CLWYD PENSION FUND COMMITTEE
28 NOVEMBER 2018

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held at County Hall, Mold at 9.30am on Wednesday, 28 November 2018.

PRESENT: Councillor Dave Hughes (Chairman)
Councillors: Ted Palmer, Ralph Small, Haydn Bateman, Billy Mullin.

CO-OPTED MEMBERS: Councillor Nigel Williams (Wrexham County Borough Council), Councillor Huw Jones (Denbighshire County Council) and Mr Steve Hibbert (Scheme Member Representative).

ALSO PRESENT (AS OBSERVERS): Mr Phil Pumford (PFB Scheme Member Representative)

APOLOGIES: Helen Burnham (Pension Administration Manager) and Councillor Andrew Rutherford (Other Scheme Employer Representative)

IN ATTENDANCE:

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

Officers/Advisers comprising: Debbie Fielder (Pensions Finance Manager), Karen Williams (Principal Pensions Officer), Nick Buckland (Fund Investment Consultant – JLT Group), and Megan Fellowes (Actuarial Analyst – Mercer - taking minutes).

The Chairman welcomed Mr Pumford and invited his input to the meeting and Cllr Mullin mentioned that he needed to leave early.

30. DECLARATIONS OF INTEREST (including conflicts of interest)

Conflicts were declared by Mrs McWilliam, Mr Harkin and Mr Buckland regarding item 4 of the agenda in relation to the consultancy contracts. However, as it was simply agreeing to an extension it was agreed they could remain present unless they felt conflicted professionally. It was also highlighted by Mr Everett that the resource matters referred to in items 5 and 7 would not result in any direct conflict for officers present.

31. MINUTES

The minutes of the meeting of the Committee held on 5 September 2018 were submitted.

Mr Hibbert noted that the comments on page 10 regarding the active global equity transition which was a positive outcome as a win-win, and asked what would happen if was a lose-lose situation. Mr Latham confirmed that he would cover this in the next item of the agenda.

RESOLVED:

It was agreed the minutes could be received, approved and signed by the Chairman.

32. POOLING INVESTMENTS IN WALES

Mr Latham ran through this item of the agenda noting the business that was picked up at the last JGC meeting that he and the Chairman attended on 25 September 2018. He noted that the majority of work that has been recently completed has been in relation to securing a transition manager for global equity assets which is planned to take place on 14th January 2019.

Mr Latham said that 4% of the Funds' assets will be transitioning from the current Investec global equity mandate to the WPP Authorised Contractual Scheme (ACS) and this equates to around £80 million. There has also been work around the UK and European mandates, which the Fund will not be investing in, but is going well and he anticipates the assets to be transitioned in March 2019.

The main concentration is on the fixed income strategy and Russell Investments, as part of the Operator, has been looking at different proposals to meet the needs of the administering authorities.

Mr Latham referred back to Mr Hibbert's point from earlier and added that the global equity mandate is a clear win-win situation. However, the fees that the Fund currently pays for certain mandates may not always reduce as part of asset pooling, as many existing mandates already have very competitive fees that are unlikely to be made available to the WPP.

On the investment side of the WPP, Mr Latham believed that everything is still going well from his point of view. Mr Latham added that on 30th November, Mrs Fielder is attending the Officer Working Group meeting and she will ensure that the Fund's aims are safeguarded in relation to the fixed income portfolio.

In relation to the governance side of the WPP, the Host Authority has undertaken interviews for the vacant officer position.

Mr Latham acknowledged the agenda for the Officer Working Group on 30th November and that stock lending is a matter for the JGC to consider.

Mr Hibbert asked whether there is an intention to comply with SAB requirements in relation to scheme representation on the JGC. He asked this point is highlighted at the Officers' Working Group on Friday and Mrs Fielder confirmed that she would.

Cllr Jones queried the point relating to Pension Board's discussions on the governance of the pool on page 59 and raised his own concerns around the lack of business planning. Mrs McWilliam confirmed that across Wales the Local Pension Boards were considering writing a letter to the pool regarding the business plan and other governance matters. Mrs McWilliam confirmed she was part of discussions with the other Local Pension Board chairs.

Mr Latham added that there needs to be a Responsible Investment Policy put in place by the pool. Currently the Government state that it is an administering authority responsibility locally. However, it may be challenging to meet all individual Fund's responsible investment objectives in a pooling environment. This will be something to consider once the WPP draft policy has been developed.

