

**CLWYD PENSION FUND COMMITTEE**  
**22 MARCH 2016**

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council held at Delyn Committee Room, County Hall, Mold CH7 6NA on Tuesday, 22nd March, 2016

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

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

**ALSO PRESENT (AS OBSERVERS):** Mark Owen (Employer representative Clwyd Pension Fund Board), Gaynor Brooks (Member representative Clwyd Pension Fund Board) and James Duffy (Member representative Clwyd Pension Fund Board)

**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), Mr. Paul Middleman (Fund Actuary – Mercers), Mr. Kieran Harkin and Mr Joseph Peach (Fund Investment Consultants – 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 Chair welcomed the members of the Clwyd Pension Fund Board and the Committee agreed that they could contribute to the meeting.

33. **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

Councillor Stephen Wilson declared a personal interest as being a member of the Clwyd Pension Fund for all items.

34. **MINUTES**

The minutes of the meeting of the Committee held on 26 November 2015 were submitted.

Accuracy

Councillor Brian Dunn said he had submitted his apologies to the meeting and asked that the minutes be amended to reflect this.

Matters arising

Pooling Investments (National Picture)

Page 8 In response to a request from Steve Hibbert it was agreed that the Clwyd Pension Fund Manager would raise the matter of member representation within the governance structure of the Wales Pool as an agenda item for the next meeting of the Society of Welsh Treasurers.

**RESOLVED:**

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

35. **BUSINESS PLAN 2016/7 TO 2018/9.**

The Clwyd Pension Fund Manager introduced a report on the draft Business Plan and advised that the Annual Business Plan covered a rolling three year period. He provided an overview of the draft Plan for the current period 2016/17 to 2018/19, which was appended to the report for consideration.

In response to a query raised by Steve Hibbert concerning underlying fees, the Clwyd Pension Fund Manager explained that there was no longer a need to reflect the cost of underlying funds in the Fund accounts following a change in the guidance issued by CIPFA. However, these costs will be reported in the Fund's Annual Report and Accounts to ensure full transparency.

The Chief Executive noted that Alternative Delivery Models are still an important part of the strategy for FCC which may pose some challenges for the Fund.

**RESOLVED:**

That the draft Business Plan 2016/17 to 2018/19 attached as Appendix 1 to the report be approved.

36. **COMPLIANCE WITH THE PENSION REGULATOR'S CODE OF PRACTICE**

Mrs McWilliam, Independent Advisor - Aon Hewitt, introduced a report to advise on compliance with the Pension Regulator's (TPR) Code of Practice (COP) number 14, for the governance and administration of public service pension schemes which came into force in April 2015. She reported that Aon Hewitt had undertaken an initial review of the management of Clwyd Pension Fund against the requirements and the results had been positive. Aon Hewitt had determined that the Fund was largely compliant with the COP and had identified a number of areas where relatively small changes in processes or documentation practice would create greater compliance.

Mark Owen asked if an annual review was required and if so, could this be undertaken by the Authority using internal resources. Mrs. McWilliam

recommended that an annual review was carried out and explained that this could be done 'in-house' with Officers and staff.

In response to a query by Councillor Haydn Bateman regarding an item of non-compliance in relation to the procedure for recording and reporting breaches of the law, Mrs. McWilliam explained that the process for recording breaches was work in progress at the time of the review but this was now in place.

**RESOLVED:**

- (a) That the Committee notes that Officers will consider the findings of the review and identify how and when improvements should be made; and
- (b) That the Committee notes that Officers will carry out a self-assessment against the compliance checklist on an annual basis which will be reported back to the Committee and Pension Board.

37. **GOVERNANCE UPDATE.**

Alwyn Hughes, Pensions Finance Manager, introduced a report to provide an update on governance related issues. He reported on progress and developments, as detailed in the report, relating to the Business Plan 2015/16, the National Scheme Advisory Board (NSAB), Training Policy, and delegated responsibilities. He drew attention to the calendar of future events which was appended to the report. He referred to the meeting of the Local Pension Board which had been held on 1 March 2016 and reported on the items considered.

During discussions Debbie Fielder, Pensions Finance Manager, provided clarification in response to the query raised by Councillor Haydn Bateman concerning the Business Plan 2015/16 and the difference in the projected cash-flow for 2015/16. She explained the reason for the variance and advised that the figures had been included in the business plan and would be provided in more detail in the future.

