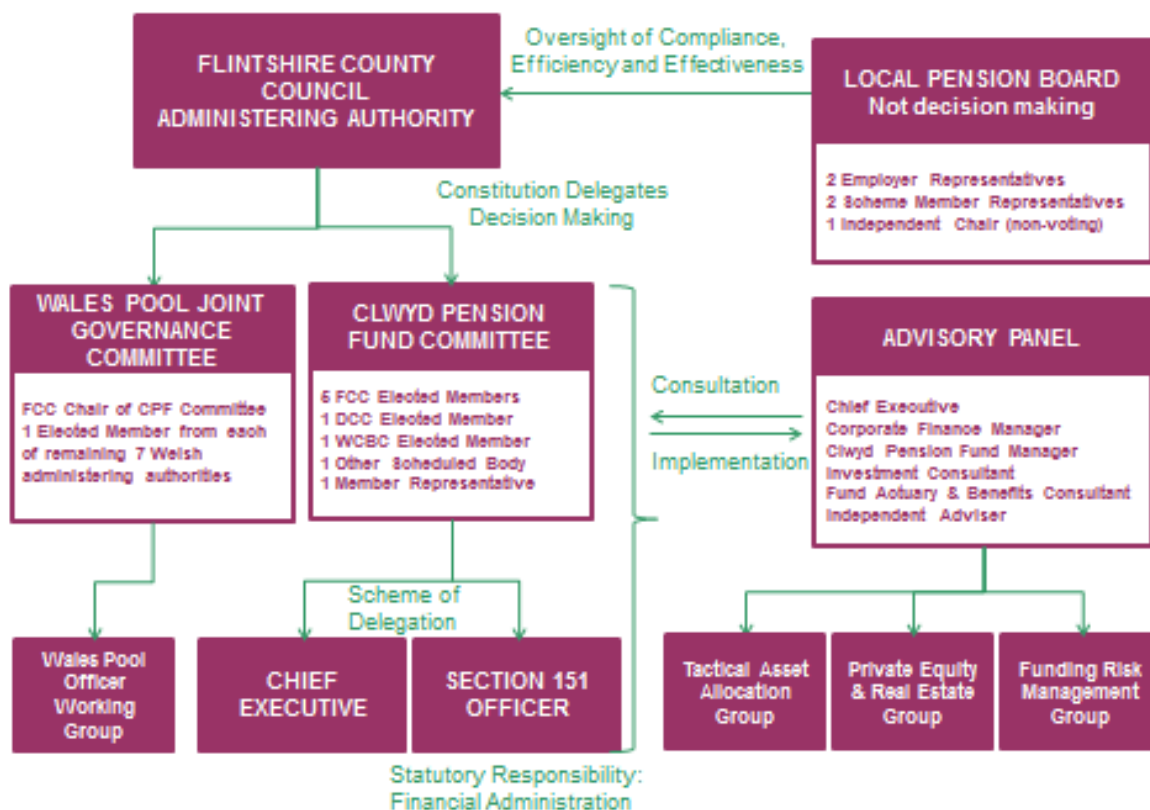
The Clwyd Pension Fund ("CPF") is a £1.4bn Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and fire-fighters) in North East Wales and employees of other qualifying bodies which provide similar services.

Total Fund membership is about 45,000 with about 16,000 active contributors from 39 contributing Employers and about 29,000 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"). Before making strategic investment decisions the Clwyd Fund takes advice from a regulated investment consultant; JLT Employee Benefits. The Fund also receives advice from the Risk Management Advisers Mercer. The County Council's Section 151 Officer (Corporate Finance Officer) 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.

The Fund's governance structure is illustrated in the diagram below.



Aims and Objectives for the Management of the Fund

In the Management of the Fund there is a Mission Statement and Governance Objectives (shown below). These apply to the approach to investing the Fund's monies as well as managing the overall Fund. These holistic objectives have been developed to guide the management of all aspects 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.

The key actions and areas of focus in the Fund's business plan are grouped into the four areas of governance, funding and investments, communications and administration, to align with the key aims and objectives of these strategies and policies. The specific aims relating to the investment management of the Fund 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 15 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.
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability;
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.

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Investment Strategy of the Clwyd Pension Fund

The following sections details the Fund's investment strategy, which takes into account Regulation 7(2) (a) and 7(2) (b) listed below:

2. Investment of money in a wide variety of investments

Regulation 7(2) (a) requires that administering authorities invest in a diversified portfolio of assets to ensure that risk is appropriately managed and volatility of overall return is reduced. The guidance that accompanies the regulations does not prescribe the specific asset classes over which Fund monies must be invested.

3. Suitability of particular investments and types of investments

Regulation 7(2) (b) requires that in assessing the strategic allocation for the Fund, an administering authority assesses the suitability of particular investments and types of investments against the need to meet pension obligations as they fall due.

In assessing the suitability and variety of investments, and considering the risks, the starting point should be the Fund's overall objectives. These are listed in the previous section "About the Fund".

In order that these primary objectives can be achieved, the following funding and investment principles have been agreed.

Funding Principles

The Clwyd Pension Fund Funding Strategy implemented for three years from 1st April 2017 includes a number of investment return assumptions:

- An investment return (discount rate) for the funding target of CPI inflation plus 2.0% p.a. (assumed 4.2%).
- An investment return for the future service contribution rate of CPI Inflation plus 2.75% p.a. (assumed 4.95%).

Over a three-year period an investment return above these assumptions will contribute to reducing the funding deficit and thus employer contributions, providing that liability assumptions such as longevity and inflation remain on target. The Fund's triennial Valuation considers all these factors when determining employer contribution rates. New employer rates will be implemented from 1st April 2017. The next Actuarial Valuation will be as at 31st March 2019 with implementation from April 2020.

A Funding Strategy Statement (FSS) was prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. The Statement outlines the strategy for recovering the funding deficit over 15 years. A copy of the FSS can be obtained from the Fund's web site at <http://www.clwydpensionfund.org.uk/>. The funding strategy will be monitored during 2017/20.

In managing the Fund, the key objectives are:

- to aim for a funding level of 100% and
- to aim for long term stability in employers' contribution rates.

The Clwyd Pension Fund was funded at 76% of liabilities (2016 Actuarial Valuation) and employers' rates are currently structured to achieve a gradual return to 100% funding by 2031.

Whilst stability of costs from the employers' rates has the higher priority, absolute cost to the employer is also important. This implies that:

- the cost of administering the Fund will be constrained by the adoption of best management practice
- employers will adopt appropriate and economic policies in those areas where they have discretion and where the costs of their actions fall on the Fund
- the Fund's overall investment policy will be aimed at superior investment returns relative to the growth of liabilities. This implies that the Fund will continue to take an active risk relative to its liability profile.

The investment principles of the Fund are stated in full below, and are intended to strike the appropriate balance between the strategy most suitable for long-term consistent performance and the funding objectives. A favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

Investment Principles

The key investment objectives for the Fund are to aim for sufficient excess investment returns relative to the growth of liabilities to meet the funding objectives set out above on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives.

The Fund's overall strategic risk and return profile is currently determined through its strategic asset allocation. In establishing the Fund's long-term strategic asset allocation, or strategic benchmark, the key factors are the overall level of return being sought, the minimum level of risk consistent with this and the impact of diversification in reducing this risk further. At asset class or mandate level, asset class weightings, appropriate benchmarks and out-performance targets are the key building blocks in framing this overall Fund strategy.

It is Fund policy to carry out a fundamental review of the Fund's structure and management arrangements at least every four years. The review includes research on market views for the longer-term risk, return and correlation profiles for different asset classes and a more tactical view on the global economic and market environment over the next three to five years. This research is used to determine an optimum future balance between the various assets classes and hence the Fund's fixed strategic benchmark.

The latest Fund review was undertaken in 2016/17 and changes as a result of this are in the process of being implemented. Details of the investment strategy are included in following sections.

Investment Strategy

Setting the Strategy

The Committee have determined their investment strategy to meet the objectives outlined earlier in this Statement. This includes consideration for the Fund's liability profile and the Committee's attitude to risk.

The strategic benchmark highlighted later in this section takes account of the risk and return characteristics of each asset class and provides a reasonable long-term balance appropriate to the liabilities of the Fund. The Clwyd Pension Fund considers the mix of asset classes in forming an overall portfolio and considers the correlation in volatility and return of each.

The Committee recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Committee have appointed investment managers to select and manage the allocations across asset classes, in particular where it would not be practical (or appropriate) for the Committee to commit the resources necessary to make these decisions themselves.

In assessing the suitability of investments required to form the overall portfolio the Committee consider a number of characteristics of each asset class, and sub asset class. These characteristics include potential return, risk/volatility of returns, liquidity, duration and interest rate sensitivity. In setting and reviewing an overall investment strategy for the Clwyd Pension Fund the starting point is always the Actuary's assessment of the liabilities of the Fund. This assessment will include cash flow requirements and an assessment of the required return to ensure the long term solvency of the Fund, and it is essential that the investment strategy is compatible with this.

2016/17 Review

The 2016/17 review showed, using JLT Market Forecast Group output for Quarter 2 2016, that the expected market returns over the coming ten year period would mean that the Fund could be expected to generate a return of 6.5% p.a. (CPI inflation plus 4.5% p.a.). This is equivalent to CPI inflation plus 4.3% p.a. taking the CPI assumed in accordance with 31 March 2016 Actuarial Valuation. Investigations showed that the portfolio was well diversified and did not need a significant overhaul and the de-risking framework and Flight-path was well placed, subject to conclusion of a review by the Fund's consultants.

However, there were opportunities to reduce risk without sacrificing return.

These opportunities led to four main areas of change.

- Global Equity exposure to be split between Active and Smart Beta portfolios.
- Remove allocation to Frontier Market Equity, due to continued geo-political risk and the uncertainty of returns in the medium term;
- A new allocation to Private Credit to take advantage of the current opportunity set;
- Reduce UK Property allocation and increase investment in Infrastructure, in the longer term;

These changes meant that the expected return could be increased by 0.1%, with minimal change to the projected Deficit Risk.

Further details in relation to the investment strategy are outlined in this section.

Investment Decisions

The Committee distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

The Committee takes all such decisions themselves. They do so after receiving advice from their investment consultant. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Fund benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are ultimately the responsibility of the Committee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the respective fund. Furthermore, the Committee have delegated certain powers to the Clwyd Pension Fund Manager taking advice from the Tactical Asset Allocation Group. The purpose of the Tactical Allocation Portfolio, managed by the group 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. The Tactical Allocation Group is bound by the Tactical Allocation Portfolio Terms of Reference.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers with which the Fund invests.

Strategic Asset Allocation

In setting the Strategic Asset Allocation for the Clwyd Pension Fund the Regulations require the Committee to invest in a wide variety of investments and in doing so assess the suitability of particular types of investments. Subject to satisfying these elements of the Regulations the Clwyd Pension Fund is not constrained to certain types of investments; the new requirement is for the Committee to set their own limits. The Fund is therefore permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- Agriculture
- Cash (including currency)
- Commodities
- Convertible bonds
- Diversified growth
- Emerging market debt
- Hedge Funds and Managed Futures (including via a managed account platform)
- High yield bonds
- Infrastructure
- Liability driven investment products
- Multi –Asset Credit
- Private credit
- Private equity
- Property
- Timber
- UK and overseas corporate bonds
- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked

Balance between different types of investments

The Regulations require the administering authority to have regard for the diversification of the Fund's investments.