Mr Everett noted that this would be a potential topic that could become political and does need collaboration across Wales as much as possible.

On page 26, Cllr Bateman wanted to confirm how benchmarking will be used to assess performance of the Fund and the WPP. Mr Latham said that there are a number of benchmarks that he expects to report on which will be in line with CEM benchmarking.

RESOLVED:

That the Committee note the report and discussed progress being made by the Wales Pension Partnership.

33. **GOVERNANCE UPDATE**

Mr Everett left the Committee room on this item of the agenda.

Mr Latham noted that the Fund were unsuccessful in trying to appoint three new members in the Finance Team. After considering the Investment Officer post and testing the market, Mr Latham said that this post will be re-advertised as a Graduate Investment Officer because the salary was not considered adequate to attract an appropriately qualified person. The Accountant post had a similar issue but it will now be re-advertised at a higher grade. The Governance and Support Officer will be re-advertised at the same grade as before.

For the Graduate Investment Officer post, Mr Hibbert raised his concerns about hiring and training a graduate who could then leave the administering authority after two or three years for a position with another employer with better pay. Mr Latham agreed there was a risk and highlighted that, if the Graduate post is successful, there may be other senior posts that might become available in the Fund in the future. The Chairman added that this issue is also happening with other authorities. Mr Latham thought that the Clwyd Fund may be different in its needs given the structure but there are similar challenges in other funds.

Mr Hibbert asked whether there were any opportunities to job share with another fund but Mr Latham confirmed that this was not a possibility as there are a number of unique elements required for this position. The Chairman highlighted the risk relating to the knowledge and expertise of the existing officers.

Mr Latham then went on to note that Marsh and McLennan are in the process of purchasing JLT and that Marsh and McLennan also own Mercer. This means that if completed the existing contract with JLT would initially be novated to acknowledge the change of company.

Mr Latham moved on to the next section which is around the Pension Board where there was a meeting held in October and the main points are outlined in the report including that the Board had considered the Fund's approach to managing the risk of cybercrime. Mr Latham and Mr Pumford attended the Cheshire Pension Fund Local Board meeting and the Boards are working together to see if they can learn anything from each other. The Chairman asked whether it was encouraging. Mr Pumford confirmed that it was a very good exercise and extremely useful.

In relation to the LGPS Scheme Advisory Board (the “SAB”), Mr Latham highlighted the update. He particularly highlighted the separation project which is being undertaken and the issue of potential conflict of interests arising between the management of LGPS Pension Fund and the existing functions and objectives of the Parent Local Authority.

Mr Hibbert advised the Committee that he had attended a Unison Pensions event where Clwyd Pension Fund were positively highlighted for their responsible investment policy.

Mr Latham went on to highlight that on page 40, there is a link for the annual reports from the Local Pension Board and the Independent Adviser and invited the Committee to feel free to ask questions about this.

Mr Latham also referred to agenda item 1.06, highlighting that the Annual Joint Consultative Meeting (the “AJCM”) had received very positive feedback however he stated that he would like to see more attendees next year.

Mr Latham noted that some of the Committee member had recently attended a conference in Cardiff covering responsible investment. The feedback that Mr Latham received was that the Committee found it extremely interesting and wanted more information about what the Fund do. The Fund historically provided a separate report on responsible investment when there was a panel. Mr Latham added that they are looking to confirm whether the Committee want this included on the agenda for the meeting in February or March 2019. The Committee agreed that they would like this added because it is currently a hot topic. Mr Latham also confirmed this would include an update on where the WPP is with its policy if possible.

Mr Latham spoke about the review of policies on the bottom of page 41 and 42, such as the review of the Training Policy and the Breaches of Law Policy. On agenda item 1.10, Committee members were asked to consider whether they fully understand their responsibilities under these two policies. The Chairman emphasised that Committee members should raise any future needs with Mrs Fielder. Mr Hibbert raised that he would like more training on administration aspects and it was agreed this would happen at the February or March meetings and Mrs McWilliam would contact Mr Hibbert to fully understand what he would like.

For the Compliance with the TPR Code of Practice on page 42, Mr Latham noted that Mrs Fielder and Mrs Williams have gone through this in detail and will be producing d action plan for improving compliance.

