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To:

Councillors: Haydn Bateman, Ron Hampson, Dave Hughes, Billy Mullin and Ralph Small

Co-opted Members

Steve Hibbert and Cllr. Andrew Rutherford

19 June 2017

Dear Councillor

You are invited to attend a meeting of the Clwyd Pension Fund Committee which will be held at 10.00 am on Friday, 23rd June, 2017 in the Delyn Committee Room, County Hall, Mold CH7 6NA to consider the following items

A G E N D A

1 APOLOGIES

To receive any apologies.

2 MINUTES (Pages 3 - 14)

To confirm as a correct record the minutes of the last meeting held on the 21st March 2017.

3 DECLARATIONS OF INTEREST (INCLUDING CONFLICTS OF INTEREST)

To receive any Declarations and advise Members accordingly.

4 APPOINTMENT OF VICE CHAIR

Appointment of Vice Chair and note that the Chair and Vice Chair are therefore appointed as Member and Deputy respectively of the Joint Governance Committee for the Wales Pooling Collaboration

5 CLWYD PENSION FUND UPDATE (Pages 15 - 46)

To provide Committee Members with a high level summary of issues across the Fund and an update on the use of delegations since the last Committee meeting.

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

Exclusion of the Public and Press

Local Government (Access to Information) Act 1985 – To consider the exclusion of the press and public

Decision

The following item is considered to be exempt by virtue of Paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended)

The meeting will discuss information relating to the potential impact of the Markets in Financial Instruments Directive II (MiFID II). Whilst the information will be made public in due course the public interest in maintaining the exemption outweighs the public interest in disclosing the information until such time as challenge to the reclassification of the LGPS has been concluded.

7 MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (MIFID II) (Pages 47 - 52)

To provide Committee Members with a presentation on the current status of MiFID II for Members to approve that the Fund follows the procedures in the FCA Handbook, when published, to be recognised as a Professional Investor

Yours sincerely



Robert Robins
Democratic Services Manager

CLWYD PENSION FUND COMMITTEE **21 MARCH 2017**

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held at County Hall, Mold on Tuesday 21 March 2017.

PRESENT: Councillor Alan Diskin (Chairman)

Councillors: Haydn Bateman, Ron Hampson and Matt Wright

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

APOLOGIES: Councillor Brian Dunn

ALSO PRESENT (AS OBSERVERS): Mark Owen (Employer representative Clwyd Pension Fund Board)

IN ATTENDANCE:

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

Officers/Advisers comprising: Debbie Fielder (Pensions Finance Manager), Helen Burnham (Pensions Administration Manager), Alwyn Hughes (Pensions Finance Manager), Karen Williams (Principal Pension Officer), Sandra Beales (Principal Pension Officer), David O’Keefe Williams (Aquila Heywood), Nick Buckland (Fund Investment Consultant – JLT Group) and Sarah Spall (Consultant Assistant – Mercer) taking minutes.

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.

62. DECLARATIONS OF INTEREST (including conflicts of interest)

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

Karen McWilliam (Independent Advisor – Aon Hewitt) and Paul Middleman (Fund Actuary – Mercer) declared a personal interest as employees of Aon Hewitt/Mercer respectively who may submit a tender response to be the operator of the Wales Pool.

63. **MINUTES**

The minutes of the meeting of the Committee held on 16 February 2017 were submitted.

RESOLVED:

It was agreed that the minutes could be received, approved and signed by the Chairman as a correct record.

67. **PENSION ADMINISTRATION UPDATE INCLUDING ADMINISTRATION STRATEGY (Part)**

The Chairman asked for agreement that the order of the agenda be moved and it was agreed by the Committee to consider the first part of item 4 next.

Member Self Service

Mr O'Keefe Williams (Aquila Heywood) gave a demonstration of Member Self Service, an online portal allowing members to be able to access data and services directly from the software used by the Administration Section to administer the Fund. He demonstrated some of the functionality and showed how members would be able to access benefit calculation projections, benefit statements, scheme/member documents, payslips & p60s online.

He highlighted advantages of the new system including that it would automatically adapt for use on tablets, smartphones, laptops etc. The platform could have client customisation if required including dashboards, static scheme member information and video and image content – e.g. Twitter feeds, YouTube etc. The Administering Authority would also have a greater degree of control over the data. Scheme members would only be able to see things that were important to them.

Mr O'Keefe Williams said the benefits of the system for the member would be

- easier access
- greater self-sufficiency
- ability to run multiple projections instantly
- security of personal data
- data encrypted in transit.

The benefits for the administration team would be to:

- reduce costs,
- increase security and
- reduce risk,
- increase communication on engagements and member queries.

Mrs Burnham said that the pensioners would be first to be able to access Member Self Service followed by the active and deferred members. At the moment the timetable would be April/May for the first tranche of members, then October/November for the 2nd tranche.

Mrs McWilliam said that this represented a fundamental change as the Fund can now initially respond to members to ask if they have tried the online tool rather than having the administration team having to run individual calculations for each scenario. Mr Everett urged caution as a danger with this is relying on members analysing their own data and outcomes correctly. There needs to be sufficient caveats that information is only for illustration purposes and are not actual final figures.

Mrs Burnham said that the communications officer was encouraging all people to sign up to Member Self Service and would be putting this information on Twitter as well.

Mrs McWilliam asked whether Councillors were covered by the new functionality. Mrs Burnham confirmed this would be the case. Councillor Llewellyn Jones asked whether there would be notifications to let people know when annual benefits statements are online. Mrs Burnham explained that they would be sending email notifications and putting on social media when statements were available; the same approach would be taken with other information that the Administering Authority wish to encourage people to go online to view. The Pension Fund can also monitor who is logging on to view their benefit statements.

Mr Owen asked when it would be going live for people to log in to. Karen Williams (Principal Pension Officer) said that it was going to be in the next few months but will be encouraging members to register for the site.

Training for the team was last week and the Communications officer was planning to visit employers during May/June and then the system would go online officially in June/July. Mr Latham asked whether notifications would go out in April for benefit statements. Mrs Burnham said statements would still go out as normal for 2017 but as of next year notifications would start being issued electronically by loading them onto the portal for scheme members to then download.

Councillor Bateman asked whether the Fund were happy with the data security and Mrs Burnham confirmed that they were.

GOVERNANCE

64. POOLING INVESTMENTS IN WALES AND GOVERNANCE POLICY STATEMENT

Mr Latham (Clwyd Pension Fund Manager) gave an update on the Working Together Project in Wales and Mrs McWilliam (Independent Advisor) explained the

Constitution changes and governance elements that were agreed at the March Council meeting.

Key points covered in Mrs McWilliam's update were:

- The role holders of Chair and Vice Chair are given authority to sit on the JGC, rather than individuals, so if there are any changes due to the May elections, their successors will automatically sit on the JGC.
- Any further responsibilities within the IAA for Fund Officers are delegated to the Pension Fund Manager (currently held by Mr Latham) rather than decisions having to be referred back to every Pension Fund Committee.
- Any responsibilities within the IAA that are relevant to the Host Authority are delegated to Carmarthenshire County Council.
- Nominations were required for Fund Officers to sit on the newly formed Officer Working Group (OWG). The recommendations were for The Clwyd Pension Fund Manager (currently Philip Latham) and a Pension Finance Manager, (currently Debbie Fielder)

Mr Latham then gave an update on the Joint Chairs' meeting on 20 March 2017. The main action point emerging was to agree the role of the Host Authority. Mr Latham tabled additional information showing how the Host Authority would operate within the All Wales Pool in terms of the Secretariat and Client Side team but noted that some aspects are still in progress, including resourcing. He also highlighted that the Joint Chairs' meeting included an update on MiFIDII where it was highlighted that it was expected that all eight Welsh administering authorities would need to opt up to allow the operator to carry out their functions.

Mr Latham updated the Committee on the procurement process for the operator; a selection questionnaire had been issued and there had been a significant number of expressions of interest so far. Every Welsh authority will have a part to play and the plan is to come back in September with further details and a recommendation on the appointment.

Mr Owen (Employer representative Clwyd Pension Fund Board) asked whether there will be any transfers of staff from CPF under TUPE given the Host Authority will be looking for further resources. It was confirmed that this would not be the case.

Mr Everett (Chief Executive) asked whether there had been any further national discussion regarding the pools' progress. Mr Latham confirmed that another questionnaire had been received from Government issued to all pools. The Wales pool is currently responding to this.