The Fund will, at all times, invest across a diversified portfolio of investments to reduce investment risk. In addition to diversifying by assets, the Fund will invest across a number of managers and via different approaches and styles to investing.

The Fund may invest via pooled and segregated portfolios based on the appropriateness of each portfolio. The Fund can invest across a combination of passive, active and absolute return investment approaches based on return potential, cost and flexibility of implementation.

The investment structure agreed in the 2016/17 investment strategy review is detailed in the table below:

Asset Class	Strategic Allocation (%)
Developed Global Equity	8.0
Emerging Market Equity	6.0
Credit Portfolio	15.0
<i>Multi-Asset Credit (liquid)</i>	12.0
<i>Private Credit (illiquid)</i>	3.0
Real Assets Portfolio *	12.0
<i>Property</i>	4.0
<i>Infrastructure</i>	8.0
Private Markets	10.0
Tactical Portfolio	21.0
<i>Diversified Growth</i>	10.0
<i>Best Ideas **</i>	11.0
Managed Account ***	9.0
Liability Hedging	19.0

Notes:

* The Target allocation of the underlying asset classes in the Real Assets portfolio will take some time to achieve due to the illiquidity of the asset classes involved.

**The Best Ideas portfolio is tactically allocated according to shorter-term market views. This can be implemented by increasing the allocation to any of the asset classes listed above or by separate asset classes in any type of investment. This allocation is made through consultation with the Tactical Allocation Group, which is bound by the Tactical Allocation Portfolio Terms of Reference. The objective of the Tactical Allocation Portfolio is to add value to the overall Clwyd Pension Fund return.

*** The managed account includes allocations to Managed Futures and Hedge Funds.

The Fund's investment managers are remunerated either by way of an ad valorem fee, i.e. the fee is a percentage of the value of assets under management, or a combination of an ad valorem and performance-related fee. The principle of performance-related fees is that the base fee is lower and that the manager is only paid a higher fee if the performance objective is met or exceeded.

Asset Allocation and Long Term Expected Return on Investment

The Committee is responsible for setting the strategic asset allocation for the Fund which in turn must be consistent with the investment return assumed in the funding strategy.

The investment strategy reflects the medium to long term nature of the liabilities but must also provide flexibility to manage short term volatility in markets. In addition, the investment strategy must take account of possible changes to cash flows as the membership profile of the Fund or the benefits structure changes.

The investment strategy reflects the differing return and risk profiles of each asset class. However, long term risk and return expectations are not consistently generated over all time frames and, for all asset classes, there can be periods of under- or out-performance compared to the long term expectations.

The strategic framework includes a target allocation against which strategic performance will be monitored ('Strategic Allocation'). In addition there are ranges for each asset category that allow limited deviation within the framework ('Strategic Range'). The ranges enable the Fund to reflect changes in the market outlook and provide greater flexibility to implement cash management and rebalancing.

In addition to the Strategic Allocation and Strategic Ranges, a conditional medium term asset allocation (Conditional Range) exists, to manage major risks to the long term strategic asset allocation which may emerge between Fund reviews.

The Fund's strategic allocation, as set out below, does not assume any outperformance from the investment managers. The expected returns stated in this table are as at the date of the 2016/17 strategic review.

Asset Class	Strategic allocation (%)	Strategic range (%)	Conditional range (%) *	Expected return above Inflation (CPI) p.a.**
Developed Global Equity	8.0	5.0 – 10.0	0 – 30	+4.5%
Emerging Market Equity	6.0	5.0 – 7.5	0 – 15	+5.5%
Credit Portfolio	15.0	10.0 – 20.0	5 - 25	+2.1%
<i>Multi-Asset Credit (liquid)</i>	<i>12.0</i>	<i>10.0 – 15.0</i>	<i>5 - 20</i>	<i>+1.8%</i>
<i>Private Credit (illiquid)</i>	<i>3.0</i>	<i>2.0 – 5.0</i>	<i>0 - 10</i>	<i>+3.5%</i>
Real Assets Portfolio	12.0	10.0 – 15.0	5 - 20	+4.9%
<i>Property</i>	<i>4.0</i>	<i>2.0 – 6.0</i>	<i>0 – 10</i>	<i>+4.0%</i>
<i>Infrastructure</i>	<i>8.0</i>	<i>5.0 – 10.0</i>	<i>2 – 12</i>	<i>+5.3%</i>
Private Markets	10.0	8.0 – 12.0	8 – 12	+6.5%
Tactical Portfolio	21.0	15.0 – 25.0	10 – 30	+3.6%
<i>Diversified Growth</i>	<i>10.0</i>	<i>8.0 – 12.0</i>	<i>5 – 15</i>	<i>+4.2%</i>
<i>Best Ideas ***</i>	<i>11.0</i>	<i>9.0 – 13.0</i>	<i>5 – 15</i>	<i>+3.0%</i>
Managed Account****	9.0	7.0 – 11.0	5 - 15	+4.0%
Cash	-	0.0 – 5.0	0 – 30	+0.0%
Liability Hedging*****	19.0	10.0 - 30.0	10 - 30	+4.5%

Notes:

* The Conditional ranges are at a total Fund level, including the Tactical Allocation Portfolio but excluding the Liability Hedging mandate.

** Expected return is expressed as an excess long-term return over CPI Inflation to reflect extra risk being taken, excluding active management. This is based on JLT Market Forecast as at the date of the 2016/17 strategic review. CPI Inflation is used as the basis for expected returns as it is a proxy for valuing the liabilities.

*** The Best Ideas allocation is a short term (12 month horizon) tactical allocation based on the JLT's (the Fund's Investment consultant) "best ideas". The portfolio should be liquid and cost efficient.

**** The Managed Account includes allocations to Managed Futures and Hedge Funds

***** The Liability Hedging Portfolio, a combination of Liability Driven Investment (LDI) and synthetic equity instruments, will be managed as part of a de-risking approach. Given the nature of this mandate i.e. protection against liability changes, it is not intended to rebalance the allocation, which can lead to a movement away from the initial strategic allocation of 19% at inception of the mandate.

The inclusion of a diversified range of assets and the scope for tactical allocation in the strategy is expected to reduce the overall volatility of returns without significantly altering the Fund's expected long term return. This was the case when modelling the revised investment strategy in 2016.

LDI Flight path strategy

In March 2014, the Fund established a Liability Hedging programme covering both nominal and inflation linked interest rates.

A Flight path for increasing the level of protection of the hedges was agreed along with other funding level triggers. An LDI manager was appointed to manage this hedging portfolio in relation to market yield triggers and the Funding and Risk Management group monitors the funding level triggers relating to the overall funding and investment risk management.

As part of the 31st March 2016 actuarial valuation and investment strategy review cycle, the officers and Fund consultants (Mercer and JLT) have reviewed the Flight-path and updated the interest rate and inflation triggers.

Realisation of investments

The Fund's investment policy is structured so that the majority of its investments (in equities, DGFs and bonds) can, except in the most extreme market conditions, be readily realised.

However, the availability of alternative investment vehicles enables the Fund to invest in less liquid asset classes and to build well-diversified portfolios. Investments such as property, infrastructure and private equity/debt are long term investments which the Fund is less likely to be able to realise in a short period. "Lock-up" periods are normal practice in hedge funds (to manage the in/out flows to

ensure existing clients' capital is protected) which means that these investments are not readily realisable either.

Notwithstanding this, the Fund maintains sufficient investments in liquid assets to meet its liabilities in the short and medium term as they fall due.

Cash Strategy

From 1st April 2011 the 2009 Investment Regulations required the Pension Fund to have a separate bank account from the Local Authority.

The Pension Fund does not have a strategic allocation to cash for investment purposes but holds surplus cash for paying:

- Benefits and transfers as per the Regulations.
- The administration costs of the Fund.
- The Investment management fees.
- Commitments to real assets and private market investments.

However, in extreme market conditions cash could be used as part of the Conditional Asset Allocation.

The aim is to avoid requiring to borrow for liquidity purposes, although Investment Regulations allow Pension Funds to borrow for a maximum of 90 days.

The cash could be deposited in one of the following, subject to cash flow requirements:

- The Pension Fund bank account with the National Westminster bank for daily liquidity.
- A deposit account with the National Westminster Bank with access up to 180 days' notice.
- The Insight Liquidity Fund for unexpected liquidity requirements or higher rates of return.

The Clwyd Pension Fund Manager will arrange for the daily implementation of the cash strategy.

Stock Lending

The Fund only currently invests in pooled vehicles so cannot undertake any stock lending. The stock lending policy on pooled funds is determined by the individual investment managers. Any income not retained by the fund manager and / or the lending agent is incorporated in the net asset values of each pooled fund.

4. Approach to risk, including the ways in which risks are to be measured and managed

Regulation 7(2) (c) requires that funds describe their approach to risk within their investment portfolio, including summarising the key risks and detailing the approach to mitigate the risk (where possible or appropriate).

Risk Register

The Clwyd Pension Fund has a Risk Management Policy and Risk Register in place.

The Risk Register has a section dedicated to Funding & Investment Risks (including accounting and audit). Specific asset/investment risks highlighted in the risk register include those around investment markets, the failure of managers to achieve their objectives, missing out on market opportunities, and liquidity.

The risk register continually updated and key risks are considered on a regular basis at the Committee and Advisory Panel meetings.

The Committee is aware and seeks to take account, of a number of risks in relation to the Fund's investments, and these are detailed in the following paragraphs.

The main risk for the Fund is the mismatch between its assets and liabilities. As a consequence, if the investment returns are less than that required in the funding strategy the funding level will deteriorate, all else being equal. The main risks within the funding strategy are interest rate, inflation and mortality risks, and investment risk arising from the investment portfolio, which is controlled through diversification of asset holdings. The Fund has a bespoke Flightpath/Risk Management strategy that has established objectives to ensure that the Fund's exposure to interest rate risk and inflation risk is managed and monitored on an ongoing basis.

Investment, by its very nature, is a risk based activity where the returns achieved will reflect differing levels of risk. There are a number of investment risks to consider within an investment fund, namely manager, market, credit, currency and liquidity risks. Consideration of financially material non-financial risks is considered in the Fund's Sustainability Policy is later in this document.

In considering the Fund's investment strategy, one must therefore bear in mind this balance between risk and return. In practice, the investment strategy objective will be to achieve the highest possible return whilst minimising downside risk, within agreed parameters.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

Manager Risk (including the All Wales Pool)

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.

- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by monitoring and replacing any managers where concerns exist over their continued ability to deliver the investment mandate.
- The aim of the investment strategy and management structure is to manage the appropriate level of risk for the return target which reflects the funding strategy. The Fund's external investment managers are required to invest in line with the investment guidelines set by the Fund. Independent custodians safe keep the assets on behalf of the Fund.

Liquidity Risk

- This is monitored according to the level of cash-flows required by the Fund over a specified period.
- Whilst ensuring that there is the appropriate liquidity within the assets held, the Fund invests in less liquid investments to take advantage of the "illiquidity premium" offered.
- Despite this the Fund holds an appropriate amount of readily realisable investments. The Fund's assets are invested in pooled funds which are readily realisable and there is a significant amount of liquidity based upon the existing strategic asset allocation.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- The Fund manages this by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Fund's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. The Fund's Sustainability Policy explains the approach in detail, and is included later in this document.

