

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 5 th September 2018
Report Subject	Clwyd Pension Fund Annual Report 2017/18
Report Author	Pension Finance Manager

EXECUTIVE SUMMARY

LGPS Regulations require the Fund to publish an Annual Report before 1st December 2018. The regulations and CIPFA best practice guidance advise on the content.

To enable input from the Committee, the majority of the Annual Report has been drafted and attached for discussion. However there remains some outstanding sections and the collation of the report before external audit .can provide their opinion

The Fund usually publishes the Annual Report on its' web-site before the Annual Meeting with Employers which this year is 6th November 2018, before the next Pension Committee therefore we ask that Members delegate the approval of the Annual Report to the Clwyd Pension Fund Manager.

The Annual Report will include statutory and best practice statements which are being reviewed. It is anticipated only minor changes will be required.

The Fund accounts which will be included within the Annual Report, have been audited by Wales Audit Office (WAO) and are detailed in Agenda item 4.

RECOMMENDATIONS

1	That Members note and comment on the draft unaudited sections of the Annual Report and delegate finalisation to the Clwyd Pension Fund Manager.
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REPORT DETAILS

1.00	Annual Report
1.01	<p>The Fund Annual Report for 2016/17 was reviewed by Worth Accounting Solutions. This review confirmed the Annual Report was fully compliant in most of the areas. There are areas which have been discussed with WAO which can be expanded upon and incorporated into the 17/18 Annual Report.</p> <p>The following draft sections for inclusion in the Annual Report are attached as appendices:</p> <p>Governance Structure and Overview of the Clwyd Pension Fund (Appendix 1)</p> <p>This section covers details of:</p> <ul style="list-style-type: none">• Pension Committee Membership• Advisory Panel membership• Pension Board Membership• Investment Managers• Committee attendance and Training Activity <p>Financial Performance (Appendix 2)</p> <p>This section covers details of:</p> <ul style="list-style-type: none">• Summarised cash flow 2017/18• 3 year cash flow forecast• Analysis of operating expenses against budget and prior year <p>Investment Policy and Performance (Appendix 3)</p> <p>This section, prepared by the Fund Consultants, JLT, covers details of:</p> <ul style="list-style-type: none">• A summary of financial markets in 2017/18• Investment performance• Investment strategy and allocations• Responsible investing and voting activity• The Fund's Private Market managers <p>Actuarial, Funding and Flight Path (Appendix 4)</p> <p>This section prepared by the Fund Actuary, Mercer, covers details of:</p> <ul style="list-style-type: none">• The Flight Path strategy• Restructure of the hedging mandate• Implementation of equity option protection

1.02	<p>The following sections are still to be completed :</p> <ul style="list-style-type: none"> • Introduction by the Chief Executive and Chair • Independent Advisor Annual Report • Pension Board Annual Report • Administration Update • Specific Scheme Advisory Board requirements <p>Once completed, the Annual Report will be reviewed by the external auditors to provide a statement for inclusion in the Report. The final report will be circulated to Members and published on the Funds' web –site.</p>
1.03	<p>The Annual Report and Accounts includes most of the Fund's key strategies and policies. We have reviewed them to ensure they are appropriate for inclusion. We envisage making some small changes to ensure that they are still up to date. As these changes are minor, these will be agreed using the Fund's agreed delegations to officers which allows the making of minor changes to existing strategies, statutory compliance statements, policies and procedures. The following is a summary of the expected changes:</p> <ul style="list-style-type: none"> • All policies – updating dates. Scheme member and employer numbers, structure charts and other terminology (such as MHCLG from CLG) <p>Governance Policy</p> <ul style="list-style-type: none"> • Adding 2 additional risks <p>Training Policy</p> <ul style="list-style-type: none"> • Incorporating cross references to risk elements in the CIPFA governance principles of asset pooling guidance • Adding a paragraph explaining the importance of the policy being adhered to for continuing to be opted up to professional status for MiFID 2 purposes. <p>Risk Policy</p> <ul style="list-style-type: none"> • incorporating cross references to risk elements in the CIPFA governance principles of asset pooling guidance <p>Administration Strategy</p> <ul style="list-style-type: none"> • Updating the introduction and other references to explain progress with the various improvement initiatives in the business plan • Adding a paragraph to highlight CIPFA's role in governance matters which includes governance of administration <p>Communication Strategy</p> <ul style="list-style-type: none"> • Updating the introduction and other references to explain progress with the various improvement initiatives in the business plan • Updating a paragraph relating to communications with asset pooling partners <p>Breaches Policy</p> <ul style="list-style-type: none"> • Adding a paragraph to better explain the role of the Pensions Regulator in considering breaches

	<ul style="list-style-type: none"> • Correcting an incorrect reference to an example breach • Updating the format of the breaches log <p>Investment Strategy Statement</p> <ul style="list-style-type: none"> • Updated for key facts for Fund asset valuation and membership data • Updated to reflect the review of the Flight Path strategy • Updated to reflect the progress to date for pooling of assets in the Wales Pension Partnership • Updated to reflect the Fund becoming a Tier One signatory to the UK Stewardship Code
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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	None directly as a result of this report

4.00	RISK MANAGEMENT
4.01	<p>The Annual Report and external audit both review and identify whether there are any risks that are not being managed by the Fund. These include, strategic, operational and financial risks.</p> <p>The external audit report of the accounts did not report any risks that the Fund is not already aware of and taking action to reduce.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – Governance Structure and Overview section</p> <p>Appendix 2 – Financial Performance section</p> <p>Appendix 3 – Investment Policy and Performance section</p> <p>Appendix 4 – Actuarial, Funding and Flight Path section</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None</p> <p>Contact Officer: Debbie Fielder, Pension Finance Manager Telephone: 01352 702259 E-mail: debbie.a.fielder@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) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p>