

**CLWYD PENSION FUND COMMITTEE**  
**21 MAY 2015**

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held at County Hall, Mold, on Thursday, 21 May 2015.

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

Councillors: Haydn Bateman (Vice Chair), Brian Dunn, and Ron Hampson

**APOLOGIES:** Councillor Matt Wright

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

**IN ATTENDANCE:**

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

Officers/Advisers comprising: Alwyn Hughes (Pensions Finance Manager), Debbie Fielder (Pensions Finance Manager), Helen Burnham (Pensions Administration Manager) and Committee Officer

Prior to the start of the meeting the Chief Executive referred to the indisposition of the Chief Officer (People and Resources). The Committee expressed their best wishes for her full recovery.

**1. APPOINTMENT OF CHAIR**

The Committee was advised that Councillor Alan Diskin had been reappointed to this role at the Annual Meeting.

**RESOLVED:**

That the Committee noted the appointment of Chair.

**2. APPOINTMENT OF VICE-CHAIR**

The Committee was advised that Councillor Haydn Bateman had been reappointed to this role at the Annual Meeting.

**RESOLVED:**

That the Committee noted the appointment of Vice-Chair.

**3. DECLARATIONS OF INTEREST (including Whipping Declarations)**

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

**4. MINUTES**

The minutes of the meeting of the Committee held on 4 February 2015 were submitted.

**RESOLVED:**

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

**5. GOVERNANCE POLICY STATEMENT**

The Chief Executive introduced a report on the changes to the Fund's Governance Policy and Compliance Statement as a result of the establishment of the local Pension Board for the Clwyd Pension Fund. He provided background information and referred to the LGPS requirements and the Clwyd Pension Fund Governance Policy Statement. He advised that the draft updated Governance Policy and Compliance Statement was appended to the report for approval.

**RESOLVED:**

That the revised Governance Policy Statement as set out in Appendix 1 to the report be agreed.

**6. GOVERNANCE UPDATE**

The Chief Executive introduced a report to provide an update on governance related issues. He provided background information and referred to the establishment of a new Local Pension Board (LPB). He explained that the first meeting of the LPB was scheduled to be held on 23 July 2015 and gave a brief update on progress concerning the recruitment of employer and member representatives.

The Chief Executive drew attention to the routine annual audit of Pensions Administration and Pensions Investment Management undertaken during the final quarter of 2014/15. He commented on the process whereby the Internal Audit reports for the Clwyd Pension Fund were submitted to the Audit Committee as well as the Clwyd Pension Fund Committee and expressed a concern around duplication of work. .

Karen McWilliam (Independent Advisor - Aon Hewitt), said that the matter had been given some consideration when the constitution for Clwyd Pension Fund Committee had been set up. She acknowledged the point made and agreed that current arrangements may need to be reviewed.

The Clwyd Pension Fund Manager referred to the key considerations as detailed in the report. He also drew attention to the training plan which was appended to the report which outlined the proposed training sessions for 2015/16. He reminded Members that under the Clwyd Pension Fund Training Policy they were required to attend at least one day of general awareness training per year.

Karen McWilliam referred to the Conflicts of Interest Policy specific to the Clwyd Pension Fund and commented that it was “broader” than required by local authority law and highlighted the examples in the appendix which demonstrated the difference. She advised that the focus of the policy was to ensure potential and actual conflicts were identified and considered at the earliest possible stage and appropriate records maintained to ensure transparency. Mrs. McWilliam advised that the Policy applied to all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives. She also referred to the amendments which had been made to the Policy following the discussions which had been held under delegated responsibilities and agreed to circulate the revised Policy to the Committee.

**RESOLVED:**

That the report be noted.

**7. RISK POLICY AND REGISTER**

The Chief Executive introduced a report to consider the Fund’s approach to risk management. He provided background information and explained that the draft Risk Policy appended to the report outlined the approach to risk management it was proposed be adopted for the Clwyd Pension Fund. Also appended to the report was the updated risk register which incorporated all the risks identified as part of the recent risk review exercise. He invited the Clwyd Pension Fund Manager to report on the risks identified as part of the recent risk review exercise.

Steve Hibbert asked if a quarterly update could be provided to the Committee to identify any changes to the risks. Karen McWilliam acknowledged the need for members to be kept updated and said this was work in progress. It was agreed that a quarterly update would be provided to the Committee.