Details of the revised CPF Governance Policy to include references to the Wales Joint Governance Committee were provided to the Committee. Councillor Llewelyn Jones said that under i.6 of the constitution regarding meetings of the Joint Governance Committee, there was no mention of provision regarding Welsh/English language translations. There will be a need to have a facility to request the use of

Welsh language within the governance of the JGC and the Fund so that translation would be available if this was required. Mr Everett said that this would be resolved in due course noting that translators would be available if required but there will be cost involved.

RESOLVED

1. That the Committee noted the contents of the report.
2. That the Committee noted the updated Pension Fund Committee terms of reference within the Council's Constitution.
3. That the Committee agreed that the Pension Fund Manager and Pension Finance Manager were the nominated officers for the Officer Working Group.
4. That the Committee agreed that further responsibilities were delegated as outlined in paragraph 1.04
5. That the Committee agreed the amendments to the CPF Governance Policy and Compliance Statement.
6. That the Committee agreed that minor changes to the Fund's policies can be made by the Clwyd Pension Fund Manager and either the Corporate Finance Manager or the Chief Executive and that the Delegation of Functions to Officers is updated accordingly.
7. That the Committee noted the progress with the procurement of the operator.
8. That the Committee further agreed that the Governance Policy should be updated to clarify the option of using the Welsh language.

65. BUSINESS PLAN 2017/18 TO 1019/20

Mr Latham presented an update on the Business Plan and noted that Appendix A was "looking back" whilst Appendix B was "looking forward". The new structure now included the Wales Pool JGC. Mr Latham also indicated that the only change in the Pension Fund Management Team was that the newly formed Employer Liaison Team were to be shown separately as they would be undertaking the role of some of the Employers within the Fund with the provision of data to the Fund.

Mr Latham also noted to that the Employer Liaison Team also have their own specific aims and objectives. He highlighted the main challenges that the Pension Fund will face over the next three years.

The Operating Cost Budget for 2017/18 is dominated by Investment Management expenses but those costs should decrease as part of the pooling exercise. Employer Liaison Team expenses are also now shown separately.

Mr Latham asked the Committee to note the updated key risks in each of the sections plus the additional risk associated with the upcoming local elections. It was also noted that whilst progress had been made with the risks around resourcing within the administration team, they are not yet fully addressed. Increased burdens from national changes/initiatives e.g. GMP equalisation will require further resource.

Mr Latham said Workforce Planning (in terms of succession planning and structure of the teams) was going to be changing quite rapidly over the next 3 years so they need to think about the structure of the Employer Liaison/Administration teams especially as they need to respond effectively to members and employers given the increased level of information which will be provided on the new Member Self Service section of the Fund's web-site.

Mr Owen asked about how the wording fits into the coloured bar on page 136. Mr Latham said that bar comes from risk register which is scored and turned into colours. Mr Owen asked if, in future plans, it can be more explicitly shown how it relates to the existing register (current risks and target risks). It was agreed to refine this in future business plans.

Councillor Bateman asked about the quality of data and what is a quality breach. Mr Latham said that they are Pensions Regulator breaches. Should they not meet the required targets/deadlines, the Fund will need to consider next steps which may be to refer back to Pension Fund Committee or if it's considered severe enough, report it directly to the Pensions Regulator.

RESOLVED

1. That the Committee members noted progress made towards the CPF Business Plan during 2016/17.
2. That the Committee approved the Business Plan for period 17/18 to 19/20.
3. That future versions of the Business Plan include more clarity on how the risk scores have been derived.

66. AVC REVIEW

Mr Middleman gave an update on the Additional Voluntary Contributions (AVC) Review. He explained that AVCs are payments that members make in order to boost pension incomes on top of the normal contributions but AVCs are invested externally and not in the Clwyd Pension Fund. The review looked at the return on investments, the range and suitability of funds available, communication and administration of

providers. The report only considered the Prudential AVC provision and not the historical providers such as Equitable Life. He stressed that whilst the arrangements/funds used were individual member decisions, it is a “group” policy held by the Fund. The review concluded that there were no material concerns with the provider.

Whilst take up is broadly in line with the average for a Fund of the size of the CPF, one of conclusions of the review was to make sure that AVC options are communicated to members. Charges are benchmarked against the market and so these were considered to be in line with the market. Performance has generally been good but there were just a couple of funds that were underperforming over various time periods which would need to be kept under regular review.

Mr Middleman explained that the current Lifestyle option was to switch down equity content to bonds as members approach retirement in order to protect/stabilise fund values. Members tend to take AVCs as all or at least part tax free lump sum as opposed to pension. Therefore modified lifestyle options targeting a switch to cash or cash/bond type investments should be considered.

The with-profits fund (which is the default fund) performed relatively well but the return for members relies on terminal bonuses being paid and this is not guaranteed so members should be reminded of that risk. This is very important given the with-profits is the “default” fund if members do not make an investment choice so it’s only good governance to warn them of the risks.

Mr Hibbert asked, in terms of communication, if it is sufficient to simply remind members of choice or will there be a slightly more targeted/forceful communication. Mrs Burnham (Pensions Administration Manager) said they need to be careful in communications so as they are unable to give financial guidance but they intend to provide a focussed communication for those with lifestyle/with profit options and then a wider communication to all members. They will be advising members about the importance of obtaining independent financial advice and they will communicate as much as they can without giving any advice.

RESOLVED

1. That the Committee noted the report of the AVC review.
2. That the Committee delegate powers to Fund Officers to act on the recommendations and implement next steps.

ADMINISTRATION AND COMMUNICATIONS

67. PENSION ADMINISTRATION UPDATE INCLUDING ADMINISTRATION STRATEGY

Employer Liaison Team

Mrs Burnham gave a presentation about the Employer Liaison Team (ELT) in Kerry Robinson's absence. The ELT was set up due to increasing workloads and less resource being available at employers. FCC signed up straight away and Wrexham would be signing up imminently as Kerry Robinson has an appointment with them to finalise the details.

The team is made up of experienced members of the Clwyd Pension Fund administration team. They have approved 4 pension officers but are looking for 2 more pension assistants to support. Mrs Burnham said she would come back to this point regarding staffing.

Mr Hibbert commented that it seemed like a lot of work and asked if they were feeling the benefits? Mrs Burnham said it had been hard work and it was hitting the operational team from a resource point of view but going forward they should begin to see some major benefits. Mr Everett was happy with the Fund's support as it was the right thing to do in the long term despite short term pressures.

Key Performance Indicators

Mrs Williams and Mrs Beales (Principal Pension Officer) presented a report on the Key Performance Indicators in terms of task management and the "Due Date Plan". A handout was tabled showing the KPIs for February 2017. It was explained that the system only showed cases from February 2017 as the indicators were driven by the date each case was created not the date of the event (e.g. date of leaving), as the system cannot look at retrospective cases. Accordingly the KPIs do not currently measure all work that is being completed by the section but in due course they will.

Mrs Beales talked the Committee through the handout explaining that the green areas in the legal section are where cases were 100% met, ambers were 90% met and red were below 90%. Slightly lower bandings apply for the other two sections due to them being aspirational targets, rather than legal requirements.

A number of points as regards the indicators were made including:

- Section 1: The system relies on the employer to give the Pension Fund the information so if employer does not tell the team that they have a joiner until 3 months afterwards then the Fund will have already missed the target date.
- Section 5: These are based on notifications being 1 month after retirement but again this involves waiting for information from the employer. Mrs McWilliam noted that it was a lot of work at first but as the Administration team get more employers using I-connect then these numbers should improve to some degree. Mrs Burnham noted that figures are for all employers, not just those dealt with by the ELT.

Mrs Williams said there was a hold on transfers while they were waiting for GAD factors so although the Fund missed the legal deadline for that KPI she stressed that none of the Pension Funds would have hit it either.

Mr Hibbert commented that the presentation of the data makes it look a lot worse than it is and they need to get a perspective of what the issue is. Maybe for next time the indicators could show improvements made. Mrs McWilliam agreed and said that there will be a rolling 3 month feed so next time's report will show Feb/Mar/Apr (at least) allowing the Committee to see the trends emerging.

The Committee then considered the overview showing total cases per month which highlighted the fluctuation in cases each month which makes resource planning difficult. Councillor Wilson asked why the figures from month to month do not follow in terms of starting/ending numbers. It was explained that there could be "new" cases for the previous months (e.g. an historical leaver cases) as they then come through as part of an earlier month's figures.