Mark Owen commented on the issue of indemnity insurance and asked when this would be clarified. Mrs McWilliam explained that work was in hand and feedback would be provided to Flintshire in due course. Mrs. McWilliam also commented on the training events which were appended to the report and urged Members to attend some of the external conferences.

**RESOLVED:**

That the update be received.

38. **POOLED INVESTMENTS**

The Clwyd Pension Fund Manager provided a verbal update on the DCLG consultation on Pooled Investments, the Working Together in Wales Project and the search for a single passive provider for the Welsh Funds.

During discussion it was agreed that whilst the outcome of the DCLG consultation was awaited a meeting of the Committee would be held during April

2016 on pooling investments in Wales and members of the Pension Board be invited to attend. Mrs McWilliam commented that there were a number of key decisions to be made during the next six months and that the implications needed to be fully understood. It was acknowledged by Committee that there are a number of important areas that await clarification. It was further acknowledged that the imminent response from Government to the underlying Funds in the proposed All Wales Pool will form a base from which to begin clarifying these areas and move forward.

Debbie Fielder, Pensions Finance Manager, provided feedback on the recent appointment of a single passive provider for the Welsh Funds. She advised that a manager had been appointed in the last week and would be working with officers across all authorities. As the appointment was conducted through the OJEU process, it was now in the 10 day standstill period and the appointment would be announced at the end of March.

**RESOLVED:**

That a meeting of the Committee be held during April 2016 on pooling investments in Wales and members of the Pension Board be invited to attend.

39. **ADMINISTRATION AND COMMUNICATION STRATEGY STATEMENTS**

The Pensions Administration Manager explained that as part of the 2015/16 Business Plan it had been agreed to develop administration and communication strategies for the Fund with the aim of implementing on 1 April 2016. These were developed and consulted on with stakeholders including the Pension Board, Pension Committee, scheme members and employers. The Pension Administration Manager reported on the proposed aims and objectives, as detailed in the report, and advised that the draft Administration and Communication Strategy statements were appended to the report for consideration.

**RESOLVED:**

That the Administration and Communication Strategies, as appended to the report, be approved.

40. **LOCAL GOVERNMENT PENSION SCHEME (LGPS) CURRENT ISSUES**

Mr Middleman (Fund Actuary – Mercers), introduced a report to provide an update on the current issues affecting the LGPS as at February 2016. Mr. Middleman referred to the number of specific and wider issues affecting the whole of the pensions industry which were detailed in appendix 1 to the report.

Mr Middleman also provided a verbal update on the implications of the Chancellor's budget statement on 16 March 2016 and referred to the SCAPE discount rate, LGPS – British Wealth Funds, the expectation of all schools in England to become Academies by 2022, and the new Lifetime ISA (LISA), pension's taxation, and salary sacrifice. It was confirmed by the Chief Executive that academies will still not be an issue for Wales.

Mr Middleman advised that the implementation of the new State Pension would have implications for costs for employers through increased National Insurance contributions and indexation of GMP pensions for certain members. He also noted that the GMP reconciliation exercise would require significant resource and cost for the Clwyd Pension Fund to implement.

**RESOLVED:**

That the update be received.

41. **PENSION ADMINISTRATION AND COMMUNICATIONS UPDATE**

The Pensions Administration Manager introduced a report to provide an update on administration and governance related matters for the current period (quarter 4) concerning the following items:

- Business Plan 2015/16
- GMP indexation and Tax changes
- policy and strategy implementation and monitoring
- delegated responsibilities

The Pensions Administration Manager gave an overview of the report and advised that a summary of progress against the administration and communications section of the Business Plan, up to end of March 2016, was attached as appendix 1 to the report. Also appended to the report was an analysis of tasks received and completed and an update by Mercers on progress made concerning the Clwyd Pension Fund on the backlog clearance project to the end of January 2016.

**RESOLVED:**

That the update be received

42. **INVESTMENT AND FUNDING UPDATE**

Debbie Fielder, Pensions Finance Manager, introduced a report to provide an update on investment and funding related issues. She advised that the report provided an update for quarter 4 (up to 31 March 2016) on the following items:

- Business Plan 2015/16
- current developments and news
- funding and investment related policy/strategy implementation and monitoring
- delegated responsibilities

The Pensions Finance Manager advised that a summary of progress against the investment funding section of the Business Plan was appended to the report. She explained that the Plan was complete for 2015/16 except for the review of Additional Voluntary Contributions (AVCs) which it was recommended be deferred and included in the 2016/17 Business Plan.