**RESOLVED:**

(a) That the Risk Policy be approved; and

(b) That the contents of the risk register be noted.

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

Mr. Paul Middleman (Fund Actuary – Mercers), introduced a report to inform the Committee of the national and local issues facing the management and operation of the LGPS. He provided background information and advised that a “current issues “document was appended to the report which provided detail around the Regulations and other matters referred to in the report.

Mr. Middleman reported on the key considerations for the Fund. He referred to the impact the new Government would have on the pension landscape following the General Election, a cut to the standard Lifetime Allowance, work on deficit management, methodology for calculating club transfer values, the TPRs Code of Practice, and AVC arrangements.

**RESOLVED:**

That the report be noted.

**9. PENSION ADMINISTRATION AND COMMUNICATIONS UPDATE**

The Pensions Administration Manager introduced a report to provide a quarterly update on administration and communication related issues. She advised that the report provided an update on the following items:

- Business Plan 2015/16
- Policy and Strategy
- Delegated responsibilities

The Pensions Administration Manager advised that the Administration and Communications section of the Business Plan 2015/16 was appended to the report and referred to the key actions for quarter 1. She reported on the main considerations in relation to Policy and Strategy matters and Delegated Responsibilities which were detailed in the report.

Referring to the Communications Policy and the information due to be sent out in quarter 1, Steve Hibbert requested that the Committee also be included in the distribution of pensioner and employee newsletters for future information.

**RESOLVED:**

That the report be noted.

**10. STATEMENT OF INVESTMENT PRINCIPLES (SIP)**

The Clwyd Pension Fund Manager introduced a report on the Fund’s Statement of Investment Principles for the period 1 June 2015 – 31 May 2016.

He provided background information and advised that the main changes to the SIP were as follows:

- the content updated to include the changes to the investment strategy as a result of the 2014 Fund Review
- the Sustainability Policy and the Myners Principles Compliance updated.

Steve Hibbert referred to the SIP which was appended to the report and raised a concern around the wording in section 7 on Sustainability. The Clwyd Pension Fund Manager responded to the comments made and explained that if an issue arose with a company the Fund would receive a LAPFF alert and contact the relevant Fund manager. Referring to voting rights the Pensions Finance Manager explained that the Fund included a summary of voting activity from managers in the Annual Report. During further discussion Officers agreed to undertake a review of the wording in section 7 on Sustainability to emphasise the positive work undertaken in this area.

Huw Llewellyn Jones referred to section 2 on Objectives and sought confirmation that the next implementation of employer rates would be effective from April 2017. The Clwyd Pension Fund Manager confirmed that this was correct.

**RESOLVED:**

- (a) That, subject to the above, the Statement of Investment Principles including the Sustainability Policy and Myner's Principles and Stewardship Code Compliance Statements attached be approved; and
- (b) That the new SIP be published on the Fund's website by 1 July 2015.

**11. 2015 FUNDING STRATEGY STATEMENT**

The Clwyd Pension Fund Manager introduced a report on updating the Funding Strategy Statement (FSS) for the Clwyd Pension Fund. He provided background information and advised that the FSS had been amended to incorporate updated regulatory references, information regarding the flightpath strategy, and the new investment strategy as detailed in the Statement of Investment Principles.

**RESOLVED:**

That the updated Funding Strategy Statement be approved.

**12. INVESTMENT AND FUNDING UPDATE**

Debbie Fielder, Pensions Finance Manager, introduced a report to provide a quarterly update on investment and funding related issues. She advised that the report provided an update on the following items:

- Business Plan 2015/16
- Delegated Responsibilities

The Pensions Finance Manager advised that the Funding and Investments section of the Business Plan 2015/16 was appended to the report and referred to the key actions for quarter 1. She reported on the main considerations concerning the Business Plan 2015/16 and Delegated responsibilities and invited Mr. Kieran Harkin, Fund Investment Consultant – JLT Group, to report on the Tactical Management Portfolio

Mr. Harkin advised that monthly meetings of the Tactical Asset Allocation Group (TAAG) involving Fund officers and JLT Consultants were in place. He explained that agenda items covered the short term (12 months) market outlook and determination of which asset classes should be included in the 9% of the Fund's assets which were based on JLT's suggested "best ideas". He referred to the rationale behind the short term tactical allocation and advised that the TAAG had been considering the most appropriate solution to implement this, within a single investment vehicle, and had identified a Unit Linked Life Insurance Policy with Mobius Life Limited. He outlined the benefits of this option and advised that it would be identified as the Clwyd Tactical Fund.