Mrs Fielder noted that on 19th December between 12pm and 6pm, there is catch-up training for Committee members which has been organised in the Pensions room. Mrs Fielder also thanked everyone for their commitment to attending training and conference events over the past year.

Mr Latham noted from agenda item 1.16 that the Committee took part in the Hymans Robertson survey on national confidence in the LGPS. The results were attached in Appendix 13 and 14. Mr Latham highlighted that the Committee and Board had already completed their own self-assessment of training needs.

Lastly, Mr Latham presented a report to the Audit Committee on 21st November in relation to Fund Governance. Following this meeting, Mr Everett intends on speaking to the

Chair of the Audit Committee to help them better understand how they perform their administering authority role in relation to the Pension Fund.

RESOLVED:

(a) That the Committee considered the update and provided comments.

(b) That the Committee discussed what actions could be taken as a result of the information received at the recent Wales Responsible Investment event, and confirmed the Fund's approach to RI/ESG should be included on the next agenda for discussion and debate.

(c) That the Committee considered the current Training Policy and Procedure for Recording and Reporting Breaches of the Law and confirmed if they would not require any changes to be made to either of these.

34. **LGPS CURRENT ISSUES**

Miss Fellowes gave a brief update on the key issues that are affecting the LGPS at the moment. She noted the following points;

- CPI has been confirmed as 2.4% for September 2018, this means that pensions will increase by 2.4% in April 2019.
- The Section 13 report from GAD was published in September where the Fund was not flagged. The four main actuarial firms who advise LGPS funds had a number of concerns about the report and they have jointly written to MHCLG and SAB to express their concerns. Discussions will no doubt continue regarding these concerns.
- There have been discussions around moving to a 4-year valuation cycle where the 2019 valuation will still go ahead, but a review of employer contribution rates will follow mid-cycle (likely 2022) with the subsequent statutory valuation being in 2024. Further updates from Mercer will follow on this.
- In October, the High Court made a decision to equalise GMPs for members who had Contracted-Out of the State Scheme. This affects all members with GMPs dating back to 17 May 1990 and is expected to have an effect on liabilities and costs for private sector schemes. For the LGPS and the Fund, the preliminary view is that the impact will be dependent on the profile of the members and is likely to be much less significant due to the method of indexation which is used, and likely to be extended, in the LGPS. The actuaries are keeping this under review.

Cllr Jones wanted clarification whether all of the LGPS administering authorities are on the same cycle for actuarial valuations. Mr Middleman confirmed that currently all LGPS administering authorities in England and Wales are in line with Scottish LGPS being a year behind. In 2024, it will be aligned if the proposed changes proceed. Mr Middleman noted that a 4-year cycle is a long time when a fund has active risk management policy so it is important were have the power to review contributions mid-cycle if need be.

Mr Hibbert queried about an update on the Cost Management process. Mr Middleman explained that under the HMT process if costs go up above 2% of the target, the members will have to pick up the costs whereas if the cost go down by more than 2% of the target the members will get the benefit (through benefit improvements or contribution reductions). However, there is a further process run by the SAB which can override the HMT process where there are some discretions where cost changes are between 0-2% of pay. It is looking likely that there will be some benefit improvements and/or contributions rate reductions in the LGPS based on latest trend data (in particular life expectancy reductions).

Mr Middleman expects there to be more detail on this topic soon where the intention is that it will be implemented from April next year. The changes that will follow will be in relation to payroll systems, communication and administration, and the Actuarial Valuation will be affected by it but the contributions will not change until 2020.

Mr Latham asked what the contribution rate will increase by. Mr Middleman confirmed that it is not finalised but it could be over 1% with all of the other things being equal. Mr Middleman said that this is an average across the LGPS but changes will impact to each employer in different proportions. Some employers will be impacted more or less depending on what they change and the employer's membership profile.

Mr Hibbert mentioned that from a Fund perspective, the impact of the change in benefits could be costly in terms of the administration. Mr Middleman responded stating that the changes in relation to the member contributions is more an employer issue which will need addressing very quickly if implemented from 1 April 2019. On the benefit changes some of them would be more difficult than others and it is possible some complexities around ill health may be removed e.g. Tier 3 option which has been talked about for a while.

Mrs McWilliam agreed with Mr Middleman's points in relation to the scheme changes, and that all scheme members and employers need to have awareness of these changes, and she highlighted that the short timescales for implementing the change will be very challenging for both employers and the Fund.