Legislative Risk

- This is the risk that legislative changes will require action from the Committee so as to comply with any such changes in legislation.
- The Committee acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.
- The Fund seeks to manage this risk through the strategic policy which ensures diversification of investments across a range of asset classes and markets that have low correlations with each other and across a selection of managers.
- The Fund has a significant weighting to a Tactical Allocation portfolio (TAP) which aims to take advantage of market risk, by making shorter term tactical allocations which suit the specific to characteristics of the Clwyd Fund. This is achieved with an allocation to Diversified Growth (with style diversification across two managers) and via an allocation to a Best Ideas portfolio.
- As most of the portfolio is exposed to market risk, the main risk to the Fund is a fall in market prices. Although market movements cannot be completely avoided, and indeed there are periods

when all assets become more highly correlated, the impact can be mitigated through diversifying across asset classes and approaches to investing.

- Market risk comprises of the following three types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In this context, the Fund may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- The Fund seeks to address this within the TAP but does not take a strategic view on currency movements.

Interest rate risk and Inflation risk

This covers the following risks:

Interest rate risk -

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.

Inflation risk -

- This is the risk that the value of the Fund's liabilities which are inextricably linked to Consumer Price Index (CPI) inflation, increase at greater rate than the assets.
- The Committee also acknowledge the interest rate risk and inflation risk related to individual debt instruments. This is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management and investing in assets that move in line with inflation such as Infrastructure.
- Since 2014 the Fund has adopted a Flight-path approach to managing the specific inflation and interest rate risk. The Flight path is regularly reviewed and the appropriate trigger levels set.

Risk Budgets

In formulating the revised investment strategy, expected risk and return figures were utilised for each asset class. The figures used in the 2016/17 strategic review are as follows.

Asset Class	Expected return above inflation p.a. *	Expected Risk (Volatility) p.a. **
Developed Global Equity	+4.5%	14%
Emerging Market Equity	+5.5%	20%
Credit Portfolio	2.1%	6%
<i>Multi-Asset Credit (liquid)</i>	<i>+1.8%</i>	<i>5%</i>
<i>Private Credit (illiquid)</i>	<i>+3.5%</i>	<i>12%</i>
Real Assets Portfolio	4.9%	11%
<i>Property</i>	<i>4.0%</i>	<i>5%</i>
<i>Infrastructure</i>	<i>5.3%</i>	<i>14%</i>

Private Markets	+6.5%	28%
Tactical Portfolio	+3.6%	9%
<i>Diversified Growth</i>	+4.2%	9%
<i>Best Ideas **</i>	+3.0%	9%
Managed Account ***	+4.0%	6%
Liability Hedging	+4.5%	15%

* Expected return is expressed as an excess long-term return over Inflation (measured by CPI) to reflect the extra risk being taken, excluding active management. This is based on JLT Market Forecast as at the date of the 2016 strategic review. CPI is used as the basis for expected returns as they are a proxy for valuing the liabilities.

** Expected risk is based on 10 year historic returns and volatility

*** The managed account includes allocations to Managed Futures and Hedge Funds

Proper advice

In assessing the Fund's strategy, including an assessment of the implicit risks, and setting the maximum limits Flintshire County Council as Administering Authority for the Clwyd Pension Fund has taken proper advice from Officers, JLT Employee Benefits (Investment Consultants) and Mercer (Actuaries and Risk Management Advisers).

As part of the Fund's governance structure, there are regular meetings between the Fund's officers, the Investment Consultants, the Actuaries and Risk Management Advisers and the Fund receives advice from these parties on a continuous basis.

5. Approach to pooling

Regulation 7(2) (d) requires that all authorities commit to a suitable pool to achieve benefits of scale. It also requires that administering authorities confirm the chosen investment pool meets Government's investment reform criteria, or to the extent that it does not, that Government is content for it to continue.

The Clwyd Pension Fund is participating in the development of the WALES Pool. The proposed structure and basis on which the WALES Pool will operate was set out in the July 2016 submission to the Government.

The WALES Pool received confirmation from the Minister for Local Government that he was happy that the proposals met the required criteria, with the exception of the size requirement. However, the Minister confirmed in his letter to the Welsh Funds that given the special position of Wales, and the long history of collaboration he was content with the final proposal.

The agreed objectives of the WALES Pool are:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.

In the longer term, subject to the above mentioned objectives being met, the Clwyd Fund is committed to investing all of its assets through the WALES Pool.

Structure and governance of the WALES Pool

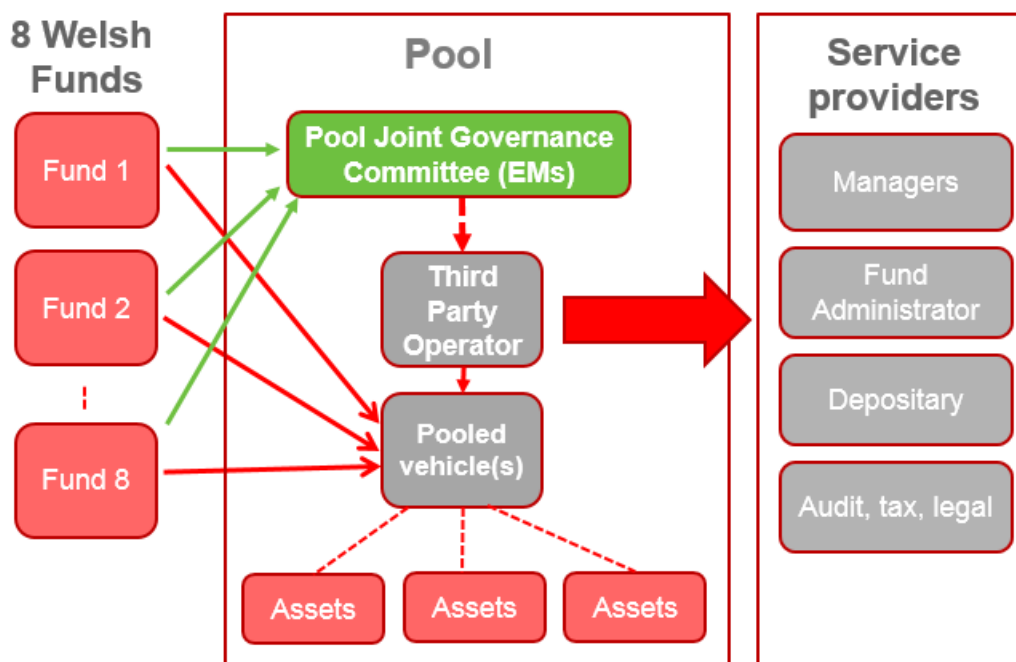
The Pool will appoint a third party operator authorised by the FCA to provide a series of investment sub-funds in which assets of the participating funds will be invested. A diagram showing the proposed structure is shown on the next page.

A Joint Governance Committee (JGC) has been established to oversee the operator. The Committee comprises elected members – one from each of the eight participating funds. It is anticipated that this may be the Chairs of the respective Pensions Committees though administering authorities may choose to nominate alternative members if appropriate. This arrangement will provide accountability for the operator back to individual administering authorities.

The JGC has been setup formally as a Joint Committee between the participating administering authorities. It will operate on the basis of "One Fund, One Vote", though the intention is that any decisions are reached on a consensus wherever possible. A formal Terms of Reference for the Committee has been drawn up.

Each authority has committed to the pool by agreeing and signing an Inter-Authority agreement. The agreement sets out the principles behind the WALES pool, and will commit the administering authorities to sharing the costs of setup.

Governance Structure of the WALES Pool



The operator will be responsible for selecting and contracting with investment managers for each of the sub-funds as well as appointing other service providers such as a depository asset servicer, and an external valuer as necessary.

It is anticipated at this stage that listed bonds and equities are likely to be invested through a UK based Authorised Contractual Scheme (ACS) in order to benefit from the tax transparent nature of the vehicle, though this will be discussed with the appointed operator. It may be that alternative vehicles are more appropriate for some asset classes. As well as considering the options with the operator, advice will be sought of the final proposed approach from a tax efficiency and legal compliance basis.

It is likely that it will take some time for the illiquid asset classes to transition into the Pool, and the process and benefits of doing so will be discussed with the operator. Given the Clwyd Fund has a significant proportion of its assets in alternative, less liquid investments it may be some time before all of the Fund's assets are able to be pooled.

6. Approach to Environmental, Social and Governance issues

And

7. Policy on exercising voting rights

Regulation 7(2)(e) requires administering authorities to demonstrate that it considers any factors that are financially material to the performance of the fund's investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

Regulation 7(2) (f) requires administering authorities to explain their policy on exercising rights (including voting rights) attaching to investments. The guidance refers to the Financial Reporting Council's UK Stewardship Code and requires that funds explain, where appropriate their policy on stewardship with reference to the Stewardship Code.

Responsible Investing Policy

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Fund has delegated responsibility for voting rights to the Fund's external investment managers and expects them to actively engage with companies, and to vote. Due to the Fund investing mainly in pooled funds it is not possible to impose the Fund's own voting policy, but on appointment the Fund ensures that the fund manager has voting guidelines in line with the Clwyd Fund's policies.

The Clwyd Pension Fund recognises that there is a link between good environmental, social, ethical and governance practices and long-term sustainable business profitability and in its investment strategy aims to place a strong focus on this. It is recognised that, whilst there are links, the three main sustainability areas, environmental, social and ethical, each raise their own issues, although the approaches and guidelines appropriate to each are similar.

As part of this the Fund, subject to fiduciary duties, makes selective investments in environmentally supportive areas such as clean-technologies, clean energy, environmental infrastructure and forestry

The Fund regularly meets with existing and new managers to discuss opportunities within the environmental area.

At the strategic level, a manager's approach to identifying and managing RI risks and opportunities is evaluated as part of the tender process for appointing new managers. It is also incorporated into the on-going process of monitoring the investment managers' performance.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) whose primary aims are to seek improvements in the corporate governance of the companies in which member funds invest, and also to promote Socially Responsible Investment (SRI) on environmental issues and issues relating to

overseas employment standards. This very much reflects the principles built into the Fund's own Sustainability Policy.

The Fund is also a member of the Pension and Lifetime Savings Association (PLSA) which also provides further guidance on Governance and Social Responsibility issues as well as the wider pension issues.

The Clwyd Pension Fund has incorporated these areas and others into its Sustainability Policy (below).

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Sustainability Policy

Definition

At its simplest, sustainability is about focusing attention on longer-term issues. More specifically for pension fund investors, it concerns delivering the long-term returns required to fund long-term liabilities by ensuring that the long-term risks inherent in investments are recognised and, where possible, addressed. These risks are many and varied but include environmental, social, ethical and governance issues.