Mrs Williams then went through the Due Date Plan which provided an overview of historical cases and the Administration Section's plans for clearing them. Mrs Beales said cases with due date prior to 2014 that had queries and were not completed by the target date of 28 February 2017 were due to some members or employers not providing the required information. However the green highlighted that the Administration Section had completed all their tasks in relation to those cases, meaning that the remaining 57 cases were all with scheme members or employers albeit the team were continuing to monitor and chase for the outstanding information.

Administration Strategy

Mrs Burnham highlighted the changes that had been made and clarified that the Committee were being asked to approve the updated Administration Strategy. As part of this she highlighted that they were looking to increase the total Pensions Administration team establishment from 28.4 WTE posts to 30.4 WTE posts due to the need to recruit for two Pension Assistants to the Employer Liaison Team. She highlighted that they are still working through the requirements so would look to the Committee to agree that this could be delegated for agreement to the Chairman or Vice Chairman and senior officers.

GMP Reconciliation Procurement

Mrs Burnham highlighted the Fund had appointed Equiniti to carry out the GMP reconciliation work.

RESOLVED

1. That the Committee noted the contents of the report

2. That the Committee agreed the changes to the Fund's Administration Strategy Statement
3. That the Committee agreed that the potential increase in staffing for the Employer Liaison Team would be delegated to the Chairman or, Vice Chairman and senior officers.

Councillor Rutherford left the meeting at this time.

INVESTMENT AND FUNDING

68. INVESTMENT STRATEGY STATEMENT (ISS)

Mr Buckland (Fund Investment Consultant – JLT Group) went through some of the changes in the ISS which replaces the Statement of Investment Principles. Under the Funding and Investments section on page 206 of the papers, there were two new objectives and page 213 highlighted the new investment strategy.

The approach to pooling section on page 221 was co-written by the officers inputting into the Wales Pool.

It was commented that the approach to ESG is referred to as Responsible Investing in the Regulations and that the Sustainability policy needs to be more visible.

Mr Hibbert commented he was very happy with the changes.

RESOLVED

1. That the Committee approved publication of the Fund's Investment Strategy Statement.

69. FUNDING STRATEGY STATEMENT (FSS)

Mr Middleman noted that the final FSS document was the culmination of a 12 month valuation process and thanked the officers for their assistance and support in arriving at a good outcome.

The consultation process ended on 9 December and the final valuation report needed to be signed off on or before 31 March.

Key points/changes since the previous draft were:

1. An internal insurance arrangement for ill health costs was being implemented and the detail was being finalised.
2. Average deficit recovery period will be 15 years, which is 3 years shorter than that adopted previously.
3. All related policies are now included which aids clarity for employers.

Mr Owen thanked the Actuary and officers for the engagement with employers throughout and it was particularly good to have had a series of meetings so that each stage of the process and decision making was clear and transparent. This open process allowed employers to plan effectively.

RESOLVED

1. The Committee noted the activity since July 2016 meeting and the consultation carried out.
2. The Committee approved the final Funding Strategy Statement.

The meeting commenced at 10:00 and ended at 12:45. The next meeting will be on 13 June 2017.

As a final comment, it was noted that PLSA Local Authority conference was taking place before the next meeting.

Everyone was thanked for their hard work over the last year and depending on how the elections went, it was mentioned that even if the same Councillors are returned next year, they would still need to have refresher training.

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Chairman

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Friday, 23rd June 2017
Report Subject	Clwyd Pension Fund Update
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

It is normal practice for Committee to receive several monitoring reports on governance, administration and communication, funding and investments, including progress against the Business Plan and recommendations on how any emerging risks to the Fund should be managed.

Following the local elections there has been a significant change in the membership of the Committee. Time has not allowed for the new Committee Members to receive induction training to enable an understanding of these technical reports.

Therefore, the aim of this report is to provide a high level summary of the main issues across the Fund, comply with any specific reporting requirements and record delegations undertaken by officers since the last Committee.

The Advisory Panel continue to monitor the Business Plan and any emerging risks during this period of governance transition. There is an immediate funding and investment risk to be managed by the Fund which is explained in the next agenda item. There is an immediate administration risk and a recommendation is made in this report. Officers and advisors will be present at Committee to provide further background and information as required.

The aim is for induction training to be completed before the next Committee on 20th September 2017 and normal reporting practice will resume.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee approve the revised organisation structure for the Technical Team and ring-fence the appointment of Lead Technical Officer

to within the Pensions Administration Section.

REPORT DETAILS

1.00	CLWYD PENSION FUND SUMMARY
1.01	<p>Governance</p> <p>The Fund's Training Policy requires Committee Members to undertake training to comply with best practice guidance. The first day of induction training on the LGPS and Governance is planned for 19th July 2017 and will be delivered by the Fund's Independent Advisor and Clwyd Pension Fund Manager. There will follow a series of other training days on funding, investments, pooling investments and administration and communication. Each session, which will be delivered by the Fund's expert advisors, will provide both the theory and how the Clwyd Fund applies that theory. Officers will organise dates between now and the next Committee with preference given where the new Members are available to attend, albeit previous Committee members should also attend as a refresher. It is hoped that the second training day will be during the week commencing 24th July with the final days being at the beginning of September. Although training will be on-going, the aim of the induction training is for Members to more quickly be able to understand and question the advice they will receive from Advisors and Officers, to enable robust decisions to be made.</p>
1.02	<p>The Clwyd Pension Fund Board met on 1st March 2017. As previously agreed, to keep Committee informed of the work of the Board, the draft minutes are attached as Appendix 1. The national LGPS Scheme Advisory Board is currently undertaking a national survey on the how successful the relatively new 'Local' Boards have been in following the regulations set by the Department Communities and Local Government (DCLG). The survey is looking for views from Board Members, Committee Members and Trade Unions. Given the new membership of the Pension Committee the survey will be completed by the Clwyd Pension Fund Manager. Separately the Chair of the Local Pension Board will be completing it on behalf of and in liaison with the Pension Board members.</p>
1.03	<p>The national Scheme Advisory Board and sub-committees, Investment, Governance and Engagement Sub Committee and Cost Management, Benefit Design and Administration Sub Committee have met during February and March 2017. The agendas, actions and agreements can be found at www.lgpsboard.org. Some of the items currently on the agenda are:</p> <ul style="list-style-type: none">• Socially responsible investment,• MiFID II (covered by a separate agenda item),• Investment Pooling (commonly referred to as pooling),• Cost Transparency (relating to investment fees),• The Pension Regulator Survey on administration and governance in public sector schemes and• Cost Management Process (which relates to limits on some elements of the employer pension contributions).

	Updates on any outcomes will be provided but Members are also encouraged to visit the web-site.																																								
1.04	<p>Funding and Investments</p> <p>The estimated funding position as at 31st March 2017 was 86% which is 9% ahead of the expected position at this point based on the assumptions set at the 2016 Actuarial Valuation.</p>																																								
1.05	<p>The investment returns for the Fund as at 31st March 2017 are shown in the table below and compared with various benchmarks and targets. Global financial markets have been favourable over recent years which are reflected in the strong returns and the improvement in the funding position. Further details will be provided in the Fund's Annual Report which will be presented to the next Committee. A more recent update on the funding position and investment returns will be provided at the Committee.</p> <table border="1"> <thead> <tr> <th></th> <th colspan="2">3 months %</th> <th colspan="2">12 months %</th> <th colspan="2">3 years % p.a.</th> <th>Strategic</th> </tr> <tr> <th></th> <th>Fund</th> <th>B'mk</th> <th>Fund</th> <th>B'mk</th> <th>Fund</th> <th>B'mk</th> <th>Allocation %</th> </tr> </thead> <tbody> <tr> <td>TOTAL CLWYD PENSION FUND</td> <td>3.4</td> <td>2.8</td> <td>21.5</td> <td>16.2</td> <td>11.4</td> <td>9.9</td> <td>100.0</td> </tr> <tr> <td>Strategic Target (CPI +4.1%)</td> <td>1.6</td> <td></td> <td>6.3</td> <td></td> <td>6.3</td> <td></td> <td></td> </tr> <tr> <td>Actuarial Target (CPI +2.0%)</td> <td>1.1</td> <td></td> <td>4.2</td> <td></td> <td>4.2</td> <td></td> <td></td> </tr> </tbody> </table>		3 months %		12 months %		3 years % p.a.		Strategic		Fund	B'mk	Fund	B'mk	Fund	B'mk	Allocation %	TOTAL CLWYD PENSION FUND	3.4	2.8	21.5	16.2	11.4	9.9	100.0	Strategic Target (CPI +4.1%)	1.6		6.3		6.3			Actuarial Target (CPI +2.0%)	1.1		4.2		4.2		
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1.06	The Funding & Risk Management Group, Tactical Asset Allocation Group and Private Equity and Real Asset Group continue to actively manage the implementation of the Investment Strategy Statement and the delegated decision made during the period are provided in Appendix 2.																																								
1.07	The project to pool investments across the eight LGPS funds in Wales continues. An Invitation to Tender was issued on 9 th June 2017 to six short-listed bidders. As required under the Inter-Authority Agreement each administering authority will be required to approve the appointment. In the case of this Fund, this has been delegated to this Committee. It is planned a recommendation will be made to the 20 th September Committee. The first meeting of the newly constituted Joint Governance Committee (JGC) is planned for 29 th June 2017 in Cardiff, where the Clwyd Pension Fund will be represented by the Chairman of the Pension Fund Committee. An Officer Working Group, whose role is to advise the JGC, continues to meet regularly, with Philip Latham, Clwyd Pension Fund Manager, being the main representative for the Fund. The Wales Pool will be known as the Wales Pension Partnership (WPP). The host authority for the WPP is the Dyfed Pension Fund, however, it was been agreed that the Pension Finance Managers from the Clwyd Fund will continue to represent the WPP on the cross pool infrastructure and responsible investment groups. The DCLG continue to monitor progress of all the pooling projects.																																								
1.08	<p>Administration & Communication</p> <p>As required by the Fund's Governance Policy Statement, the annual internal audit report is attached as Appendix 3. All the recommendations have been agreed.</p>																																								