Mr Middleman confirmed that there would initially need to be a consultation on the changes because the Regulations will need to be changed.

RESOLVED:

Committee members noted this report and make themselves aware of the various current issues affecting the LGPS, some of which are significant to the operation of the Fund.

35. **ADMINISTRATION AND COMMUNICATIONS UPDATE**

Mrs Williams noted the business plan update on item 1.01, where the dates may need to be amended slightly around the completion of the backlog administration project given other priorities. She noted that the completion date will be clearer at the next Committee meeting.

The administration team are under a lot of pressure with large amounts of work as a result of the CARE pay issue, referred to as Project Apple, which is considered further in the Part II agenda item. The work is being completed but not reported as part of the KPI procedures.

As previously mentioned by Mr Middleman, the Cost Management process will be significant to the administration team. She added, however, that if the tier 3 ill-health benefit is removed, this would save the Fund a small amount of administration.

The admission agreement document and process has been reviewed following recent changes in the regulations and is now in use. She confirmed the new process appears to be working well.

Mrs Williams stated the Fund had undertaken a data quality assessment in line with The Pension Regulator's expectations using a facility provided by Aquila Heywood, their administration system provider. The findings showed that the percentage of member records without a single common data failure is 92.7%. Whereas, the percentage of member records without a single scheme-specific data failure is 68.2%. In preparation for the 2019 Actuarial Valuation, the Fund also received some data quality checks from Mercer which included the potential implications on liability calculations. Dealing with these data issues is being prioritised prior to the valuation as it impacts on employer costs.

Mr Latham raised the importance of data quality at the AJCM. The results of this are likely to be covered in a letter from the Chief Executive to all employers. The detail in this letter will differ for each employer as each employer has different data challenges. Mrs Williams added that an employer may not receive a letter which means that their data has no fundamental concerns at this point.

Mrs Williams noted from page 179 that it has been announced that Equiniti has bought the Aquila element of the firm Aquila Heywood who provides the Fund’s administration software Altair. Mrs Williams believes it is more relevant to private sector schemes but she will find out more details on this matter at a later date as she is due to attend a meeting which will cover this. She noted that this issue is on the risk register. There is still the intention to have a national third party administration system procurement framework but it could be affected by the Aquila Heywood change.

There was positive feedback following the AJCM. In terms of Policy and Strategy information, Mrs Williams noted that performance against KPIs is improving. She also noted that there are interviews that are being held for the new communication officer role.

Cllr Bateman questioned whether the administration backlog project has been put on hold. Mrs Williams replied that it has not been put on hold. However, Mercer have also taken on Project Apple and that has taken priority. She highlighted that some of the members in these projects overlap and therefore the affect might not be that significant in the longer term. Mrs Williams expected that Project Apple will be finishing in February 2019.

The Chairman thanked all the Principal Pension Officers for continuing to step into Mrs Burnham’s place whilst she is absent and keeping things moving during these challenging times.

RESOLVED:

(a) The Committee considered the update and provided comments

(b) The Committee approved the changes in timescales to the business plan as outlined in paragraph 1.01.

The Committee agreed to change the order of the agenda and Item 11 Employer CARE pay issue was considered next.

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

RESOLVED:

That the press and public be excluded for the remainder of the meeting for the following item by virtue of exempt information under paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

37. **EMPLOYER CARE PAY ISSUE**

Mr Latham presented a report on an issue affecting payments to Clwyd Pension Fund members due to the incorrect calculation of CARE pay by an employer in the Fund. The report included the agreed principles on how the issue will be resolved and communicated.

There are several versions of letters that the Fund are sending out to members. Mr Latham hoped that letters would begin to be sent out a week after the Committee meeting.

Mr Latham had spoken to the Pension Regulator on this matter where they have asked for an update to the project on a monthly basis.

Mr Hibbert asked whether it has been identified as a software problem that affects other employers in the Fund. It was confirmed this has not affected other employers in the Fund.

Cllr Jones asked whether the Fund will be preparing their Press team to respond to anything once the issue becomes "public". Mr Everett said that he will give it some thought and deal with it appropriately although his view was that it is not affecting the public interest.

Cllr Bateman questioned whether he had any ideas of final costs to the Fund. Mrs McWilliam said that final costs are not yet available but work to date shows only very small total impact.