Legal Framework, Constraints & Considerations

In framing a Sustainability Policy, the following are pertinent –

- There already exists a requirement for the Fund to include within its Investment Strategy Statement (ISS) details of its policy on social, ethical and environmental issues. This Sustainability Policy encompasses such issues and will be updated as required to take account of relevant new regulatory requirements.
- The Fund is required to fulfil its overriding fiduciary duty to focus as a primary consideration on financial performance and the maximisation of Fund returns, after taking full account of all existing and future financial risks. Such risks increasingly include sustainability issues.
- Whilst the financial criterion is maintained as a key investment decision criterion, this has now been broadened to include non-financial criteria, subject to certain caveats, and the Fund is required to give an explanation of the extent to which non-financial factors will be taken into account and its approach to social investments.
- The investment industry tends to focus on short term factors in terms of company interaction, shares prices and performance, and fund managers incentives tend to reflect this rather than being aligned with the longer-term objectives of pension fund investors.

Objective

Objective

Within the above legal framework, constraints and considerations, the Clwyd Pension Fund's objective aim will be to –

- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability;
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.

United Nations Principles for Responsible Investing (UNPRI)

Given the constraints outlined above and particularly the pooled nature of many of the Fund's investments, it would be difficult for the Fund to become a formal signatory to the UNPRI.

United Nations Principles for Responsible Investing (UNPRI)

The Clwyd Pension Fund –

- Is committed to the principles underlying the United Nations Principles for Responsible Investing (UNPRI) and will be an active supporter of these;
- Will encourage its external managers to become signatories to the UNPRI.

The Fund Objective stated above already encompasses most of the UNPRI.

Application of Sustainability Principles

In order to achieve its stated objective, the Clwyd Pension Fund will apply a series of guidelines covering most aspects of pension fund investment under the following headings –

- Sustainability approach
- Investment strategy (UNPRI 1)
- Company engagement & voting (UNPRI 2)
- Investment management & performance monitoring (UNPRI 3)
- Investment manager selection & contracts (UNPRI 4)
- Collaboration (UNPRI 5)
- Reporting & disclosure (UNPRI 6)
- Review

The paragraphs below set out the Fund's thought processes in establishing such guidelines and detail the guidelines adopted as part of this Sustainability Policy document.

Sustainability Approach

In framing an approach to sustainability, the key focus has to be on the UNPRI principles 1 and 2 as these underlie most investment and governance processes. Sustainability-related issues have been considered on a regular basis for many years, with broad corporate governance policy guidelines in place from 1996. More recently these form part of the Fund's ISS and are reviewed annually.

The Clwyd Pension Fund approach has always been and continues to be based upon "active engagement". This involves the Fund's managers researching and forming a view on the sustainability credentials of companies, taking this into account in investment decisions and, where there are sustainability concerns, on environmental, social, ethical or governance grounds, engaging with companies to seek and achieve positive change.

Sustainability Approach

The Clwyd Pension Fund believes in an active engagement approach to the pursuit of its sustainability objectives and, on this broad basis, it –

- Will not adopt a negative approach to sustainability which involves screening and excluding investment opportunities;
- Will not invest in pooled vehicles constructed using this same approach;
- Will encourage its managers to adopt a long-term approach that involves working with companies to encourage improvement in all sustainability areas;
- Will monitor the performance of managers in pursuing such objectives;
- Will invest directly in specific vehicles and investment areas that clearly match its sustainability objectives.

Investment Strategy

The Clwyd Pension Fund recognises that there is a relationship between good environmental, social, ethical and governance practices and long-term sustainable business profitability and in its investment strategy aims to place a strong focus on this. It is recognised that, whilst there are links, the three main sustainability areas, environmental, social and ethical, each raise their own issues, although the approaches and guidelines appropriate to each are similar.

Environmental

The impact of poor environmental practices on profit sustainability is very clear. There are direct costs in terms of fines for pollution etc. and increasingly now for carbon-charging and waste disposal that can have major impacts on business models. In addition there are potential indirect costs from bad publicity and reputational risk. On the positive side, however, there are opportunities to promote sustainability through investment in new technologies aimed at cleaner solutions.

Social

This concerns areas such as employee relations, community relations and health & safety and again can lead to direct financial costs from health and safety breaches and strike action etc., as well as more subtle risks to company operations, reputation and long-term profitability.

Ethical

This is a difficult area as ethical views can vary considerably but there are some areas that are widely accepted for inclusion. These include supply chain issues that reflect potential breaches of human rights and especially the employment of children, bribery and corruption and operations in certain world areas such as Zimbabwe.

Investment Strategy

On forming and implementing its investment strategy, the Clwyd Pension Fund –

- Will encourage its managers to use their own resources or specifically-focused research agencies to identify at company level actual or potential financial risks attributable to sustainability issues – environmental, social or ethical;
- Will seek, through its managers, to engage with companies that have questionable environmental, social or ethical practices in order to seek improvements;
- Will seek, through its managers, to engage with companies that have a carbon-intensive or water-intensive focus in order to promote alternative approaches and longer-term reductions;
- Will encourage the adoption of the best environmental standards amongst its property and infrastructure managers;
- Will, subject to fiduciary duties, make selective investments in environmentally supportive areas such as clean-technologies, clean energy, environmental infrastructure and forestry etc.

Company Engagement & Voting

Getting the Board right with the right behaviours and structures means that better decisions are more likely and this adds value over the longer-term. The Fund's former broad corporate governance policy guidelines, whilst touching upon environmental, social and ethical issues, were largely designed to address these Board factors and related voting issues. Myners' Principle 5 is also relevant here. This requires that trustees adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. The Institutional Limited Partners Association (ILPA) has authored the ILPA Private Equity Principles, a document that contains best practice concepts and that speaks to issues relating to the alignment of interest between general partners and limited partners, fund governance, transparency and reporting guidelines in order that these can be taken account of in their investment management decision-making processes.

In order to monitor the performance of external managers in terms of their degree of compliance with the guidelines and the performance of underlying investments with the Fund's sustainability objectives, there needs to be regular reporting and disclosure on sustainability issues, particularly areas of concern, as well as actions taken to address these.

Company Engagement & Voting

The Clwyd Fund –

- Will aim to comply with the Myners' Principle 5 on shareholder activism and become more engaged as an active investor, especially with companies where sustainability factors are a matter of concern;
- Will ensure that its managers adopt or ascertain their level of compliance with the ISC Statement of Principles on the responsibilities of shareholders/agents;
- Will ensure that its managers adopt or ascertain their level of compliance with the ILPA private equity principles;
- Will, wherever practical, exercise voting rights through its managers based upon the following broad criteria –
 - The prime consideration must be financial and the protection of the Fund's assets in the long term;
 - There should be a properly structured Board including an appropriate number of contributing independent non-executive directors;
 - Unless there are strong arguments to the contrary and adequate safeguards guidelines, no director should hold the posts of Chairman and Chief Executive at the same time or be in a position of unaccountability by virtue of having absolute control;
 - All Directors should be subject to at least three-yearly re-election;
 - In view of their stewardship role, non-executive directors should normally be independent in terms of other links to the company and other directorships;
 - The issue of shares with reduced or non-existent voting rights often disadvantages the majority of shareholders and should not normally be supported;
 - Existing shareholders in a company should have a right to subscribe for new equity capital raised by a company, normally in proportion to their existing share of the company's equity capital;
 - Unless financial criteria dictate otherwise, the general policy on take-over bids should be to support incumbent management in good standing;
 - Directors' remuneration packages in different companies should reflect relative performance taking business size and complexity into account;
 - A properly constituted Remuneration Committee is the best judge of what is necessary to recruit, train and motivate;
 - If not already in place, companies should be working towards one year fixed term contracts for executives;
 - There should be a properly constituted Audit Committee;
 - No return that is rightfully the Fund's should be diverted to political donations;
 - Charitable donations are acceptable if they are reasonable and have public relations values.
- Will periodically review these criteria and inform investment managers of changes, should there be any.

Investment Management & Monitoring of Performance

Investment managers need to be made aware of the Fund's Sustainability Policy

Investment Management & Monitoring of Performance

The Clwyd Pension Fund –

- Will endeavour to ascertain the extent to which its fund managers are formal signatories to, support and comply with the UNPRI;
- Will encourage its fund managers to produce policy statements on sustainability issues and report formally on these.
- Will seek, through its managers, to ensure the full disclosure of environmental, social and ethical policies and practices by companies in which the Fund is invested;
- Will ask investment managers for statements on their degree of compliance with the ISC Statement of Principles on the responsibilities of shareholders and agents;
- Will request policy statements and practical evidence of the adoption of the best environmental standards amongst its property and infrastructure managers;
- Will ask private equity managers for statements on their degree of compliance with the ILPA private equity principles;
- Will ensure that investment managers regularly report records of voting on the Fund's investment and periodically produce statements on compliance or otherwise with the broad corporate governance elements of the Fund's Sustainability Policy;
- Will, subject to appropriate return targets, invest directly in funds focused upon environmental and social objectives.
- Will, where feasible, gather data on the environmental and social impact of these and other funds;
- Will assess the performance of managers both in terms of financial returns and on sustainability issues over a time frame that adequately reflects the Fund's sustainability objectives.

Investment Manager Selection & Contracts

The Fund's standard selection process for managers has always incorporated broad questions on sustainability issues but the main focus has been on investment philosophy, process, personnel and performance. Within this process, there has been some limited focus on sustainability inputs to investment decision-making but risk has tended to be quite narrowly defined and linked to shorter-term financial rather than longer-term sustainability considerations. As a result, sustainability has never been a main factor in the comparative assessment of managers prior to appointment or in the formal appointment process itself. This approach has now been reviewed with a view to incorporating into the selection and contracting process a far greater focus on sustainability issues.

Investment Manager Selection & Contracts

As an active part of this process, the Clwyd Pension Fund –

- Will require from potential managers formal statements of their objectives, policies and practices on sustainability and related factors;
- Will ascertain from potential managers the degree to which sustainability factors are taken into account in the investment decision-making process;
- Will seek from potential managers details and the level of in-house tools, agency inputs and other resources on sustainability factors used in their investment processes;
- Will review with potential managers the quality, integration and impact of such research on their investment processes and performance;
- Will ascertain the ability of potential managers to assess and quantify the environmental and social impact of their investments;
- Will consider the record of potential managers on active engagement with companies, voting and governance issues generally;
- Will, in the assessment of potential managers, give appropriate weight to all these sustainability and related factors;
- Will, where relevant and appropriate, build elements of the Fund's Sustainability Policy and detailed guidelines into investment management agreements.

Collaboration

The Clwyd Pension Fund is already a committed member of the Local Authority Pension Fund Forum (LAPFF), a body that seeks improvements in corporate governance, promotes socially responsible investing (SRI) and, with the Fund's active encouragement, is devoting considerable resources to environmental issues and climate change in particular. LAPFF is already a signatory to the UNPRI. The Fund has also had contact with other relevant bodies on sustainability issues both directly and through its managers.

Collaboration

The Clwyd Pension Fund –

- Will join and/or collaborate with organisations that are relevant to pursuit of the Fund's sustainability objectives;
- Will, subject to regulatory and operational constraints, seek relevant information from and share relevant information with such organisations in order to further the effective delivery of its Sustainability Policy.

Reporting & Disclosure

The Clwyd Pension Fund Annual Report already includes copies of various regulatory documents, including various policy statements and the Fund's ISS. The latter includes details of the Fund's current policy statements on social, environmental and ethical considerations and corporate governance issues. The Annual Report is circulated widely and all these documents are also published on the Fund's website. It is already accepted that approaches on sustainability and other policy areas tend to evolve and develop over time. It is essential therefore to keep policies and practices under continual review so as to improve their efficacy.

