

**CLWYD PENSION FUND COMMITTEE**  
**7 OCTOBER 2019**

Minutes of the meeting of the Clwyd Pension Fund Special Committee of Flintshire County Council, held at County Hall, Mold at 12.00 pm on Monday, 7 October 2019.

**PRESENT: Councillor Aaron Shotton (Chairman)**

Councillors: Haydn Bateman, Adele Davies-Cooke and Kevin Hughes

**CO-OPTED MEMBERS:** Councillor Nigel Williams (Wrexham County Borough Council), Councillor Andrew Rutherford (Other Scheme Employer Representative), Mr Steve Hibbert (Scheme Member Representative).

**ALSO PRESENT (AS OBSERVER):** Mr. Mark Owen (PB Employer representative)

**APOLOGIES:** Councillor Ralph Small, Councillor Huw Jones (Denbighshire County Council), Colin Everett (Chief Executive).

**IN ATTENDANCE:**

Advisory Panel comprising: Philip Latham (Clwyd Pension Fund Manager), Gary Ferguson (Corporate Finance Manager), Karen McWilliam (Independent Advisor – Aon Hewitt).

Officers/Advisers comprising: Debbie Fielder (Deputy Head of the Clwyd Pension Fund), Nick Buckland (Fund Investment Consultant – Mercer), Iain Campbell (Fund Investment Consultant – Mercer), Paul Vaughan (Clwyd Pension Fund Accountant), Michelle Phoenix (Audit Manager, Welsh Audit Office), Kerry Robinson (Principal Pensions Officer), Ieuan Hughes (Graduate Investment Trainee).

30. **DECLARATIONS OF INTEREST (INCLUDING CONFLICTS OF INTEREST)**

No declarations of interest.

31. **ANNUAL REPORT AND ACCOUNTS 2018-19**

The Pension Fund Accountant presented this item on the Agenda, beginning by apologising that pages 109 and 110 of the report originally circulated to members of the Committee were incorrect, and that replacements had subsequently been distributed to members.

He explained that the numbers of pages on the Contents Page of the report would be added as soon as the Annual Report was approved by the Committee. He also explained that statutory policy and governance documents to be included in the Annual Report already approved by Committee had not been included in the version sent to the Committee, although they are available on the Fund's website. They would be added to the report when it was published on the website.

He reminded the Committee that the Annual Report now included the Statement of Accounts for Committee approval.

He thanked those members who had contacted officers with minor amendments prior to the meeting and confirmed that they would be included in the final published report.

He explained that the report is required under the Local Government Pension Scheme (LGPS) Regulations and that Chartered Institute of Public Finance and Accountancy (CIPFA) guidance had been followed in its production.

The structure of the report was that both the Independent Advisor to the Fund and the Pensions Board had produced annual reports and that key officers and advisors had also produced reports covering their areas of specialism. These reports formed individual sections of the report. The Pension Fund Accountant went on to explain what was covered in each of these sections.

In terms of key messages, in the 2017/18 Fund Annual Report, the big challenges facing the Fund in 2018/19 had been identified, and the 2018/19 report explained progress on each of these. In particular, the Fund continues to have a positive investment return and has protected some investment gains in the face of market challenges; has transferred some assets into the Wales Pension Partnership (WPP) and will continue to do so during 2019/20; has measured the social impact of the Fund and is planning to improve it; and has made further progress against targets in the Administration Strategy and the Communications Strategy, although increased activity and the increased complexity of the Fund means that there are still challenges to be met, which will be in part helped by the use of additional resources.

The report also identified the big challenges for 2019/20. These were to review the Fund's Funding Strategy in light of the 2019 valuation, and to review the Fund's Investment Strategy; to continue to transfer assets to the WPP; further develop the work of the Administration and Communication teams; implement any required scheme changes; and consider any improvements falling out of the LGPS consultation on Good Governance, due to report in 2019/20.

The three remaining sections of the report covered the financial activity during 2018/19. Section 7 was the Statement of Accounts, the draft version of which had been approved by the Fund Treasurer and presented to the Pension Fund Committee in June 2019. The only significant issue identified during the audit was the misclassification of fees between direct and underlying, caused by some misclassification by Investment Managers and some human error. Only direct fees are included in the accounts, whilst all fees are included in the annual report. The result of the error was to increase direct fees in the accounts by £1.5m, but this did not affect the bottom line of the Fund Account or Net Asset Statement. The Pension Fund Accountant highlighted changes to mitigate this happening in future, involving the use of additional resources, systems improvements and communication. He also expressed concern that a new national template which fund managers will be asked to complete in 2019/20 may cause some confusion, although every effort will be taken to avoid this.

Section 8 dealt with the 2018/19 cash flow and operational expenses budget. The main variances on cash had been caused by different than anticipated distributions and drawdowns, both of which are hard to estimate. There had been some rebalancing of the portfolio in 2018/19. The main variance against the operations budget was on management fees, as a result of the costs transparency initiative and also additional performance fees as investments become more mature and values move in line with performance.

Section 9 comprised the Annual Governance Statement, which had been presented at the June Committee and to which minor amendments had been made. This would require certification as would the Statement of Responsibilities also included in the Annual Report.

The Audit Manager from the Wales Audit Office introduced her report and explained that the audit was substantially complete. There were no uncorrected misstatements in the accounts and the auditors had received all information required to complete their work. She drew attention to the corrected misstatement in relation to management fees discussed earlier. There were no other significant issues arising from the audit and there were no concerns about the Fund's accounting practices or financial reporting. She pointed out that a Letter of Representation would require certification.

Cllr Bateman asked for further explanation on the Accounting Policy on currency in Note 3 of the Statement of Accounts. The Pension Fund Accountant explained that this was required as some of the Fund's assets were held in currencies other than sterling, and the policy established the methodology used to value these assets in sterling for inclusion in the Fund's Net Asset Statement.

Cllr Bateman asked for further information about the reference to IFRIC 23 in Note 2. The Pension Fund Accountant explained that this note required the Fund to disclose new accounting standards which would become effective during the following financial year, in this case 2019/20. Whilst he was not certain what the precise clarification in relation to Income Tax would be, he confirmed that it would be highly unlikely to have any material impact on the Fund's accounts.

Cllr Bateman asked for the reason for the variance in relation to the Pension Board spend when comparing the actual advisor fees to the budget. The Deputy Head of Clwyd Pension Fund explained that the amount of advice required to enable the Pension Board to successfully carry out its business had been more than anticipated. This had now been recognised by an increase in the Pension Board budget for 2019/20 also included in the Annual Report.

There being no further questions the Pension Committee approved the Annual Report 2018/19.

**RESOLVED:**

That the Pension Committee approved the Annual Report 2018/19.

The Chair thanked everyone for their attendance and the meeting finished at 12.30 pm.

(The Meeting closed at 12.30 pm)

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**Chairman**