The Pensions Finance Manager reported on the main considerations as detailed in the report and referred to developments around the Working Together in Wales project, annual accounts and investment costs, and reclassification of private equity investments to private equity/debt within the Statement of Investment Principles (SIP).

Councillor Haydn Bateman raised a query concerning the underlying fees for Fund of Fund managers. The Pension Finance Manager explained revisions had been made to the previous guidance issued by CIPFA. The Fund is no longer required to identify underlying fees in the accounts. These are fees which are payable but outside the control of the Fund. The Chief Executive confirmed that although these are not disclosed in the Fund accounts, they will be reported in the Fund's Annual Report.

**RESOLVED:**

- (a) That the review of Additional Voluntary Contributions (AVCs) be deferred and included in the 2016/17 Business Plan; and
- (b) That the reclassification of Private Equity Investments to Private Equity/Debt within the Statement of Investment Principles (SIP) be approved.

43. **ECONOMIC AND MARKET UPDATE**

Mr Harkin, Fund Investment Consultant – JLT Group, presented a report to provide an economic and market update for the period ending 31 December 2015. He reported on market performance and volatility and referred to the key issues which were highlighted in the report concerning lower economic growth than forecast, the slowdown in China, and the continued slump in the price of oil. Mr Harkin advised that despite the uncertain outlook markets had rallied strongly over the quarter with good returns across many Growth assets. Returns from UK Government Bonds had been negative during the quarter due to a rise in yields.

**RESOLVED:**

That the update be noted.

44. **INVESTMENT STRATEGY AND MANAGER SUMMARY**

Mr Harkin, Fund Investment Consultant – JLT Group, presented a report to provide an update on the performance of the Fund's investment strategy and performance of the Fund's investment managers for the quarter ending 31 December 2015.

Mr Harkin reported on market performance and volatility and advised that the Fund had enjoyed a strong quarter as a result of growth in a number of asset markets. He commented on the key considerations as detailed in the report and said that the Fund's investment strategy would be reviewed later in the year as part of the Actuarial Valuation Process. He advised there were no current concerns with any of the Fund's investment managers and that a number of managers had outperformed their respective targets during the period.

**RESOLVED:**

That the report be noted.

45. **FUNDING AND FLIGHT PATH UPDATE**

Mr Middleman, Fund Actuary - Mercer, introduced a report to provide an update on the funding position as at 29 February 2016 and an overview of the hedging implemented to date.

Mr Middleman advised that the monthly summary report from Mercer on the funding position and an overview of the liability hedging mandate was appended to the report. He reported on the key considerations and referred to the funding position, and hedging strategy. Mr. Middleman advised that the funding framework (including overall return expectations) would need to be reviewed as part of the 2016 Actuarial Valuation of the Fund. The flightpath and liability hedging strategy would also need to be reviewed in conjunction with the Actuarial Valuation included in the 2016/17 Business Plan.

The Chief Executive asked if benchmarking information could be provided to determine how well the Fund was performing in comparison to other funds. Mr. Middleman acknowledged the point and explained that this information would emerge as a result of the KPI self-evaluation process and the Scheme Advisory Board considerations. He agreed to consider how he could provide some data in the interim based on a normalised funding position rolled-up from the 2013 valuations.

**RESOLVED:**

- (a) That the action required to review the funding framework (including overall return expectations) as part of the 2016 Actuarial Valuation of the Fund be noted; and
- (b) That the review of the flightpath and liability hedging strategy in conjunction with Actuarial Valuation which is included in the 2016/17 Business Plan be noted.

46. **2016 ACTUARIAL VALUATION PROGRESS**

Mr Middleman, Fund Actuary - Mercer, presented a report to provide an update on the actuarial valuation project as at February 2016, including key milestones, communications with employers and other events. He advised that an overview of the actuarial valuation project plan was appended to the report.

Mr Middleman reported on progress with the actuarial valuation project as detailed in the report. He referred to discussions between the Actuary and Fund officers to consider the data requirements requested by the Actuary to complete the actuarial valuation exercise and said that meetings would be scheduled with employing bodies as a result. The first scheduled meeting is with the Councils on 14<sup>th</sup> April.

Mrs. McWilliam drew attention to a training session on the 2016 Actuarial Valuation exercise to be held on 11 May 2016, for members of the Local Pension Board and Clwyd Pension Fund Committee.

**RESOLVED:**

That the progress being made with the actuarial valuation project and the planned meetings with employers be noted.

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

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

(The meeting commenced at 2.00 pm and ended at 4.10 pm)

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**Chairman**