1.09	The Pensions Administration Team are progressing a number of areas to improve services in line with the Administration and Communication Strategies. An update of the membership statistics, Internal Dispute Resolution Procedures (IDRP) and communications issued will be included in the Fund's Annual Report and future Committee reports.
1.10	<p>The number of employing bodies in the Fund has now increased to 40. Three new employing bodies have been admitted to the Fund under delegated powers since the last Committee. All are a result of alternative delivery models by Flintshire County Council, which means employees have transferred from Flintshire County Council to these new employers. The new bodies are as follows, with the date of entry to the Fund being shown for each as well as the approximate number of scheme members:</p> <ul style="list-style-type: none"> • Holywell Leisure Services (1st April / 37 members) • Newydd Catering & Cleaning Ltd (1st May / 404 members) • Cartref Ni Ltd (supported housing -1st June / 5 members).
1.11	<p>Workforce planning for the Administration Section is part of the Business Plan to ensure that the Section is appropriately resourced for the amount and type of work they carry out, and that succession planning is taking place where possible. Although work is on-going across the Section, the Technical Team have a more immediate risk to manage. This team maintains the pension systems software and website, reconciles employer records and processes all the Fund's pensioners' payroll payments.</p> <p>The current and recommended organisation structures are shown in Appendix 4. There are a number of reasons for recommending these changes which are outlined in the Appendix. In total the number of Full- Time Equivalent posts within the Team only increases by 0.1 and the budget increase is approximately £15K, subject to the outcome of job evaluation for the new Lead Technical Officer post. In addition it is recommended that the recruitment of the new post is ring-fenced to officers within the Pension Administration Section.</p>

2.00	RESOURCE IMPLICATIONS
2.01	Paragraph 1.11 outlines changes to organisational structure, recruitment and an increase in the budget of approximately £15K per annum.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	The risk register covers risks across the Fund. In particular this report considers the following risks

	<p>Governance Risk No.2: Inappropriate or no decisions are made as a result of changes to the Committee.</p> <p>Administration & Communication Risk No.1 – Unable to meet legal and performance expectations due to staff issues.</p> <p>The risk register will be made available at future meetings and is available on request to the Clwyd Pension Fund Manager.</p>
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5.00	APPENDICES
5.01	<p>Appendix 1 – Draft Clwyd Pension Fund Board Minutes</p> <p>Appendix 2 – Officer Delegations</p> <p>Appendix 3 – Internal Audit Report</p> <p>Appendix 4 – Technical Team Organisation Structure</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Clwyd Pension Fund:</p> <p>Business Plan 2017/18 to 2019/20</p> <p>Training Policy</p> <p>Governance Policy Statement.</p> <p>Risk Register</p> <p>Investment Strategy Statement</p> <p>Funding Strategy Statement</p> <p>Administration Strategy Statement</p> <p>Communication Strategy Statement</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@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>

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| | <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) TPR – The Pensions Regulator – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(g) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.</p> <p>(h) DCLG – Department of Communities and Local Government – the government department responsible for the LGPS legislation.</p> <p>(i) MiFID II- Markets in Financial Instruments Directive II - the EU legislation that regulates firms who provide services to clients linked to “financial instruments” (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.</p> |
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FLINTSHIRE COUNTY COUNCIL (As Lead Authority for the Clwyd Pension Fund)

CLWYD PENSION FUND BOARD

Minutes of the meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Lead Authority for the Clwyd Pension Fund), held at County Hall, Mold, on Wednesday, 1 March 2017 at 9.30am.

THE BOARD:

Present:

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Gaynor Brooks,

Employer Representatives: Mr Steve Jackson, Mr Mark Owen

IN ATTENDANCE

Mr Philip Latham (Clwyd Pension Fund Manager and Secretary to the Board)

Mr Alwyn Hughes (Pension Finance Manager)

Mrs Helen Burnham (Pensions Administration Manager)

Mr Colin Lewis (Aquila Heywood - iConnect) – part meeting only

Actions

1. APOLOGIES

There were no apologies.

2. DECLARATIONS OF INTEREST

There were no declarations at the beginning of the meeting.

3. AQUILA HEYWOOD ICONNECT DEMONSTRATION

The iConnect presentation was given by Mr Colin Lewis who is employed by iConnect which is a subsidiary of Aquila Heywood.

iConnect is a system that enables member data provided by employers to be updated at least monthly which should lead to efficiencies, automation and less errors. Three of the Fund's employers are live using iConnect already; Denbighshire CC, Bodelwyddan Castle and Prestatyn Town Council.

The system assists administering authorities adhere to legal

Actions

requirements regarding record. It also assists with managing increased volumes of data due to auto-enrolment, greater HMRC requirements, the need for more frequent updates due to the CARE scheme and greater scrutiny from tPR.

Fundamentally, iConnect automates data gathering and validation. Reminders to employers are auto generated by iConnect. A monthly data upload will be expected from participating employers. Some of the other elements that Colin highlighted included:

- The updates include a record of everything paid that month by the scheme member.
- It includes light weight validation to ensure correct file formats
- It reports back to employer via emails
- If in the correct format, iConnect then compares this month's file to a snapshot of the previous months and identifies any changes within its parameters.
- All personal data, except national insurance numbers, is encrypted.
- There is an alternative online facility for employers with 100 or less employees.
- Where multiple employers have one payroll provider, there is a facility that only one extract needs be provided.
- The administering authority will be able to switch employers between the two types of returns.
- Year end is eliminated and risk reduced.

Following this introduction, Mr Lewis provided a demonstration of iConnect from an employer's perspective.

In response to questions from the Board, Mr Lewis commented that about 35 administering authorities now use iConnect and that monthly data update is fast becoming typical. Previously the charging model would result in all employers paying the same fee for the functionality which put off small employers, with only the large employers seeing a benefit. Now the contract and costs are the responsibility of the Fund which would encourage all employers to come on-board. Mrs Burnham commented that all new employers would be put on the on-line system but that it would take two to three years before every existing employer was on board. For the future, the administering authority is also looking at on-line document transmission and on-line leaver forms.

The Board expressed their thanks to Mr Lewis for an informative

presentation.

4. DISASTER RECOVERY (Item 6 moved forward)

The Chair introduced this agenda item referring to the minutes of the previous Board meeting and the problems that had arisen using the generic FCC plans. Since then approval had been given by the Fund Committee (8 November 2016, Agenda Item 6) to upgrade the existing service provided by Aquila Heywood to include external hosting of IT servers and data management.

Mrs Burnham and Mr Lewis then provided an update on progress to date. The existing service had now been migrated onto the Aquila system; their system uses a third party provider, Blue Chip, to provide hosting, and the Fund has now gone live with this service.