The Chairman concluded that it was good to see that the work was progressing well. It obviously is still very worrying and he supposed next few weeks would be key in understanding how the Fund's scheme members are responding to the news.

RESOLVED:

(a) The Committee noted this report.

38. **END OF EXCLUSION OF THE PRESS AND PUBLIC**

The Chairman noted that the private session of the meeting had been completed and the meeting was now open again to the press and public.

39. **INVESTMENT AND FUNDING UPDATE**

Mrs Fielder gave an update on this item of the agenda and firstly mentioned that the business plan is on target for three tasks. She noted that that approval is required from the Committee regarding the update on the Funding Strategy Statement. Updates in the FSS incorporate the recent changes in the exit credit regulations and the additions to on the flightpath strategy e.g. dynamic equity protection.

The Appendix to the report covers the movement in cash during the period. As requested by Mr Hibbert at the last Committee meeting, there is a graph to reflect the cash management on page 232.

Mr Middleman summarised the results of the 2018 Interim Funding Review which allowed for updates of investment outlook and life expectancy trends (based on national statistics). The whole Fund funding level at 31 March 2018 was estimated to be 88% but the position has been volatile since then (rising to 92% and then back towards 88%). The estimated future service was 18% of pay (versus 15.3% of pay at the last valuation) although this ignores the potential costs related to the cost management outcome. However, it was still ahead of target and continues to be which is positive. Mr Middleman explained that whilst the Fund has had a strong run a critical factor will be the expectations of future returns above inflation and ensuring contributions are sufficient to maintain the financial health of the Fund. Mr Middleman confirmed this will be discussed in more detail as we move towards the valuation date and Mr Ferguson confirmed there is a meeting scheduled with the finance directors of the authorities at the end of January

Mr Middleman said that there are expected changes in relation to the demographic assumptions relating to life expectancy which will have an effect on costs and outcomes. At the moment these are based on national trends but a bespoke analysis will be done for the Fund early in the New Year which will refine this for the valuation.

Mr Everett mentioned to Mr Middleman that this item of the agenda was very helpful. He questioned how the Fund can get certainty for a long term stability, given the tight employer budgets, especially given Brexit at the end of March 2019 as well as other factors that may leave the Fund in a worse position. Mr Middleman agreed that this uncertainty is not helpful but with the flightpath strategy and asset structure in place the Fund has mitigated some of the risks. Critical is the impact on long term UK inflation which affects liabilities.

However, Mr Middleman confirmed that part of the discussions is setting a long term strategy and the balance between cash contributions and returns. If markets crashed by, say, 20% due to uncertainty around Brexit, Mr Middleman would not automatically assume that this is the position to set the contributions at, as it is a combination of the market position and future outlook e.g. if markets are (in the opinion of all advisers) temporarily depressed we would factor the recovery into the future investment return assumptions within acceptable bounds.

RESOLVED:

a) The Committee considered and noted the update for delegated responsibilities and provided comments.

(b) The Committee reviewed and approved the changes made to the FSS following the consultation performed as required by the LGPS regulations.

(c) The Committee received and noted the findings and outcomes of the 2018 Funding Review as performed by the Fund Actuary.

40. **ECONOMIC AND MARKET UPDATE**

Mr Harkin gave an update on the economy and markets over the latest quarter. Page 315 reflects what happened in the market over the quarter ending 30 September 2018. The key points that Mr Harkin raised where that;

- The market statistics show that over the three months, the markets were in 'risk on' mode.
- There was a strong return across the board, and Emerging Markets which had been under pressure but now returned positively.
- From an investment perspective, there was a lot of positive sentiment particularly around the US, as the stance of the Federal Reserve had taken some heat off the economy.
- Sterling came under pressure against the US Dollar and the Euro, this will affect currencies for pension funds that are UK based for their overseas holdings.

Since then, there has been significant pressure on equity markets. In October 2018, global market equities faced significant losses. The key points that Mr Harkin raised were that;

- There has been some analysis on Bloomberg, whether there will be a Brexit deal rejected, and what will the impact be on the Sterling,
- France and Germany are facing presidential pressures, and there is a lot of pressure globally and a lot of negative news flow.

