

Flintshire County Council – Decisions taken by the Clwyd Pension Fund Committee on Wednesday, 20 September 2017

Agenda Item No	Topic	Decision
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Part A – Items considered in public

A1	Declarations of Interest (Including Conflicts of Interest)	<p>Councillor Huw Llewelyn Jones declared a personal interest as being a member of the Clwyd Pension Fund for all items. He also declared an interest in relation to Item 6 (Clwyd Pension Fund Annual Report) which included information on an investment in a local project (Wholebake). Councillor Llewelyn Jones highlighted that he had been party to some matters relating to this Company as a result of his Councillor role at Denbighshire County Council. Karen McWilliam (Independent Advisor – Aon Hewitt) advised that she did not see anything on the agenda relating to this investment that would result in a conflict situation but that this should be added to the declarations as a potential conflict which should be monitored going forward if any matters regarding Wholebake are to be considered by the Committee.</p> <p>Karen McWilliam, Paul Middleman (Fund Actuary – Mercer) and Sarah Spall (Consultant Assistant – Mercer) separately declared a personal interest in relation to Item 4 (Pooling Investments in Wales) as employees of Aon Hewitt/Mercer respectively with each firm having submitted a tender response to be the operator of the Wales Pool.</p>
A2	Minutes	<p>It was agreed that the minutes could be received, approved and signed by the Chairman as a correct record.</p> <p>The Chairman paid tribute to Cllr Ron Hampson who had recently passed away. The Chairman said that Cllr Hampson had been a key contributor to the work of the Pension Fund Committee and would be sadly missed.</p>
A3	Pooling Investments in Wales	<p>The Chairman confirmed that this was the case and resolved that, contrary to the meeting agenda, the press and public would not be excluded from this item. Before John Wright (Hymans Robertson) delivered a presentation about the Welsh Pool and the procurement process, Colin Everett (Chief Executive) asked whether, given the declarations of interests from Mrs McWilliam, Mr Middleman and Mrs Spalling, they needed to leave the room. Mr Latham indicated not as the presentation only covered information that was going to be in the public domain. Mr Everett was content with this, but stressed any</p>

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		<p>discussions needed to be kept to generalities and Mrs McWilliam, Mr Middleman and Mrs Spalling should refrain from commenting on or participating in any of the discussion. Mr Wright confirmed this to be the case and that it would help reinforce the training the Committee had received the previous week.</p> <p>Key points Mr Wright covered were:</p> <ul style="list-style-type: none"> • that Hymans Robertson were commissioned to officiate over the process only • to confirm that the Welsh authorities had been ahead of the other pools in terms of working together, doing this ahead of the government announcement requiring pooling of assets • to give background on why the Government chose the criteria that they did. <p>Mr Wright further commented that:</p> <ul style="list-style-type: none"> • there was a perception that the LGPS was paying too much to Investment Managers but it had since become clear that LGPS funds had negotiated good deals with them, on a par with private sector firms. • further work has been done in the area of passive management as a way of reducing costs and it was noted that by working together, the eight Welsh Funds had made big savings. • there was also an impression that some LGPS funds were not well managed, principally as they do not have the governance budget or expertise to do so effectively. • some Funds have in-house management teams, so when Funds looked at pooling, some wanted to keep that in-house management. • some other pools are setting up their own investment companies, with a mix of private sector investment specialists and existing specialists. <p>Mr Wright then explained how the Pool structure would work. For information he explained that the operator was who the administering authorities would be procuring. They would be using an ACS structure, which is a modern tax efficient structure.</p>

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Agenda Item No	Topic	Decision
		<p>Mr Wright confirmed that asset strategy decisions would still be determined at each PFC level, but it would then be for the operator to appoint the investment managers so those strategies could be implemented.</p> <p>Bidders have already submitted tenders to be the operator, and once evaluated will go to the Chairman of the PFC, and the members of the JGC, with a recommendation. The JGC will then make a recommendation for approval, so effectively the eight Chairmen will report back to each individual Pension Fund within the Pool to make the final decision. Consequently, bidders will have to wait a long time before the final result is known.</p> <p>Councillor Llewelyn Jones mentioned that the UK government would like the pools to invest in UK infrastructure but then asked what would happen if the Pool wanted to invest in non-UK infrastructure. Mr Wright said the Government could not dictate where to invest, so that option would still be open if there were attractive opportunities.</p> <p>Mr Everett commented on a governance risk should all eight funds fail to agree with the operator choice. Evaluation needs, therefore, to be made on evidence based information only and under rigour such that every effort is made to resolve any queries or concerns in the event of there being no agreement.</p> <p>The Chairman noted that pooling will be a standing item for PFC meetings going forward. Councillor Bateman asked whether the individual Pension Funds would be forced into accepting specific managers. Mr Wright said that he expected there would be an element of consultation with the Pension Funds but the Operator would be legally responsible for choosing and appointing Investment Managers.</p> <p>Steve Hibbert (Scheme Member Representative) asked whether Investment Managers would be required to sign up to the Cost Transparency Code. Mr Wright said he expected that this would be a requirement.</p>

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		The Chairman then asked the Committee to agree to taking Item 6 relating to the Annual Report and Accounts as the next item. The Committee agreed to the change in order of the agenda.
A4	Pension Regulator Code of Practice	<ol style="list-style-type: none"> 1. The Committee considered the findings of the review. 2. The Committee noted that officers would collate a separate action plan for areas of ongoing compliance and development. 3. The Committee noted the officers will carry out further assessment during 2018 against this compliance checklist which would be reported back to the Committee and Pension Board.
A5	Clwyd Pension Fund Annual Report, Accounts and Audit 2016/17	<ol style="list-style-type: none"> 1. Members noted and commented on the draft unaudited Annual Report and delegated finalisation to officers. 2. Members noted the management response to the external audit report.
A6	Governance update	<ol style="list-style-type: none"> 1. The Committee considered the update and provided comments.
A7	LGPS update	<ol style="list-style-type: none"> 1. The PFC members noted this report and made themselves aware of the various current issues affecting the LGPS. 2. The members noted the ruling on survivor pensions and the potential actions

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		discussed.
A8	Pension Administration/Communications Update	<ol style="list-style-type: none"> 1. The Committee considered the update and provided comments. 2. The Committee agreed a change to the Business Plan to include a new project on “aggregation” with potentially engaging Mercer to assist.
A9	Investment and Funding update	<ol style="list-style-type: none"> 1. The Committee considered and noted the update.
A10	Funding and Flight Path update	<ol style="list-style-type: none"> 1. The Committee noted the updated funding and hedging position for the CPF and the progress being made on the various elements of the Risk Management Framework.
A11	Economic and Market Update	<ol style="list-style-type: none"> 1. The Committee noted the Economic and Market Update. 2. The Committee noted how the information in the report effectively “set the scene” for what the Committee should expect to see in the Investment Strategy and Manager Summary report.
A12	Investment Strategy and Manager Summary	<ol style="list-style-type: none"> 1. The Committee noted and discussed the investment strategy and manager performance over the quarter. 2. The Committee considered the information in the Economic and Market update

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		report.