In terms of data security they are a tier 4 data centre on a scale of 1 – 5 with the Government nuclear sites being a 5. The Fund is buying into their business continuity system with a mirror site located in Bedford but some distance from the main site. This should ensure that if the main system failed for some reason then work should continue with little or no impact by switching to the mirror site in Bedford. Blue Chip run regular disaster recovery exercises and we are entitled to one disaster recovery test annually that would be run by the in-house team. Aquila run standard checks every morning and will notify the Fund of any issues as they arise. Data backups are undertaken each night so the worst case scenario would be losing up to one full day's work i.e. if disaster struck late at night but before the back-up had been taken. Once hosting has settled down additional security would be available as access will be via the Aquila Citrix farm.

The Chair asked Mrs Burnham to ensure that testing was extended to cover a scenario where no-one could access the Pensions Administration Team office and with no notice.

HB

5. MINUTES AND MATTERS ARISING

The minutes of the meeting held on the 13 October 2016 had previously been confirmed as a correct record by all Board members via e-mail.

Actions

Mr Owen asked about the intellectual property rights in relation to MSS. Mrs Burnham said that the system had been used by Dyfed so this is no longer an opportunity for Clwyd Pension Fund.

Completed and/or outstanding actions were considered as part of agenda item 4 Action Tracker.

6. ACTION TRACKER

The Chair introduced this item explaining that the document was designed to track all action points identified by the Board, identify completed or outstanding actions and also ensure that none are overlooked.

The contents of the Action Tracker were discussed. The Chair confirmed that an email had been sent to Flintshire's Chief Officer (Governance) regarding disaster recovery previously. **Mr Owen asked that another email be sent** to update the Chief Officer on the latest situation. Mr Owen also requested that the Board be given the date of the annual disaster recovery check. Mrs Burnham added that they are likely to undertake two tests this year to be sure of the impact. This is being added to the business plan. The Board asked **Mrs Burnham to report back** on the next test at the next meeting.

Chair

HB

RESOLVED:

The Board noted the action tracker.

7. ASSET POOLING

An update was given by the Clwyd Pension Fund Manager. There are two key work streams; firstly, the Inter Authority Agreement which was being presented to Flintshire County Council today for approval. It has already been agreed by three of the other seven administering authorities. Secondly, is the contract tender which is expected to be published either this week or next week, however some issues had been raised in relation to the possible impact of MIFID II.

Mr Jackson enquired about the progress with the other pools being established compared to Wales. Mr Latham replied that we expected to achieve the Government's deadline of April 2018 in terms of the specification asking for UK registered investment vehicle. He expanded to highlight that not everything can be invested through an ACS and we would reserve the right to use overseas vehicles. The Government has recently issued a

Actions

questionnaire to pools enquiring about status and progress made. The Chair added that some of the other pools were experiencing delays. Mr Latham reiterated that the possible implications of MIFID II could be severe although the Financial Conducts Authority has again said that we would not be put into a position where a fire sale of assets was required.

Discussions then moved onto the governing arrangements of the Wales Pool and where the pension boards fitted in with the Chair commenting that the Joint Governance Committee (JGC), when created, would have to liaise with pension boards as an alternative to direct member representation on the JGC. Nationally both UNISON and the Scheme Advisory Board are supportive of some link to member representation although there are differences of opinion on the approach which could be used. It is possible that requirements relating to scheme member representation may be driven from a national level which may result in changes being required to the Inter Authority Agreement.

The Chair added that there was an all Wales pension board meeting being held exclusively for board chairs. The Chair stated that she would represent the Board's view when discussing scheme member representation. It was noted that the CIPFA guidelines are a bit vague in relation to scheme member representation.

Mr Jackson added that representation at local level is where it is important but highlighted this could also be at a national level, with a pension board representative from one Board potentially attending the Joint Governance Committee.

8. ADMINISTRATION

A presentation on the progress in developing the administration team's key performance indicators (KPIs) was given by the Mrs Burnham who also shared hand-outs comparing the output as at the 31st December 2016 to the 31st January 2017 but with a target date of the 28th February. All of the 66 highlighted have been reviewed and are awaiting further information from employers to resolve.

Mr Jackson enquired regarding the causes of the older cases. Mrs Burnham responded that most would be due to deferred benefits but there were some ad-hoc cases, for example, there was one case where they were trying to find a next of kin to pay following the death of a member. Mrs Burnham added that they would try to split the cases going forward to categorise them

Actions

between employers, members and the Fund. Mr Latham added that the use of the word 'backlog' was misleading when the Fund was waiting for information and could not progress until that had been received. The Chair agreed and added that the Fund needed to get into a position where, for the older cases, we know that we are waiting for information.

Mrs Burnham stated that some of the 66 cases could well have been passed to the Employer Liaison team, if they related to Flintshire CC. Mr Owen commented that the administering authority needs to be in a position that either the employer or the Employee Liaison Team needs to know that the responsibility is with them as appropriate.

Mrs Burnham added that the work undertaken so far has required a large amount of resources and asked the Board for their opinion on whether the Fund should go down the route of naming and shaming employers who were causing delays or not providing information in the correct format. Currently employers are being reminded that information is outstanding but experience is that how they respond depends on their priorities. Mrs Brookes expressed concern regarding the lack of response from some employers.

Mrs Burnham stated that the formation of the Employer Liaison team had caused some workload issues as five vacancies had been created within the Operations and Technical teams. Three have now been filled and two are out to advert. Pension Assistants had been successful in moving to the ELT with promotions to Pensions Officer. Two of the three posts filled had been filled with Modern Trainees with the remaining filled from Flintshire CC; all following interview. Training will take approximately twelve months and so will impact generally on the team during this period, but there would clearly be benefits in the longer term.

Mr Latham commented that the Board would see on the business plan, when presented to the Committee for approval during March, workforce planning looking ahead for the next three to five years. iConnect and Member Self Service will change how the Administration Team operates and so it is appropriate to consider the structure of the team, as well as for how to integrate succession planning. Mr Jackson expressed his and the Boards' recognition for the hard work being undertaken by the team.

9. CONSIDERATION OF 8th NOVEMBER 2016 AND 16TH FEBRUARY PENSION FUND COMMITTEE MEETING

Actions

PAPERS

The Chair opened this item up to the Pension Board but no comments were received.

10. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE

The Chair opened this item up to the Pension Board but no comments were received.

11. PENSION BOARD INSURANCE

The Pension Finance Manager updated the Board that insurance cover was now in place for the Board.

12. COMPLIMENTS AND COMPLAINTS

Following an introduction by the Chair, a summary paper was circulated by Mrs Burnham detailing recent compliments and complaints. In response to a question regarding compensation offered Mrs Burnham responded that the most offered is £500 whereas the Maximum from the Pensions Ombudsman would be £1000 in exceptional cases. The Board accepted the paper but Mr Owen suggested that the information needs to be anonymised going forward.

Mrs Burnham agreed to anonymise future papers regarding compliments and complaints.

HB

13. FUTURE WORK PLAN

The Chair presented the future work plan and initiated discussion. It was suggested that GMP reconciliation and outsourcing update should be added to the future work plan.

The Chair agreed to update the work plan.

Chair

Actions

14. PENSION BOARD BUDGET MONITORING

The Pension Finance Manager shared a budget update report with the Board and also gave a verbal update to the Board regarding the 2016/17 budget; no issues were raised. The PFM also presented the draft 2017/18 budget to the Board for their consideration

Resolved – That:

- a) The Board accepted the budget monitoring report, and***
- b) That the 2017/18 budget is approved.***

15. FUTURE DATES

The Board Members were reminded of the future Board meeting dates already agreed, namely 27/06/17, 02/11/17, 27/02/18 and 28/06/18. The Chair asked the Board to advise her if there was an issue with any of these dates.

The Pensions Finance Manager also reminded the Board about potential training events including the CIPFA Pension Board event.

16. ANY OTHER BUSINESS

Mr Latham circulated a report by The Pensions Regulator (TPR) regarding regulatory intervention. TPR regulates Pension Boards and the Scheme manager. It was highlighted at the meeting attended by the Mr Latham that many issues identified by the TPR were employer related. The report highlights where the TPR is getting involved with employers following the reporting of breaches. About three had been received by the TPR.