Cllr Bateman questioned whether the Sterling against the US Dollar is good for exporters. Mr Harkin agreed that it is, however there are always winners and losers in the market. He added that the UK exports a significant amount of goods therefore it would be good for an exporter as a business if they had a significant amount coming out of the US. The current position of the Sterling against others is still weak due to Brexit and the drop is significant particularly against the US Dollar, however it is not as weak as it has been.

RESOLVED:

(a) Noted and discussed the Economic and Market Update 30 September 2018.

(b) Noted how the information in the report effectively "sets the scene" for what the Committee should expect to see in the Investment Strategy and Manager Summary report in terms of the performance of the Fund's asset portfolio.

41. **INVESTMENT STRATEGY AND MANAGER SUMMARY**

Mr Buckland gave a brief update on this item of the agenda, page 336 and 337 reflects a more detailed portfolio paper that was prepared at the end of 30 September 2018. Looking at the overall performance of the asset allocation on page 337, Mr Buckland wanted to highlight a couple of allocations that were underweight/overweight for example the LDI portfolio was overweight. Mr Buckland noted that private credit was slightly underweight which is due to this allocation being new to the Fund. On page 339, the performance summary of the Fund is set out at 30 September 2018. The first thing to highlight is the exceptional performance of the Fund for all periods. The Fund performed 11.8% against a target of 10.3% over 3 years. There were some significant positives in terms of individual areas, such as positive returns for equities and the best ideas portfolio which performed 11.5% against a target of 5.3%.

The Fund suffered over October 2018 and the performance results are almost entirely red. The total market value dropped from £1,886m to £1,839m, a fall of just under 2.5%, however the diversification has benefited the Fund somewhat over this period.

RESOLVED:

a) Noted and discussed the investment strategy and manager performance in the Investment Strategy and Manager Summary 30 September 2018.

(b) The Committee considered the information in the Economic and Market Update report to provide context in addition to the information contained in this report.

42. FUNDING, FLIGHTPATH AND RISK MANAGEMENT FRAMEWORK UPDATE

Mr Middleman stated that the Fund unwound a relative value trade with Insight resulting in an overall gain of £26.7m (net of costs) after this trade was completed. This represented around 75% of the total gain that the Fund expected at the start over a period of c50 years. However, as reported at the last meeting, it was decided to cash it in now in order to remove any risk of loss in future. Mr Middleman also mentioned that the expenses for this trade was £269k which was significantly better than the initial estimated range of £0.8-£2.2m. This is a very good outcome and demonstrated how good governance can make significant gains for the Fund.

Mr Middleman noted that Mercer have calculated (and Insight have confirmed) that £100m of excess collateral can be released out of the risk management strategy without affecting the overall hedging position. There have been various discussions about how the Fund uses this. It was decided to use £50m to remain in a collateral waterfall which would be developed further with Insight and £50m elsewhere in the portfolio. This approach has been working well with positive outcomes that will set the Fund up well for the future.

As the Fund has protections and hedging in place so that they are in a better position than otherwise with the current volatility in the markets.

Mr Hibbert asked what the increased costs are for the protections compared to what the Fund had put in place previously. Mr Middleman stated that there are two factors that have affected the costs of the protections – the level of protection and the perceived volatility of markets. When putting the protection in place the cost versus benefit was considered and felt appropriate given the expected (risk adjusted) returns. However, it is right to say the financing of the protections now is costlier given the market volatility but this is offset by the value of the protection being of a higher value (given the volatility of markets and the level of the market positions)

The reality is that with any protection, there will always be a cost (as by definition you are giving something up to protect against the downside) but the critical aspect is that you are "insuring" against a bad outcome in terms of contributions for employers. He noted that everything is working, but there hasn't been a need to trigger any protections yet. However, given the volatility in the markets the protection is more valuable than when it was implemented.

RESOLVED:

a) The Committee noted the updated funding and hedging position for the Fund and the progress being made on the various elements of the Risk Management Framework.

(b) The Committee noted the restructuring of the LDI strategy has been completed and a positive mark-to-market gain has been realised.

(c) The Committee noted that the Officers are working with their advisors in order to finalise a collateral waterfall process at Insight to better manage collateral requirements. Further, it has been provisionally agreed that c.£50m will be removed from the Insight QIAIF to be invested elsewhere in the portfolio.

The Chairman thanked everyone for their attendance and updates at the Committee meeting and noted that the next Committee meeting is on 20th February.

The meeting finished at 12:30pm.

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Chairman