The Committee was asked to consider and approve the appointment of a Unit Linked Life Insurance Policy with Mobius Life Limited.

**RESOLVED:**

That the appointment of a Unit Linked Life Insurance Policy with Mobius Life Limited be approved

**13. ECONOMIC AND MARKET UPDATE**

Mr. Kieran Harkin, Fund Investment Consultant – JLT Group, introduced a report to provide the Committee with an economic and market update.

Mr. Harkin presented the Economic and Market update for Quarter 1 2015, which was appended to the report. He reported on market performance and advised that in general there had been positive returns in January and February, however, markets had begun to diverge since the beginning of March.

During discussion Mr. Harkin responded to the question raised by Councillor Huw Llewellyn Jones concerning whether the rate of inflation was influenced by lower fuel prices, and to a query raised by Councillor Haydn Bateman around commodities.

**RESOLVED:**

That the update be noted.

**14. INVESTMENT STRATEGY AND MANAGER SUMMARY**

Mr. Kieran Harkin, Fund Investment Consultant – JLT Group, introduced a report to provide an update on the performance of the Fund's investment strategy and performance of fund managers.

Mr. Harkin presented the Investment Strategy and Manager Summary report for Quarter 1 2015 which was appended to the report and advised that the Fund had performed in line with its benchmark over the quarter ending 31 March 2015. Mr. Harkin reported that Appendix 1 of the Report contained a summary of mandates which showed the benchmark and outperformance targets of the funds invested. He explained that some of these had been revised since the last Report to targets which were considered achievable under current financial conditions.

Mr. Harkin reported that the Fund had undergone a strategic review which had resulted in a new strategic benchmark allocation starting to be implemented during March 2015. He explained that further restructuring would take place during Quarter 2 2015 which would enable the next Report to be produced in terms of the new strategic allocation.

**RESOLVED:**

That the report be noted.

**15. FUNDING AND FLIGHT PATH UPDATE**

Mr. Paul Middleman, Fund Actuary - Mercer, introduced a report to provide an update on the funding position and liability hedging undertaken as part of the Flight-path strategy for managing liability risks.

Mr. Middleman referred to the key considerations as detailed in the report. He reported that the monthly summary report on the funding position and an overview liability hedging mandate was appended to the report as at 30 April 2015. Mr. Middleman gave a verbal update and explained that analysis showed that all traffic lights were "green" as at end of April 2015 which indicated that the mandate was operating in line with the tolerances set by the Advisory Panel. However, there was continuing volatility in the markets so the current funding position was closer to an "amber" rating.

Mr. Middleman provided an update on interest rate hedging and inflation rate hedging activity and advised that no funding triggers had been reached.

Mr. Middleman reported on the estimated funding position as at 30 April 2015 and the estimated deficit. He explained that the hedges applied

had protected the funding position against recent changes in interest and inflation rates to the extent that the deficit would have been £90m higher if the hedges since inception had not be implemented via the triggers and the original strategy had remained in place.

**RESOLVED:**

That the report be noted.

**16. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED:**

That the press and public be excluded from the meeting for the following item as it is considered to contain exempt information by virtue of paragraphs 12 and 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

**17. APPOINTMENT OF PROVIDER TO CREATE A MANAGED ACCOUNT PLATFORM**

Mr. Kieran Harkin, Fund Investment Consultant – JLT Group, introduced a report to seek ratification for the appointment of a Managed Account Platform (MAP) Provider and Advisor. He provided background information and reported on the selection and shortlisting process, and subsequent due diligence meetings. Mr. Harkin advised that the principle findings from the extensive due diligence conducted by the Clwyd Pension Fund Manager (CPFM) and JLT was that Man FRM was the preferred provider for the reasons as detailed in the report.

**RESOLVED:**

That the decision to appoint Man FRM to implement and act as an advisor to the Managed Account Platform for the Clwyd Pension Fund be approved.

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

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

(The meeting commenced at 10.30 am and ended at 12.10 pm)

.....

**Chairman**