Reporting & Disclosure

The Clwyd Pension Fund –

- Will, through its quarterly meeting procedure, report regularly and as appropriate on relevant sustainability issues;
- Will, periodically, report formally on managers' level of compliance with the its Sustainability Policy, progress made in the year and areas where further progress needs to be made;
- Will, once a year, review its Sustainability Policy in the light of best practice and agree any proposed changes through its governance procedure;
- Will circulate this revised document to relevant bodies and particularly its managers;
- Will incorporate this revised document into its ISS and publish its contents both in the Annual Report and on its website.

UK Stewardship Code

The Financial Reporting Council (FRC) first published the UK Stewardship Code in 2010, and revised it in 2012. The Code aims to enhance the quality of engagement between asset managers and companies to help improve long-term risk-adjusted returns to shareholders. The Code sets out a number of areas of good practice to which the FRC believes institutional investors should aspire. Since December 2010 all UK-authorized Asset Managers are required by the Financial Conduct Authority to produce a statement of commitment to the Stewardship Code or explain why it is not appropriate to their business model.

The Stewardship Code has seven principles, and the ISS guidance requires that administering authorities become signatories to the Code, and state how they implement the principles on a “comply or explain” basis.

The Fund is not currently a signatory to the Code, however the principles are followed, where appropriate, and there are plans to become a signatory in time. The compliance position is shown in Appendix 2.

In practice the Fund’s policy is to apply the Code both through its arrangements with its asset managers and through membership of the LAPFF. In the future as a member of the WALES Pool, the Committee expects that both the Pool and the underlying fund managers to comply with the Stewardship Code.

Social investments

The Government guidance also addresses the issue of “social investments”; meaning those that deliver a social impact as well as a financial return. The Government considers that social investments are appropriate for LGPS funds where either the social impact is simply in addition to the financial return. It also considers that investments where some part of the financial return is forgone in order to generate the social impact are also appropriate, where the administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Much of the Fund’s approach is set out in the Sustainability Policy contained earlier in the document, but a specific response to this issue is set out below.

Approach

The Clwyd Pension Fund is a strong believer in sustainability across all areas, including environmental, social and governance, and fully embodies these non-financial factors in its decision-making and monitoring processes. More specifically, it –

- Will endeavour to ascertain the extent to which potential fund managers are formal signatories to, support and comply with the UNPRI and seek to ensure full disclosure of the environmental, social and ethical policies and practices of such managers;
- Will, as part of its appointment process, give full consideration to a manager's philosophy, people and investment process, as well as its track record in terms of financial returns;
- Will give an appropriate weight to all such non-financial factors, including a manager's environmental, social and governance standing, as part of its decision-making process;
- Will encourage existing and long-standing managers to adopt the best environmental, social and governance standards and monitor progress, as appropriate;
- Will, subject to fiduciary considerations, make selective investments in environmentally supportive areas such as clean-technologies, clean energy, environmental infrastructure and forestry etc.
- Will, subject to fiduciary considerations, make selective investments in managers with a social and environment impact focus whose aim is to “do good as well as doing well commercially”.
- Will look for investment opportunities across all sectors that offer potential for catalysing economic growth, particularly in deprived areas.

Impact

The Clwyd Pension Fund is eager to ascertain the impact of such this approach and is eager to assess and quantify, where feasible, the outcomes from its investments. More specifically, it -

- Will monitor the performance of managers in pursuing such objectives and specifically seek information on relevant environmental and social factors at all meetings with them;
- Will encourage managers to assess and quantify, where feasible, the impact of such factors in terms of employment, health and well-being and education and training, environmental impact and regeneration etc.
- Will monitor the outcome data of managers investing directly in companies and areas that match the Fund's environmental and social objectives.

Further Information

This Investment Strategy Statement was recommended to the Clwyd Pension Fund Committee on 21 March 2017.

If you require further information about anything in or related to this Investment Strategy Statement, please email:

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Appendix A – Myners Principles – 2016/17 Compliance

Principle 1

Administering authorities should ensure that:

- Decisions are taken by persons or organizations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation, and
- Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Key Areas and Guidance	Comment & Actions	Compliance
It is good practice to have an investment sub-committee, to provide the appropriate focus and skills on investment decision-making.	The administering authority delegates investment decisions to the Clwyd Pension Fund Committee. The Committee delegate functions to Officers who take investment advice as required from a Pension Advisory Panel who provide appropriate focus and skills on investment decision making. Further, a Tactical Allocation Group has been formed to take advantage of short term opportunities that are consistent with the long term risk and return goals of the Fund. Representatives and roles are defined in the ISS. This new governance structure was implemented from May 2014.	Full
The board should have appropriate skills for effective decision-making.	Training is given priority status through compliance with CIPFA Knowledge and Skills Code of Practice for elected members and ongoing sessions provided regularly through managers, collaboration and seminars. The Fund has produced a training policy for Members and Senior Officers. A needs assessment process will be introduced for members of the new Committee.	Partial
There should be sufficient internal resources and access to external resources for trustees and boards to make effective decisions.	The Committee has access to experienced and trained officers and an Advisory Panel of professionals qualified to provide proper advice.	Full
There should be an investment business plan with progress regularly evaluated.	The three year business plan includes an investment business plan, which is approved by the Committee who then receive updates on progress each Committee.	Full
The remuneration of trustees should be considered.	Remuneration and expenses are reviewed, considered and set by Council.	Full

<p>Particular attention should be paid to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).</p>	<p>The Investment Consultant, Actuary and Independent Adviser all have contracts which are regularly reviewed. Performance of the Investment Consultant and Actuary will be monitored by the Independent Adviser. The Investment Consultant and Independent Adviser contracts were tendered in 2013/14 and new provider contracts commenced in April 2014</p>	<p>Full</p>
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Principle 2

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Key Areas and Guidance	Comment & Actions	Compliance
Benchmarks and objectives should be in place for the funding and investment of the scheme.	The Fund's ISS sets out its investment and funding objectives as well as its overall strategic customized benchmark, asset class targets and Conditional Asset Allocation.	Full
Fund managers should have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.	Fund managers operate to detailed written mandates based in the main on 3-year rolling performance objectives, some market-based with others more absolute return in nature. The Liability Hedging portfolio has a liability based benchmark.	Full
Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates.	The Fund has always looked very widely at available asset classes and its extremely diversified structure reflects this. Whilst competitive deals are always sought with managers, fee levels have been less of a consideration on the grounds that, in optimizing structures, returns have always been considered on a net basis and that such costs are anyway offset by minimal additional performance. Other fund costs are very carefully considered and monitored.	Full
Trustees should consider the strength of the sponsor covenant.	The Fund is effectively Government-backed but the Fund impact on stakeholders receives appropriate attention. The Fund monitors each of the participating LGPS employers and admitted bodies.	Full

Principle 3

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Key Areas and Guidance	Comment & Actions	Compliance
Trustees should have a clear policy on willingness to accept underperformance due to market conditions.	Most managers have market-related benchmarks. There is clear acceptance of the fact that markets can be volatile in the short term. The setting of the Fund's strategic benchmarks is based upon the probable long-run performance of specific asset classes. Similarly, whilst the Fund's aim is that managers will outperform their benchmarks at all times, periods of under-performance are accepted as long as longer-term performance remains intact. A Tactical Allocation Portfolio, which looks to take advantage of short term opportunities that are consistent with the long term risk and return goals of the Fund, form part of the new investment strategy.	Full
Trustees should analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.	At each Fund Review exercise, optimization techniques are used that take account of probable performance and risk factors as well as asset class correlations and the Fund's actuarial position. The implementation of the flight-path strategy now requires regular monitoring of the funding position Such issues will be looked at again as part of the next Fund Structure review.	Full
Trustees should take into account the risks associated with their liabilities' valuation and management.	These risks are considered as part of the Fund's flight-path strategy for managing funding risks such as interest rates and inflation. Each Fund Review exercise is aimed at achieving an overall long-term rate of return adequate to cover liability growth (pay/price inflation, interest rate changes and mortality) and to return, in time, to full funding status.	Full
Trustees have a legal requirement to establish and operate internal controls.	Committee members receive regular independent reports from Internal Audit and External Audit on internal controls. Any actions recommended by these bodies are actioned promptly.	Full
Trustees should consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.	The Fund's investment strategy is considered as part of the regular actuarial process used to review and set employers' rates of contribution and consistency between the two is an important factor.	Full

Principle 4

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Key Areas and Guidance	Comment & Actions	Compliance
There is a formal policy and process for assessing individual performance of trustees and managers.	The performance of the Committee is assessed by the Independent Adviser and published in the Annual Report. In line with the ISS, the performance of the Fund and its fund managers is formally monitored by the Investment Consultant and Officers. The Investment Consultant provides regular performance monitoring reports to both the Advisory Panel and Committee.	Full
Trustees should demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).	Records of attendance at Committee and training events are maintained and reported in the Annual Report. Participation is recorded in the Committee minutes.	Full
The chairman should address the results of the performance evaluation.	All current performance evaluation documents (Training records, Independent Adviser, risk, Audit) are brought to Committee. The Chairman has a key role in this, but also taking input from Officers and the Advisory Panel, with appropriate actions being agreed.	Full
There should be a statement of how performance evaluations have been conducted.	Investments and Investment Managers are monitored on a quarterly basis by Committee and Advisory Panel. All advisers have fixed term contracts and the performance of contract specifications is reviewed annually as part of the overall governance review.	Full
When selecting external advisers, relevant factors including past performance and price should be taken into account.	Advisers are selected competitively, based on performance, price and other factors.	Full

Principle 5

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.

Key Areas and Guidance	Comment & Actions	Compliance
Policies regarding responsible ownership should be disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.	The Fund's Sustainability Policy and its Statement on Non-financial Factors and Social Investing are included as part of the ISS The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which considers responsible investment on a collaborative basis.	Full
Trustees should consider the potential for engagement to add value when formulating investment strategy and selecting investment managers.	In formulating investment strategy, the Fund is always mindful of sustainability issues and these are an increasing focus for the Fund across all asset classes. Similarly, when appointing managers, questions are asked about engagement and sustainability although this is probably not given sufficient weight in the evaluation of managers for selection. To ensure best practice, the Fund has produced its own Sustainability Policy which is regularly monitored and managed. In all manager selection exercises undertaken, the sustainability policy that fund managers apply to their investments is reviewed.	Full
Trustees should ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.	The Fund is aware of the voting policies of its underlying managers. A questionnaire is issued periodically to all fund managers on their sustainability policy and their replies explain their approach.	Full
Trustees ensure that Investment Consultants adopt the ISC's Statement	The Investment Consultant supports and adheres to the standard agreed with the investment consulting industry	Full

Principle 6

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate.