No further business was raised. It was agreed that the **draft minutes would be circulated.**

**Board
Secretary**

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.061	Rebalancing and cash management	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Rebalancing Asset Allocation

Background

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation as a result of market movements. In addition there is a conditional medium term asset allocation range (Conditional range) to manage major risks to the long term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers) which meets each month consider whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Clwyd Pension Manager who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

Action Taken

In the quarter to March 2017, the assets were rebalanced in conjunction with the implementation of the agreed strategic review. The following transitions were managed by the Pension Finance Manager:

- Investec Diversified Growth Fund rebalanced to 6% using part redemption of Aberdeen Frontier Markets Mandate
- Pyrford Diversified Growth Fund rebalanced to 6%.
- Redemption of £80m from Insight LDI Mandate to reduce the allocation to 23.5%.
- Stone Harbour Multi Asset Credit rebalanced to 11.9% (plus £17m)
- JLT “Best Ideas” Portfolio increased to 10.9% (plus £50m)
- Man FRM managed Hedge Funds, rebalanced to 8.8% (plus £20m)

Cash Management

Background

The Pension Finance Manager forecasts the Fund’s 3 year cash flows in the Business Plan and this is monitored and revised quarterly. The bank account balance is monitored daily. The main payments are pension related, expenses and investment drawdowns. New monies come from employer and employee contributions and investment income or distributions. This cash flow management ensures the availability of funds to meet payments and investment drawdowns. The LGPS investment regulation only allow a very limited ability to borrow. There is no strategic asset allocation for cash, although there is a strategic range of +5% and a conditional range of +30% which could be used during times of major market stress.

Action Taken

The cash balance as at 31st March 2017 was £13.6m (£17.3m at 31st January 2017). Cash balance as at May 31st 2017 was £60.7m reflecting the upfront payments of Employer deficit contributions in April 2017 following the Actuarial Valuation. The cash flow has been monitored to ensure there is sufficient monies to pay benefits and capital calls for investments and with any surplus will be invested as part of the re-balancing process.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.062	Short term tactical decisions relating to the 'best ideas' portfolio	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to consider how to invest assets within the 'Best Ideas' portfolio given the shorter term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund (increased from 9% at the last strategic review). The investment performance target is CPI +3 %, although the aim is to also add value to the total pension fund investment performance.

Action Taken

As result of the increase in the allocation to the Best Ideas portfolio additional investments of £50m were implemented in March 2017:

- Increase exposure to Emerging Market Equities - £32m
- Invest £18m in BlackRock US Opportunities (US Equity Market Fund)

The current allocations within the portfolio following the additional investments are:

- Commodities (2.5%)
- Japanese Equities (1.0%)
- US Equities (3.5%)
- Equity Linked Bonds (0.5%)
- Emerging Market Equities (3.5%)

Detailed minutes of the Group identifying the rationale behind the recommendations made to the Clwyd Pension Fund Manager and decisions made under this delegation have been circulated to the Advisory Panel.

As at the end of March 2017, the Best Ideas portfolio has both outperformed its target and added value to the investment return at total Fund level.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.063	Investment into new mandates / emerging opportunities	PFM and either the CFM or CEO (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Fund's investment strategy includes a 22% asset allocation to private equity (10%), property (4%), infrastructure (7%) and agriculture (1%). The last strategic investment review reduced the property allocation by 3% and increased the infrastructure allocation by 3%. Given the illiquid nature of these investments this transition will take a number of years to implement. These are higher risk investments, usually in limited partnerships, hence small commitments are made of £8m in each. Across these asset categories there are currently 50 investment managers, investing in 115 limited partnerships or other vehicles.

The Private Equity & Real Estate Group (PERAG) of officers and advisor meet quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. The investments in total are referred to as the 'In-House portfolio'. There is particular focus on Environmental, Social and Governance (ESG) aspects on the investments made,

Action Taken

Due diligence has been undertaken on two Opportunistic, two Private Equity and four Infrastructure investments and the following commitments have been made under delegated authority since the last Committee:

- \$10 million to Neuberger Berman PE Credit Opportunities Fund I (US Opportunistic Fund targeting 15 - 20% Net IRR)
- €10 million to BlackRock European Property Fund IV (European Opportunistic Fund targeting 15% net IRR)
- \$10 million to Standard Life Secondary Fund IIII (US and Europe Private Equity Fund targeting 17.5% Net IRR)
- \$10 million to Partners Group Direct 2016 (Global Private Equity Fund targeting 15% net IRR)
- €10 million to Harbour Vest Real Assets Fund III (Global Infrastructure Fund targeting 15% net IRR)
- \$10 million to InfraRed Infrastructure Fund V (Global Infrastructure Fund targeting 11 - 13% net IRR)
- €10 million to Partners Group Direct Infrastructure 2015 (Global Infrastructure Fund targeting 8 - 12% net IRR)
- £8 million to Hermes Infrastructure Fund II (UK and Europe Infrastructure Fund targeting 10% net IRR)

Three commitments are follow on investments with existing managers, the other five are with managers already involved with the Fund through other In House investments. The aim being not to increase the number of fund manager relationships already in place unless absolutely necessary to assist with the governance of the in house portfolio.

A review was undertaken of the existing portfolio and future cash flows and the results were incorporated into the forward work plan. As a result, extensive work has been carried out to identify suitable Infrastructure investments. Several commitments have already been agreed and further due diligence is being undertaken on other possible opportunities. It is anticipated that an allocation of 7% to Infrastructure will be achievable by 2020. Within the remaining In House portfolio, officers are continuing to look at any opportunities which fulfil their agreed strategy. The minutes of the PERAG Group have been circulated to the Advisory Panel.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.064	Ongoing monitoring of Fund Managers	PFM, CFM and CEO (having regard to ongoing advice of the IC) and subject to ratification by PFC	High level monitoring at PFC with more detailed monitoring by PAP

Background

On occasion, as a result of changes to the Fund's investment strategy or persistent poor performance by a fund manager, changes are required. The Committee delegate these changes to officers having regard to advice from the Investment Consultant and only ratify the process. In the longer term fund manager selection and dismissal will be the responsibility of the Wales Pool.

Action taken

The strategy changes agreed by Committee as a result of the "light touch" strategic review included a 3% allocation to Private Debt and 4% allocation to Smart Beta within the global equity allocation.

For private debt the search for one or more managers began in March 2017 where managers were invited to submit their suitability for the specific mandate agreed with the Fund and its Investment Consultant, JLT. 10 managers responded to the search and a short list of 4 managers (all UK / European) was agreed to take through to the next stage of the process.

Due diligence meetings were held with the short listed manager, JLT and the Pension Finance Manager in April 2017 where the recommendation to award a mandate of £30m to Permira, a European Private Credit manager was made. Due to urgency and the absence of a Committee due to the local elections the appointment has been fully delegated to officers

The search for a North American Private Credit manager commenced in June 2017, details to be provided at the September 2017 Committee.

The Committee has previously agreed that the implementation of the new smart beta asset allocation (4% of the Fund) will be done via Blackrock as part of the Wales Pool arrangements for this asset class. Discussions have been on-going with Blackrock and it is now planned to fund this by the end of July 2017.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.065	Selection, appointment and dismissal of Fund Managers	PFM, CFM and CEO (having regard to ongoing advice of the IC) and subject to ratification by PFC	Notified to PFC via ratification process.

Background

On occasion, as a result of changes to the Fund's investment strategy or persistent poor performance by a fund manager, changes are required. The Committee delegate these changes to officers having regard to advice from the Investment Consultant and only ratify the process. In the longer term fund manager selection and dismissal will be the responsibility of the Wales Pool.

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Flintshire Internal Audit

Audit Report

Title: Clwyd Pension Fund -
Administration & Contributions
(2016/17)

Portfolio: External

Issued Dated: May 2017

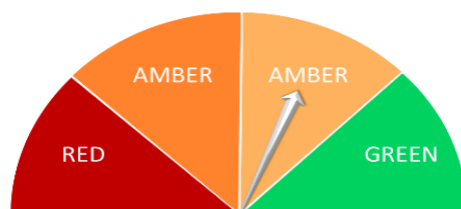
Report No: 24-2016/17

Report Status: Final

Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

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Audit Opinion



1. Executive Summary:

Introduction and Scope:

An audit of Pensions Administration was undertaken as part of the approved Internal Audit Annual Plan for 2016/17. The purpose of the review is to give assurance on the robustness of the administration processes and the accuracy of the data on the Pensions Administration software system, Altair.

The Fund is currently comprised of approximately 39 employers with active members, and approximately 45,000 scheme members (including active members, deferred and pensioner members).

The Administration Strategy became effective from 1st April 2016 with its aim being to ensure the Administering Authority and the employers are both fully conversant with their responsibilities under the Scheme and to set out the performance standards against which the service can be measured to ensure the delivery of a 'high quality, timely and professional service'.