Key Areas and Guidance	Comment & Actions	Compliance
Reporting ensures that the scheme operates transparently and enhances accountability to scheme members and best practice provides a basis for the continuing improvement of governance standards.	Details of the Fund's Communication Policy Statement and all other key reports – ISS, Annual Report, Corporate Governance Policy Guidelines, Funding Strategy Statement, Governance Compliance Statement and Myners' Principles Compliance Statement are all published on the Fund's website. A newsletter is also published periodically. The other two main Scheduled Bodies (Denbighshire and Wrexham) have representation on the Committee along with an employee representative and other employer representative to ensure transparency.	Full

Appendix B – FRC UK Stewardship Code – 2014/15 Compliance

Principles	Comment & Actions	Compliance
Principle 1		
Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.	<p>The Clwyd Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code and encourages its appointed asset managers to do so too. In practice the Fund's policy is to apply the Code both through its arrangements with its asset managers and other agents and through membership of collaborative groups. The Fund makes this explicit through its Sustainability Policy document.</p> <p>The Fund's investment strategy seeks long-term returns from investing in a highly diversified portfolio of assets and appoints asset managers who best reflect this long-term sustainability approach in their investment philosophy and process.</p>	Full
Principle 2		
Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.	Through its Sustainability Policy, the Fund encourages the asset managers it employs to have effective policies addressing potential conflicts of interest, when it comes to matters of stewardship. The Fund requires all those who are directly involved in its management and governance to disclose any interest in any company, or other entity, in which the Fund has an ownership interest.	Full
Principle 3		
Institutional investors should monitor their investee companies.	Day-to-day responsibility for managing our equity holdings is delegated to the Fund's appointed asset managers. The Fund expects them to monitor companies, and intervene where necessary, and to report back regularly on activity undertaken. Regular review meetings with the Fund's asset managers provide an opportunity for particular company issues to be discussed. Under the Fund's Sustainability Policy, managers are required to report any areas of concern.	Full

Principle 4		
Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.	Whilst there is broad guidance in the Fund's ISS and Sustainability Policy, as noted earlier responsibility for day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code.	Full
Principle 5		
Institutional investors should be willing to act collectively with other investors where appropriate.	The Fund seeks to work collaboratively with other institutional shareholders in order to maximize the influence that it can have on individual companies. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which engages with companies on environmental, social and governance issues on behalf of its member authorities. The LAPFF is a signatory to the United Nations Principles for Responsible Investing.	Full
Principle 6		
Institutional investors should have a clear policy on voting and disclosure of voting activity.	Whilst all the Fund's holding are through pooled voting, it takes its voting responsibilities seriously and its voting policy is detailed as part of its ISS and in its Sustainability Policy document. Within this constraint, the Fund seeks to exercise the voting rights attaching to all its UK equity holdings and, where practical, its overseas stocks. A summary of manager voting is included in the Fund's Annual Report.	Full, but further improvements are possible
Principle 7		
Institutional investors should report periodically on their stewardship and voting activities.	The Fund reviews its ISS and Sustainability Policy document on an annual basis and publishes these both in the Annual Report and Accounts and on the Fund's web site. In addition, the activity undertaken by the LAPFF is reported to the Pension Fund Advisory Panel as are summary voting records from managers. All managers provide details of voting activity and a summary is provided in the Fund's Annual Report.	Partial

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	21 March 2017
Report Subject	Funding Strategy Statement
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The Funding Strategy Statement (FSS) must be formally updated in detail at least triennially as part of the actuarial valuation and the Administering Authority must consult with all interested parties on the FSS as part of the valuation process. The Committee were provided with an updated draft FSS in July 2016. Since then:

- the formal FSS consultation with all interested parties was completed on 9 December 2016 and comments have been received. Employers also had the opportunity to attend the AJCM on the 8 November 2016 to discuss their individual valuation results and feedback comments.
- the draft FSS has since been updated to reflect the discussions from the employer meetings that have taken place
- the FSS now includes the facility to adopt internal captive insurance arrangements for smaller employers with regard to ill health retirement costs. This will be communicated to employers individually to ensure they are aware of it and to confirm that it will not affect their contributions at this valuation.
- The FSS now reflects the updated flightpath structure noting where this is currently being developed further.

The Actuary will present the main issues contained in the FSS at the meeting.

The proposed final Funding Strategy Statement in relation to the 2016 valuation is attached as Appendix 1 has been produced for ratification by the Committee. The Committee must approve the finalisation of the FSS in order for the Fund Actuary to produce the final valuation report and implement the new contribution requirements.

RECOMMENDATIONS

- | | |
|---|--|
| 1 | The Committee notes the activity since the July 2016 meeting and the consultation carried out. |
| 2 | The Committee approve the final Funding Strategy Statement. |

REPORT DETAILS

1.00	FUNDING STRATEGY STATEMENT
1.01	<p>The LGPS Regulations provide the statutory framework under which the Administering Authority is required to prepare and publish a Funding Strategy Statement alongside each actuarial valuation. The Fund Actuary must have regard to the FSS as part of the actuarial valuation process.</p> <p>The FSS must also be revised and published whenever there is a material change in either the policy set out in the FSS or the Investment Strategy Statement.</p> <p>The training workshop held on 11 May 2016 discussed the purpose and aims of the FSS and highlighted the key points that are set out within it.</p>
1.02	<p>The draft FSS that was brought to Committee in July 2016 has since been updated to reflect the following:</p> <ul style="list-style-type: none">• the discussions from the meetings that took place with the Steering Group and major employers• the completion of the formal FSS consultation - this commenced with all interested parties in November 2016 with all employer responses required by 9 December 2016• employers were provided with their individual results during early November and the Annual Joint Consultative Meeting (AJCM) took place on 8 November to allow employers the opportunity to have further discussions with the Fund and the Actuary and feedback on the Consultation process• the FSS now includes the facility to adopt internal captive insurance arrangements for smaller employers with regard to ill health retirements costs. This will be communicated to employers individually so that they are aware of this and to confirm that it will not affect their contributions at this valuation.• finalisation of the numbers within the FSS now that the valuation process is close to completion• The FSS now reflects the updated flightpath structure noting where this is being currently developed further.
1.03	<p>Once the final FSS has been ratified by the Committee, the Fund Actuary will produce the final valuation report and contribution certificate no later than 31 March 2017 and the new contribution rates will be implemented from 1 April 2017 for the 3 years to 31 March 2020.</p>
2.00	RESOURCE IMPLICATIONS
2.01	<p>The Fund officers will confirm the final rates to the employers and also the details of the ill health captive arrangement. The Actuary will produce the valuation report which will be signed off by 31 March 2017.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Administering Authority consulted with employing bodies over the development of the Funding Strategy Statement during November/December 2016.

4.00	RISK MANAGEMENT
4.01	<p>The funding strategy (along with the investment strategy) which comes from the actuarial valuation is a key determinant of the overall financial risk levels.</p> <p>The Fund currently has a risk register in place which will be used to monitor the key risks of the Fund throughout the valuation process, for example the risk that:</p> <ul style="list-style-type: none"> • employer contributions are unaffordable and/or unstable • the value of the liabilities/contributions change due to the demographics being out of line with assumptions • there is a loss of employer income and/or other employers become liable for their deficits <p>These are set out within 'Funding and Investment risks: F1 - F6' in the Risk Register</p> <p>The FSS is a key document setting out the overall governance and controls in place to manage these risks on a whole Fund and individual employer level.</p>

5.00	APPENDICES
5.01	Appendix 1 – Funding Strategy Statement

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee – 2016 Actuarial Valuation – 27 September 2016, Report to Pension Fund Committee – Funding Strategy Statement – 5 July 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation – 24 May 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation – 22 March 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation – 26 November 2015, draft FSS, current FSS and 2013 Actuarial Valuation report.</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) 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. The Actuary’s formal report will set out the final valuation position and contribution requirements for the employers over a 3 year period.</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> <p>(j) Section 13 Actuarial Valuation - 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 GAD will undertake a review based on the results of the 2016 actuarial valuations.</p>

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| | <p>(k) Deficit Recovery Period/Plan - the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.</p> <p>(l) 50/50 Scheme - in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.</p> <p>(m) CPI - acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.</p> |
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Cronfa Bensiynau Clwyd
Clwyd Pension Fund



**FUNDING STRATEGY
STATEMENT**

CLWYD PENSION FUND

MARCH 2017

FLINTSHIRE COUNTY COUNCIL

This Funding Strategy Statement has been prepared by Flintshire County Council (the Administering Authority) to set out the funding strategy for the Clwyd Pension Fund (“the Fund”), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

EXECUTIVE SUMMARY

The LGPS Regulations and CIPFA Guidance provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

THE DETAILS CONTAINED IN THIS FUNDING STRATEGY STATEMENT WILL HAVE A FINANCIAL AND OPERATIONAL IMPACT ON ALL PARTICIPATING EMPLOYERS IN THE CLWYD PENSION FUND. IT IS IMPERATIVE THEREFORE THAT EACH EXISTING OR POTENTIAL EMPLOYER IS AWARE OF THE DETAILS CONTAINED IN THIS STATEMENT.

The FSS is a document that must be revised and published whenever there is a material change in either the policy set out in the FSS or the Investment Strategy Statement (ISS). A consultation with employers must take place before the Administering Authority can publish their funding strategy.

The funding strategy is applicable to all types of employer within the Fund and contains a number of policies that employers should be aware of, including the admission and termination policy and the covenant policy. A glossary is included at the end to assist with understanding of the technical terms and definitions.

The drafting of the FSS has been delegated to the Pension Fund Committee by the Administering Authority, following advice from the Fund Actuary. Some aspects have also been delegated to Fund officers.

The FSS is also subject to scrutiny and possible intervention under Section 13(4)(c) of the Public Service Pensions Act 2013 which may place some restrictions on the parameters that can be applied to employers.

Key elements of the funding strategy are as follows:

- Employer covenant and investment strategy will have a major influence on the valuation results.
- Deficit recovery periods will be determined by the Administering Authority with the aim of recovering deficits as quickly as possible and vary by employer. Subject to affordability, existing deficit contribution plans will not be reduced. The average recovery period for the Fund is 15 years. Deficit recovery contributions will be expressed as £s amounts.
- It will be possible for employers to prepay their deficit contributions for the full 3 years or annually at each April which would result in a cash saving.
- The key financial assumption – the discount rate – has been derived by considering the long term expected return on the Fund’s investment over and above assumed future Consumer Price Inflation (CPI).
- The demographic assumptions for the whole Fund have been determined by carrying out a bespoke analysis of the Fund’s membership along with a review of other LGPS Funds.
- It is strongly recommended that employers consider and understand the Fund policies which primarily relate to employers joining the Fund, ongoing monitoring of the financial strength of employers (covenant) and the approach adopted when employers leave the Fund (termination).

Ensuring that the **Clwyd Pension Fund** (the “Fund”) has sufficient assets to meet its pension liabilities in the long-term is the fiduciary responsibility of the Administering Authority (**FLINTSHIRE COUNTY COUNCIL**). The Funding Strategy adopted by the **Clwyd Pension Fund** will therefore be critical in achieving this.

The purpose of this Funding Strategy Statement (“FSS”) is to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward.

Given this, and in accordance with governing legislation, all interested parties connected with the **Clwyd Pension Fund** have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.



THE FUND’S OBJECTIVE

The Administering Authority’s long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members’ accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund’s investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength.



SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long-term cost-efficiency implies that the rate must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the pension fund and “long term cost efficiency” of the Scheme so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS



As the solvency level of the Fund is 76% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions which would result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period). Full details are set out in this FSS.

The average recovery period for the Fund as a whole is 15 years at this valuation which is 3 years shorter than the average recovery period of 18 years from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation, subject to affordability constraints, the employer may be able to step-up contributions over a period of 3 years. Employers should be aware that if they elect to step-up their contributions, this may have an effect on the level of contributions required in the future. Equally employers will be able to phase in their contributions changes to tie in with their financial year if this does not end on 31 March.



ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an appendix to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.0% per annum and for determining the future service ("primary") contribution rates is 2.75% per annum.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund taking into account the experience of the wider LGPS where relevant.

EMPLOYER ASSET SHARES



The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition, the asset share maybe restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.



FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's approach and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner and their ability to meet their obligations in the short and long term will be considered when determining an individual employer's funding strategy.

The Fund will continue to monitor changes in covenant in conjunction with the funding position over the inter-valuation period which will enable the Fund to anticipate and pre-empt employer any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the relevant appendix in this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in Appendix C. Examples of new employers include:

- Scheme Employers
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to Government bond yields and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

4. Insurance arrangements

The Fund is currently implementing an internal captive ill health insurance arrangement which pools these risks for eligible employers. This arrangement will not affect eligible employer contribution rates at this valuation but may affect them going forward. More details are provided in **Appendix E**.

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APPENDICES

- A - ACTUARIAL METHOD AND ASSUMPTIONS**
- B - EMPLOYER DEFICIT RECOVERY PLANS**
- C - ADMISSION AND TERMINATION POLICY**
- D - COVENANT ASSESMENT AND MONITORING POLICY**
- E – INSURANCE ARRANGEMENTS**
- F - GLOSSARY OF TERMS**

1

INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) (“the 2013 Regulations”) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) (collectively; “the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the **Clwyd Pension Fund** the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
 - the guidance issued by CIPFA for this purpose; and
 - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the **Clwyd Pension Fund** are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the **Clwyd Pension Fund** are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including the provision of a rates and adjustments certificate specifying the “primary” and “secondary” rate of the employer’s contribution).

PRIMARY RATE

The “Primary rate” for an employer is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

The Secondary rate is specified in the rates and adjustments certificate.

For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

2

PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency of the pension fund" and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3

AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designated and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

4

RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (in particular the Pensions Committee), the individual employers and the Fund Actuary, and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5

SOLVENCY FUNDING TARGET

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements the Administering Authority’s long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, the employer rate would ultimately revert to the Future Service or Primary Rate of contributions.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long-term cost-efficiency implies that the rate must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the pension fund and “long term cost efficiency” of the Scheme so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful, potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation, separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- The Fund does not believe it appropriate for deficit contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.
- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in **Appendix B**). This has resulted in an average recovery period of 15 years being adopted across all employers.
- For any employers assessed to be in surplus, their individual contribution requirements will be adjusted to such an extent that any surplus is used (i.e. run-off) over a 15 year period, subject to a total contribution minimum of zero. If an employer is expected to exit the Fund before this period, contribution requirements will be set to target a nil termination deficit within reasonable expectations (subject to periodic review).
- The employer contributions will be expressed and certified as two separate elements:
 - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits
 - the **Secondary rate**: a schedule of lump sum monetary amounts and/or % of pay amendments over 2017/20 in respect of an employer's surplus or deficit (including phasing adjustments)
- Where increases (or decrease) in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, the increase (or decrease) from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years. Any step up in future service contributions will be implemented in steps of at least 0.5% of pay per annum. Alternative patterns of contribution, on grounds of affordability, will be considered on an individual employer basis, subject to the total contribution requirement being met over the 2017/20 period covered by the contribution certificate. Employers should be aware that varying their contribution pattern could have an effect on the level of contributions required in the future.
- For employers that do not have a financial year end of 31 March 2017 (e.g. 31 July 2017), the Fund can allow the employer to continue to pay their current contribution plan until their financial year end date. The new contribution plan would then be implemented after this date (i.e. 1 August 2017 in this case).

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. The termination policy is summarised set out in **Appendix C**.

7

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2016 valuation show the liabilities to be 76% covered by the current assets, with the funding deficit of 24% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

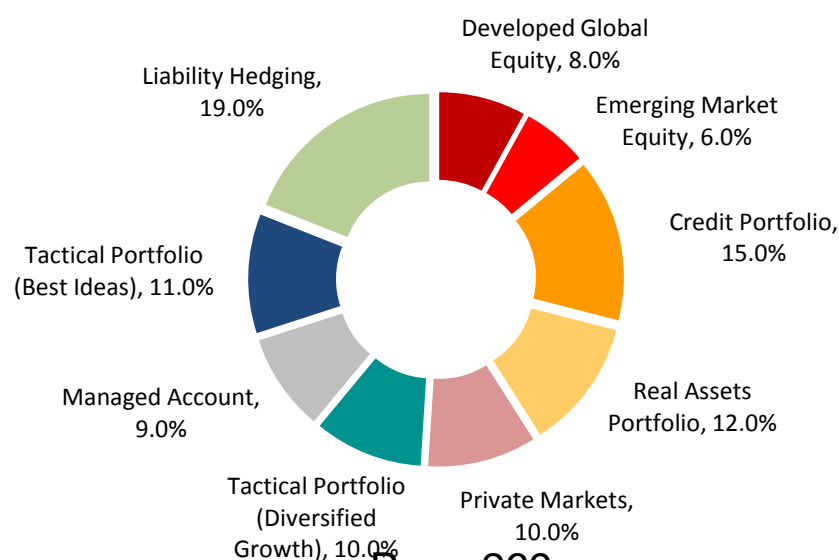
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 52%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The strategic allocation is:



Based on the investment strategy above and the Actuary's assessment of the return expectations for each asset class leads to an overall best estimate average expected return of 3.2% per annum in excess of CPI inflation at the valuation date. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

8

IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes a quantification of the key risks in terms of the effect on the funding position.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle
- Employer contributions are unaffordable and/or unstable
- Investment and/or funding objectives and/or strategies are no longer fit for purpose
- Insufficient assets to pay benefits
- Loss of employer income and/or other employers become liable for their deficits

Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under regular review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC

The demographic risks are as follows:-

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements**. Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund. This for example could include insurance of ill-health costs or death in service benefits for members. Further information on the insurance of ill health costs is set out in **Appendix E**.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme,
- Changes to national pension requirements and/or HMRC Rules

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned, it circulated copies of the first draft to all employing bodies for their comments and placed a copy on the Fund's website. The first draft was approved at the Committee meeting on 5th July 2016 and finalised on 21 March 2017 after the Fund received consultation feedback from the employing bodies and the final document was ratified by the Committee.

The Fund has restructured their governance arrangements with the implementation of the Advisory Panel. The Advisory Panel is made up of Fund Officers, Investment Consultants, an Independent Advisor and the Fund Actuary.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level

- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Changes to Committee membership

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. the implementation of iConnect for transferring data from employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.

Full details of the risks and the controls in place are set out in the CPF risk register.

9

MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with employing organisations.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of then current economic conditions and will also reflect any legislative changes.

FLIGHTPATH - DE-RISKING STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority has implemented a "Flightpath" risk management investment strategy with effect from 1 April 2014. A Liability Driven Investments (LDI) mandate has also been implemented.

The principal aim of this risk management strategy is to effectively control and limit interest and inflation risks being run by the Fund (as these factors can lead to significant changes to liability values). At the valuation date the level of hedging was approximately 20% in relation to interest rates and 40% in relation to inflation. The intention is that the Fund will achieve a hedge ratio of 80% in the long term for both interest and inflation rates. The overall funding flightpath strategy structure was reviewed in conjunction with the actuarial valuation and a summary of the real yield triggers above CPI is shown below (split by duration of liabilities). In practice the triggers are split into separate interest rate and inflation triggers. Further details are set out in the November 2016 committee report.

Proposed triggers	Hedge ratio	Real rate above CPI			
		15y	20y	30y	40y
Trigger 1	30%	-	-	-	-
Trigger 2	40%	-	-	-	-
Trigger 3	50%	1.40%	1.40%	1.40%	1.40%
Trigger 4	60%	1.60%	1.60%	1.60%	1.60%
Trigger 5	70%	1.80%	1.80%	1.80%	1.80%
Trigger 6	80%	2.00%	2.00%	2.00%	2.00%

FLIGHTPATH – MONITORING/TRIGGER REVIEW

A summary report is provided to the Fund (on a monthly and quarterly basis) which includes a "traffic light" analysis of the key components of the Flightpath and hedging mandate. The "traffic light" indicates whether the Flightpath and hedging mandate are operating in line with expectations or if any actions are required. In particular, a separate fund-wide mechanism has been introduced, such that if the funding level falls more than 5% below the "expected" funding level (based on valuation assumptions), then discussions will follow at the Advisory Panel level as to the continued appropriateness of the funding strategy.

The funding level has materially improved since the valuation date due to strong equity performance in the portfolio including the exposure via the risk management mandate with Insight. There are no formal funding level triggers in place at the time of writing but these are being considered and will be implemented. In addition it has been agreed that the Fund will seek to protect itself against falls in

equity markets. This will be done via insurance contracts and it will be put in place to cover only the exposure to equity markets within the Insight mandate. Details of the updated funding level triggers and Equity market protection will be shown in the relevant Committee report and they will then be reflected in the future updates of the FSS.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations as part of the Flightpath monitoring detailed above and regular funding reviews. If considered appropriate, the funding and flightpath strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- if there have been significant changes to the CPF membership, or LGPS benefits
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy e.g. closure to new entrants
- if there have been any significant special contributions paid into the CPF

When monitoring the funding position, if the Administering Authority considers that any action is required, the employing authorities will be contacted to provide an update and details of any proposed remedial actions at the next valuation or earlier if appropriate.

FURTHER INFORMATION

If you require further information about anything in or related to this Funding Strategy Statement, please contact:

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E-mail - Philip.latham@flintshire.gov.uk

Telephone - 01352 702264

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets base on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.0% per annum above CPI inflation i.e. a real return of 2.0% per annum and a total discount rate of 4.2% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.25% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for some employers as budgeted in their financial plan. For example for public sector employers this results in a total salary increase of 1% per annum to 2019/20 in line with Government policy. Depending on the circumstances of the employer, the variants on short term pay that have been applied are either no allowance or an allowance of 1% per annum for each year from the valuation date up to 2020.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections with a long-term improvement trend of 1.75% per annum for males, and 1.5% per annum for females.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 5% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.6% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation and is calculated by estimating the level of expenses for the Fund over the period from 1 April 2017 to 31 March 2020. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE “PRIMARY RATE”) FOR THE 2016 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.20% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.20% p.a.
CPI price inflation	2.20% p.a.
Long Term Salary increases*	3.45% p.a.
Pension increases/indexation of CARE benefits	2.20% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.20% p.a.
Long Term Salary increases*	3.45% p.a.
Pension increases/indexation of CARE benefits	2.20% p.a.

*short term salary increases of 1% per annum for each year from the valuation date up to 2020 also apply for most employers

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation are set out below:

Current Status	Retirement Type	Mortality Table
Pensioner	Normal Health	99% S2PMA_CMI_2015[1.75%] / 90% S2PFA_CMI_2015[1.5%]
	Dependant	130% S2PMA_CMI_2015[1.75%] / 103% S2DFA_CMI_2015[1.5%]
	Ill Health	99% S2PMA_CMI_2015[1.75%] + 3 years / 90% S2PFA_CMI_2015[1.5%] + 3 years
Active	Normal Health	99% S2PMA_CMI_2015[1.75%] / 86% S2PFA_CMI_2015[1.5%]
	Ill Health	99% S2PMA_CMI_2015[1.75%] + 4 years / 86% S2PFA_CMI_2015[1.5%] + 4 years
Deferred	All	124% S2PMA_CMI_2015[1.75%] / 99% S2PFA_CMI_2015[1.5%]
Future Dependant	Dependant	106% S2PMA_CMI_2015[1.75%] / 98% S2DFA_CMI_2015[1.5%]

Life expectancies at age 65:

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	22.8	25.4
Actives aged 45 now	25.4	28.1
Deferreds aged 45 now	23.5	26.9

Other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B – EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement although employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of recovery periods is summarised in the table below:

Category	Average Deficit Recovery Period (whole years)	Derivation
Unitary Authority Councils	15 years	Determined by reducing the period from the preceding valuation by 3 years.
Other Tax-raising Scheduled and Designating Bodies	11 years	Determined by reducing the period from the preceding valuation on a case by case basis with the intention of reducing by at least 3 years.
Education Bodies (Universities and Colleges)	13 years	Determined by reducing the period from the preceding valuation by at least 3 years.
Admission Bodies (guaranteed by another Scheme Employer within the Fund)	16 years	Subject to agreement with guarantor.

Individual employers have been notified separately of their individual recovery periods when they were provided with their individual valuation results.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets,

- changes in the funding position after the valuation date which is deemed reasonable.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation.

OTHER FACTORS AFFECTING THE EMPLOYER DEFICIT RECOVERY PLANS

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things being equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice. Typically this will be managed primarily through an adjustment to the recovery period and/or phasing/stepping of contributions.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the Fund Actuary, retains ultimate discretion in agreeing final employer contribution plans, and will consider whether any exceptional arrangements should apply to any participating employer within the Fund.

APPENDIX C - ADMISSION AND TERMINATION POLICY

INTRODUCTION

This document details the Clwyd Pension Fund's (CPF) policy on the methodology for assessment of ongoing contribution requirements and termination payments in the event of the cessation of an employer's participation in the Fund. This document also covers CPF's policy on admissions into the Fund and sets out the considerations for current and former *admission bodies*. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS).

- Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.
- Scheme Employers have a statutory right to participate in the LGPS and their staff therefore can become members of the LGPS at any time, although some organisations (Part 2 Scheme Employers) do need to designate eligibility for its staff.

A list of all current employing bodies participating in the CPF is kept as a live document and will be updated by the Administering Authority as bodies are admitted to, or leave the CPF.

Please see the glossary for an explanation of the terms used throughout this Appendix.

ENTRY TO THE FUND

Prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. If the risk assessment and/or bond amount is not to the satisfaction of the Administering Authority (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the minimum risk methodology and assumptions.

Some aspects that the Administering Authority may consider when deciding whether to apply a minimum risk methodology are:

- Uncertainty over the security of the organisation's funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
- If the admitted body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

ADMITTED BODIES PROVIDING A SERVICE

Generally Admitted Bodies providing a service will have a guarantor within the Fund that will stand behind the liabilities. Accordingly, in general, the minimum risk approach to funding and termination will not apply for these bodies.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the actuary to the CPF. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the CPF it must also be satisfied (along with the Administering Authority) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Administering Authority, the level of the bond amount will be subject to review on a regular basis.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund’s general policy as set out in the FSS.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer.

An exception to the above policy applies if the guarantor is not a participating employer within the CPF, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the CPF the Administering Authority may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the minimum risk methodology and assumptions

PRE-FUNDING FOR TERMINATION

An employing body may choose to pre-fund for termination i.e. to amend their funding approach to a minimum risk methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the minimum risk basis.

For any employing bodies funding on such a minimum risk strategy a notional investment strategy can be assumed as a match to the liabilities if agreed by the Administering Authority based on the advice of the Actuary. In particular the employing body’s notional asset share of the Fund will be credited with an investment return in line with the minimum risk funding assumptions adopted rather than the actual investment return generated by the actual asset portfolio of the entire Fund. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

EXITING THE FUND

TERMINATION OF AN EMPLOYER'S PARTICIPATION

When an employing body terminates for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members except where there is a complete transfer of responsibility to another Fund with a different Administering Authority.

In the event that unfunded liabilities arise that cannot be recovered from the employing body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

The CPF's policy is that a termination assessment will be made based on a minimum risk funding basis, unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated).

If, instead, the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities, the CPF's policy is that the valuation funding basis will be used for the termination assessment unless the guarantor informs the CPF otherwise. The guarantor or successor body will then, following any termination payment made, subsume the assets and liabilities of the employing body within the Fund. (For Admission Bodies, this process is sometimes known as the "novation" of the admission agreement.) This may, if agreed by the successor body, constitute a complete amalgamation of assets and liabilities to the successor body, including any funding deficit on closure. In these circumstances no termination payment will be required from the outgoing employing body itself, as the deficit would be recovered via the successor body's own deficit recovery plan.

It is possible under certain circumstances that an employer can apply to transfer all assets and current and former members' benefits to another LGPS Fund in England and Wales. In these cases no termination assessment is required as there will no longer be any orphan liabilities in the CPF. Therefore, a separate assessment of the assets to be transferred will be required.

FUTURE TERMINATIONS

In many cases, termination of an employer's participation is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued and/or the admission agreement is due to cease. Under the Regulations, in the event of the Administering Authority becoming aware of such circumstances, it can amend an employer's minimum contributions such that the value of the assets of the employing body is neither materially more nor materially less than its anticipated liabilities at the date it appears to the Administering Authority that it will cease to be a participating employer. In this case, employing bodies are encouraged to open a dialogue with the Fund to commence planning for termination as early as possible. Where

termination is disclosed in advance the Fund will operate procedures to reduce the sizeable volatility risks to the debt amount in the run up to actual termination of participation. The Fund will modify the employing body's approach in any case, where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

The Fund's standard policy is to recover termination deficits (including interest and expenses) as a one off payment. However, at the discretion of the Administering Authority, the deficit can be recovered over an agreed period as certified by the Actuary. This period will depend on the Administering Authority's view on the covenant of the outgoing employer.

MINIMUM RISK TERMINATION BASIS

The minimum risk financial assumptions that applied at the actuarial valuation date (31 March 2016) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

Minimum risk assumptions	31 March 2016
Discount Rate	2.2% p.a.
CPI price inflation	2.2% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

All demographic assumptions will be the same as those adopted for the 2016 actuarial valuation, except in relation to the life expectancy assumption. Given the minimum risk financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption.

The termination basis for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the long term trend of improvement in mortality rates to 2% p.a. from the 1.75% p.a. and 1.5% p.a. used for males and females respectively, in the 2016 valuation for ongoing funding and contribution purposes.

APPENDIX D – COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

- > Type of body and its origins
- > Nature and enforceability of legal agreements
- > Whether there is a bond in place and the level of the bond
- > Whether a more accelerated recovery plan should be enforced
- > Whether there is an option to call in contingent assets
- > Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to the consideration of the above criteria would be made, with further focus given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Greed (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent actuarial basis and investment strategy (e.g. the termination basis)
3. A higher funding target, shortened recovery periods and increased cash contributions
4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX E – INSURANCE ARRANGEMENTS

OVERVIEW OF ARRANGEMENTS

The Fund is setting up an internal captive ill health insurance arrangement which pools these risks for eligible employers. The aim of the arrangement would be that smaller employers, whose funding position could be significantly affected by the retirement of one or more of their members on the grounds of ill health, would pay a premium to the Fund within their future service contribution rate. This arrangement will not affect eligible employer contribution rates at this valuation but may affect them going forward.

INTERNAL CAPTIVE INSURANCE

The internal captive arrangement would operate as follows:

- “Premiums” are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer’s primary rate.
- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements i.e. there is no initial impact on the deficit position for employers within the captive.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or lower premiums at the discretion of the Administering Authority based on the advice of the actuary.
- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the other employers within the Fund. However the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.
- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

SUMMARY

The relevant employers will be notified of their participation. New employers entering the Fund who fall into the “small employer” category would also be included.

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements will still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against the allowance certified with recovery of any excess costs from the employer once the allowance is exceeded either at the next valuation or at an earlier review of the contributions due including on termination of participation.

APPENDIX F - GLOSSARY

ACTUARIAL VALUATION: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

ADMINISTERING AUTHORITY: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

ADMISSION BODIES: A specific type of employer under the Local Government Pension Scheme (LGPS) who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

BENCHMARK: a measure against which fund performance is to be judged.

BEST ESTIMATE ASSUMPTION: an assumption where the outcome has a 50/50 chance of being achieved.

BONDS: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

CAREER AVERAGE REVALUED EARNINGS SCHEME (CARE): 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.

MINIMUM RISK BASIS: an approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

COVENANT: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

DEFICIT: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

DEFICIT RECOVERY PERIOD: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

DISCOUNT RATE: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value i.e. the liabilities. A higher discount means lower liabilities and vice versa.

EMPLOYER'S FUTURE SERVICE CONTRIBUTION RATE ("PRIMARY RATE"): the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

EMPLOYING BODIES: any organisation that participates in the LGPS, including admission bodies and scheme employers.

EQUITIES: shares in a company which are bought and sold on a stock exchange.

EQUITY PROTECTION: an insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

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 i.e. when "triggers" are hit, whilst still expecting to achieve the overall funding target.

FUNDING OR SOLVENCY LEVEL: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

FUNDING STRATEGY STATEMENT: This is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

GOVERNMENT ACTUARY'S DEPARTMENT ("GAD"): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

GUARANTEE / GUARANTOR: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

HEDGING: a strategy that aims to reduce funding volatility. This is achieved by investing in assets that capture levels of yields based on agreed trigger levels so the assets mimic the change in liabilities.

HEDGE RATIO: The level of hedging in place as a percentage of the liabilities. This can be in relation to interest rates, inflation rates or real rates of return.

ILL HEALTH CAPTIVE: this is a notional fund designed to immunise certain employers against excessive ill health costs in return for an agreed insurance premium.

INVESTMENT STRATEGY: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

LETTING EMPLOYER: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

LIABILITIES: the actuarially calculated present value of all benefit entitlements i.e. scheme cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

MATURITY: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

MEMBERS: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

MINIMUM RISK FUNDING BASIS: more cautious funding basis than the existing valuation basis. The relevant discount rate used for valuing the present value of liabilities is based on the yields from Government Bonds or Swaps.

ORPHAN LIABILITIES: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

PERCENTILES: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

PHASING/STEPPING OF CONTRIBUTIONS: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

POOLING: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each

individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

PREPAYMENT: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

PRESENT VALUE: the value of projected benefit payments, discounted back to the valuation date.

PROFILE: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

PRUDENT ASSUMPTION: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

RATES AND ADJUSTMENTS CERTIFICATE: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

REAL RETURN OR REAL DISCOUNT RATE: a rate of return or discount rate net of (CPI) inflation.

RECOVERY PLAN: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

SCHEDULED BODIES: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

SCHEME EMPLOYERS: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Scheme Employers.

SECTION 13 VALUATION: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

SOLVENCY FUNDING TARGET: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

VALUATION FUNDING BASIS: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 SCHEME: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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