As part of the Business Plan and to aid the delivery of the Strategy, I-Connect an employer on-line data transmission tool has been successfully implemented for three fund employers (Denbighshire County Council, Prestatyn Town Council and Bodelwyddan Castle Trust). This enables the employer's payroll data to be uploaded directly and integrated into the Pensions Administration system Altair facilitating the integrity of the Pension Fund data. It is planned to phase in this facility for the larger employer organisations over the next year. In addition the Business Plan for 2017/18 also includes the implementation of Member Self Service.

The Employer Liaison Team has been established from 1st December 2016 to 'provide assistance to fund employers by providing accurate and complete notifications to the Fund in a timely manner'. Part of this work includes taking over the function of the reporting of new Flintshire County Council starters to the Pension Fund to ensure the accuracy and completeness of the member records. Regular discussions are being held with Payroll to facilitate this process. The progress of this Team will be monitored and reported on a regular basis.

Audit Opinion:

In each report we provide management with an overall assurance opinion on how effectively risks are being managed within the area reviewed. Appendix A of the report details our assurance levels:

Assurance:	Explanation
Amber Green - Reasonable	<p>Key Controls in place but some fine tuning required</p> <ul style="list-style-type: none"> Key controls exist but there are weaknesses and inconsistencies in application though no evidence of significant impact Some refinement or addition of controls would enhance the control environment <p>Conclusion: key controls are generally operating effectively.</p>

The table below highlights the number and priority of agreed actions to be implemented.

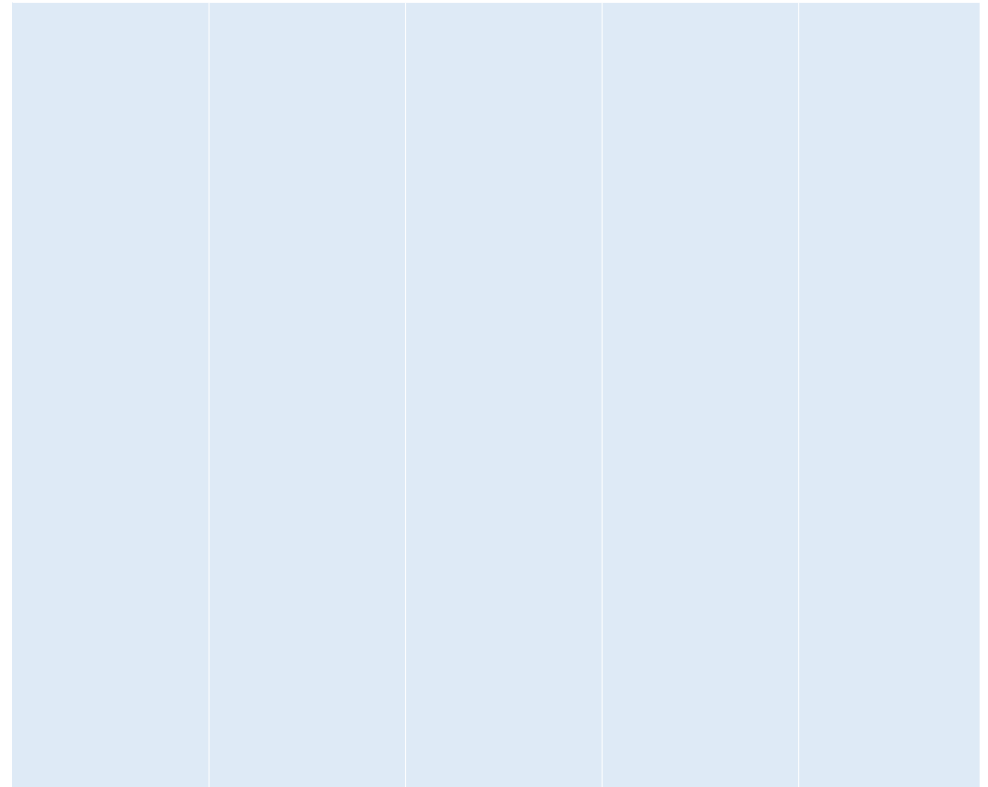
Priority	High (Red)	Medium (Amber)	Low (Green)	Total
No.	0	2	2	4

The Administration Strategy has not as yet delivered on performance monitoring. We were unable to review the Pensions Section performance against available statistics as the monitoring reports were still being worked on at the time of the review.

As in previous years the main challenge for the Pensions Section continues to be reducing the backlog of tasks. As at 30/04/2017 the backlog figures drawn off the system showed 2,012 outstanding cases. We do not have a comparative figure as the method of reporting has changed from showing outstanding tasks as opposed to cases. There are a large number of outstanding tasks resulting from the annual upload of the employers' Annual Statements. We have acknowledged however that the Pensions Section have had resource issues in the current year and that this is being addressed as Workforce Planning is part of the 2017/18 Business Plan. All efforts are being made to tackle the outstanding work.

The scope for this year's review has concentrated on the following:

- The processing of Life Cycle Events
- Task Management
- The time taken to process retirement payments
- Financial transactions and reconciliations between employers and the Clwyd Pension Fund
- Communication to stakeholders



2. Summary Findings:

Areas Managed Well	Areas for Further improvement
<ul style="list-style-type: none">• Lifecycle Events are processed accurately.• Communications with stakeholders are delivered in line with the Communications Strategy.• Disaster Recovery testing is carried out annually.• Backlog undertaken by Mercer is closely monitored.	<ul style="list-style-type: none">• Staff training has fallen behind the plan for training in the current year.• There are still sizeable variances resulting from the reconciliation of the Lump Sums to the General Ledger.• Validation Reports from the monthly uploads of Flintshire new starters are not always evidenced as being checked and corrected.• There are still many outstanding queries from the annual upload of Contributing bodies Annual Statements.

3. Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1 (A)	<p>We obtained the monthly Validation Reports showing the results of the upload of Flintshire starters to the Altair system. We noted that the Pensions Section are still working through the January to March 2017 reports (as at 27th April 2017).</p> <p>During the period April 2016 to December 2016 it was identified that 185 records had been rejected and that for 65 there was no evidence of these having been checked and verified. The implication is that without a clear audit trail of follow through actions member records may be omitted from being successfully uploaded.</p>	<p>Agreed Action:</p> <p>A consistent approach will be re-emphasised to ensure all monthly validation reports showing the results of the monthly uploads of new Flintshire County Council starters to the Altair system are evidenced as having been checked and the reasons given for the rejected records.</p> <p>URN 01926</p>	Sandra Beales	31/05/2017
2 (A)	<p>It should be noted that the Lump Sum reconciliations and differences resulting from these have improved from the previous year but there are still sizeable differences particularly relating to the larger organisations such as Wrexham, Flintshire and Denbighshire. The value of the discrepancies as at 13th April when we received the spreadsheet was as follows:</p> <ul style="list-style-type: none"> • Denbighshire County Council 2,910.84 • Flintshire County Council 35,868.29 • Wrexham County Borough Council 14,165.32 • Clwyd County Council 3,894.77 • Llysfasi 1,127.37 • Newi 54,298.75 • Yale 987.11 • Wrexham Maelor B.C. 402.69 <p>We noted that the majority of differences are due to the amounts appearing in Ledger but not on the reports</p>	<p>Agreed Action:</p> <p>Pensions Finance and the Pensions Technical support will meet to ensure there is clearer communication to establish what information is required against what information is already supplied to ensure that the variances arising from the Lump Sums reconciliations can be resolved in a timely manner.</p> <p>If reports need to be developed to facilitate this the implementation date given reflects this.</p> <p>URN 01928</p>	Debbie Fielder	31/12/2017

No.	Findings and Implications	Agreed Action	Who	When
	<p>drawn off Altair supplied to Pensions Finance from the Pensions Section. We checked a small proportion of these and found that with one exception the Lump Sums appear on Altair as being paid but are not on the reports supplied.</p>			
3 (G)	<p>Extracts of information from Altair are taken monthly and uploaded to the Atmos matching software. The results are formulated into reports and sent to Pensions for checking. Since October 2016 a new categorisation of matches has been formulated by Atmos which are listed below and replace the previous categories:</p> <ul style="list-style-type: none"> • A Matches on Forename, Surname, Address, Postcode, Date of Birth for day, month and year. (Exact Match). • B Matches on above except for address. • C Matches on all of A except for Date of Birth. • D Matches on Forename, Surname, Postcode, Date of Birth, month and year. • E Matches on Forename (full not initial), Surname, Date of Birth, day, month and year. • F Matches on Forename, Surname, Address and Postcode. (There must be no Date of Birth submitted). • G Matches on Forename (initial only), Surname and full date of birth details. • H Matches on Forename (in full), Surname and date of birth month and year only. <p>The Pensions Section stop payment of pensions for all matches under A and B categories for the period of match. Results under category C do not result in the stopping of payment of pension but are investigated further.</p> <p>We obtained the monthly reports of matches for December 2016, January 2017 and February 2017.</p>	<p>Agreed Action:</p> <p>Reports of Atmos matches will be evidenced as checked for categories other than A. The process for checking categories other than exact matches has now been documented for consistency of approach.</p> <p>URN 01856</p>	Karen Williams	31/05/2017

No.	Findings and Implications	Agreed Action	Who	When
	<p>These all had evidence of checking the A matches. All other matches for the three months reviewed were for categories E onwards. There is no evidence of checking other categories.</p> <p>We obtained the spreadsheet of Atmos matches showing the cumulative results from 2011. We extrapolated the results from April 2016 to the end of February 2017 and these showed 99 matches. This has resulted in an estimated £24,366.68 being stopped in Pension Payments.</p>			
4 (G)	<p>A Principal Pensions Officer maintains a spreadsheet of staff training undertaken within the section. This record shows that training is still outstanding for a number of individuals due to the changes in the section and changes in responsibilities for a number of individuals. Training is to be delivered in to 2017/18 for these individuals.</p>	<p>Agreed Action:</p> <p>Internal training will continue to be progressed to expand knowledge within the Section. Appraisals will highlight where training needs are required.</p> <p>URN 01927</p>	Helen Burnham	31/12/2017

4. Distribution List:

Name	Title
Philip Latham	Accountable officer for the implementation of agreed actions
Colin Everett	Chief Executive Officer
Philip Latham	Clwyd Pension Fund Manager
Helen Burnham	Pensions Administration Manager
Debbie Fielder	Pensions Finance Manager
Alwyn Hughes	Pensions Finance Manager

Appendix A - Audit Opinion:

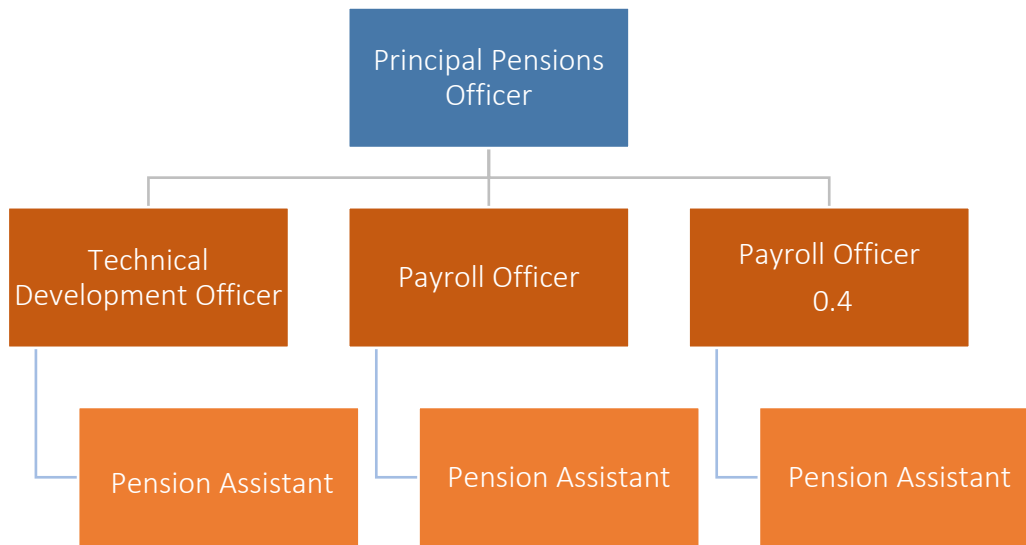
The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
Green - Substantial	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p>
Amber Green - Reasonable	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p>
Amber Red - Some	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p>
Red - Limited	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p>

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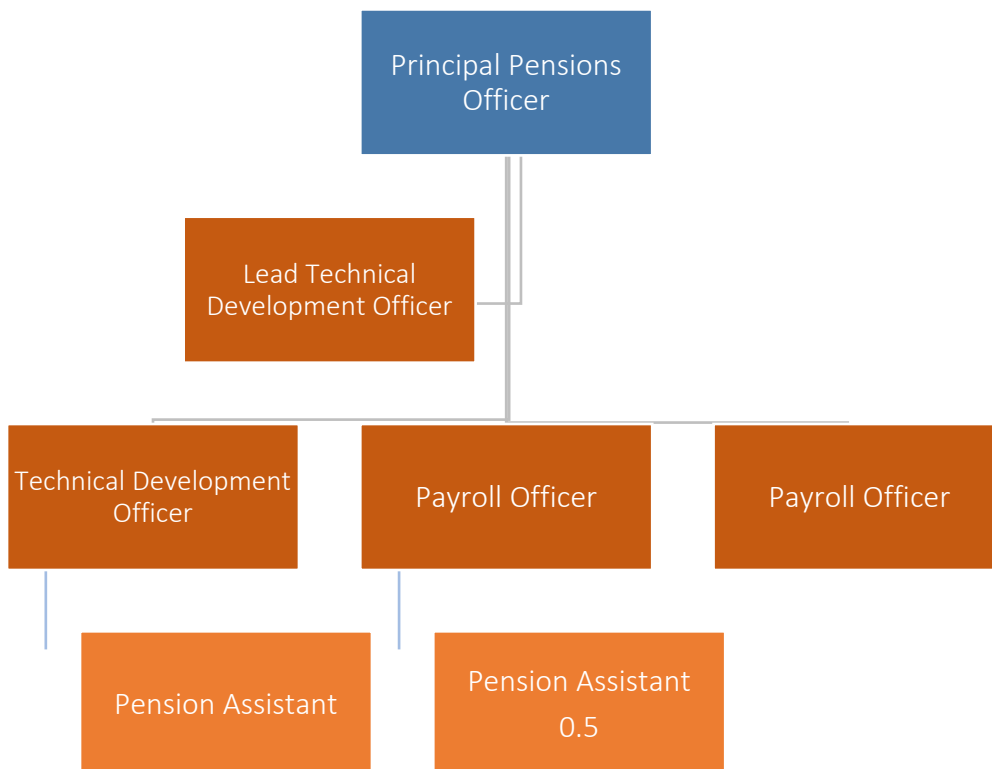
Technical Team Structure

Current Structure:



Current structure cost £182k per annum
Includes 6.4 Full Time Equivalent posts

Proposed Structure:



Requested structure cost £196k per annum
Includes 6.5 Full-Time Equivalent posts

The current Clwyd Pension Fund business plan includes a number of additional requirements or enhanced services that impact the work of the Technical Team. These include:

- Introduction of Member Self Service (MSS)
- GMP reconciliation project – resulting in potential corrections to member records
- Implementation of i-Connect
- Trivial Commutation project
- National Pensions Dashboard
- Splitting of payroll elements in preparation for GAD transactional data reporting

In addition, the team is impacted by:

- The steady increase in numbers on the pensioner payroll
- Additional reporting requirements as stipulated in/by the Administration Strategy, The Pensions Regulator and the national LGPS Scheme Advisory Board.

The team have been evolving their existing ways of working in order to meet the new requirements. This has involved:

- Revised internal controls such as separation of duties and workflow procedures
- Ensure successful set up of i-connect to continuously improve data quality and introduce more quickly greater efficiencies
- Identify where the pockets of additional work are most vulnerable and allocate staff accordingly
- Additional responsibilities managed by existing staff i.e. working additional hours and covering higher graded duties to ensure business continuity

A review of the existing structure would allow the team to be better able to respond to the new requirements. The revised structure shown above includes the following elements:

1. Introduction of a Lead Technical Development Officer (LTDO) to provide management cover ensuring business continuity and the reduction of key person risk by succession planning. This is an ideal opportunity for progression within the office. This new role would assist the Principal Pensions Officer (PPO) with the additional requirements above but with particular attention to the following
 - verification of pension payroll procedures and system output
 - set up and maintenance of MSS database
 - additional reporting requirements
 - continuation of i-Connect rollout with employers
2. Maintaining the Technical Development Officer role to assist the LTDO with particular focus on initiating and completing the move to monthly returns via the i-connect module for existing and new employers
3. Increase resource within the payroll officer role to ensure continuity going forward, addressing the increase in numbers and the retirement of a key staff member. This would also relieve the involvement of the Principle Pensions Officer in certain tasks
4. Reduction of Pension assistant posts as this is not where the resource is required as manual work in this area has reduced, due to the introduction of efficiencies within the team

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972.

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