

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:** **FLINTSHIRE COUNTY COUNCIL**

**DATE:** **WEDNESDAY, 25 SEPTEMBER 2013**

**REPORT BY:** **HEAD OF FINANCE (TREASURER AND ADMINISTRATOR TO THE FUND)**

**SUBJECT:** **CLWYD PENSION FUND UPDATE**

**1.00 PURPOSE OF REPORT**

1.01 To update Members on issues relating to the Clwyd Pension Fund ("the Fund").

**2.00 BACKGROUND**

2.01 As set out in previous reports to Council, the Clwyd Pension Fund is a defined benefit final salary scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme Regulations). The required levels of employee contributions are also specified in the Regulations. Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every three years.

2.02 The Fund is administered by Flintshire County Council on a "lead authority" basis. Flintshire County Council is a member of the Fund along with Wrexham County Borough Council, Denbighshire County Council and a range of other scheduled and admitted bodies.

2.03 Pension Fund matters are a Council rather than Executive function. Authority to manage the Clwyd Pension Fund is delegated to the Head of Finance who is Treasurer and Administrator to the Fund. The Clwyd Pension Fund Panel, made up of elected Members from Flintshire, Wrexham and Denbighshire, is an advisory body on pension fund issues. The Panel also has a Staff/Union Observer nominated by Trade Unions and is advised by an Independent Adviser/Consultant.

2.04 The Pension Fund Panel holds quarterly meetings, the minutes of which are available from the Contact Officer. The Council is updated twice a year and the previous update was to County Council on 16th April 2013. This report covers the items discussed at the 20th May 2013 Panel and 13th August 2013 Panel.

The Panel members and substitutes are:-

<b>Panel Member</b>	<b>Position/Authority</b>	<b>Substitute</b>
Cllr Alan Diskin	Chair	Cllr Ron Hampson
Cllr Hadyn Bateman	Vice Chair	Cllr Brian Dunn
Cllr Ted Evans	Flintshire CC	Cllr Brian Dunn
Cllr Huw Llewelyn Jones	Denbighshire CC	Cllr Julian Thompson - Hill
Cllr Steve Wilson	Wrexham CBC	Cllr Dana Davies

NB: Cllr. Haydn Bateman is Chair in the absence of Cllr. Alan Diskin.

### **3.00 UPDATE**

#### **CALL FOR EVIDENCE**

- 3.01 The Department for Communities and Local Government (DCLG) and Local Government Association (LGA) have issued a call for evidence on the future structure of the Local Government Pension Scheme. The analysis of submissions will then inform a formal consultation on the options for change to be published by the DCLG in the early autumn.
- 3.02 This follows comments by the Local Government Minister Brandon Lewis stating that *'I am not wedded to the existing 89 funds in England and Wales. If it takes a smaller number of funds to improve the efficiency and cost effectiveness of the scheme, I shall not shy away from pursuing that goal. I have talked a fair amount about the need for robust data to inform decisions. I am therefore working with the LGA and others to launch a call for evidence, which will both inform our consultation and help all involved formulate their views...'*
- 3.03 The Pension Fund Panel has discussed a response, which in the main, will refer to the work already undertaken by The Society of Welsh Treasurers (Pensions Sub-Group) on 'Working Together' opportunities across the eight Funds in Wales (see below) but also sets out that there are other options for change including at a national level given that the LGPS is nationally prescribed under legislation covering both England and Wales
- 3.04 The closing date for submissions is 27<sup>th</sup> September 2013. The Panel will be finalising its response prior to this date.

#### **LGPS 2014**

- 3.05 The Government remain on target to implement the new scheme from 1<sup>st</sup> April 2014. A response to the latest consultation 'Local Government Pension Scheme 2014' on the draft regulations has been issued to the DCLG, after discussion at a regional pension officer group.

- 3.06 In addition, the Public Service Pension Act 2013 includes several key provisions relating to the administration and governance of the new pension service pension schemes. Therefore, the DCLG has issued a Discussion Paper on the Local Government Pension Scheme (England and Wales) new governance arrangements. The responses to the paper will enable the DCLG to start work on preparing draft regulations on governance for consultation later in the year.
- 3.07 The Pension Fund Panel agreed a draft response from the Head of Finance to the twenty six questions raised by the DCLG which was delivered before the 30<sup>th</sup> August 2013 deadline.
- 3.08 There has been an additional consultation on the future of the councillor's pension scheme in England only. In Wales, this remains a matter for Welsh Government.

### **WELSH PENSION FUNDS 'WORKING TOGETHER'**

- 3.09 As previously reported, The Society of Welsh Treasurers (Pensions Sub-Group) had commissioned work to look at collaboration opportunities across the eight Funds in Wales. The project features in the COMPACT on collaboration in Wales following the Simpson Review.
- 3.10 A report Welsh Local Government Pension Funds Working Together was issued for consultation to all relevant stakeholders (including the 8 Welsh Pension Funds and Employing Bodies) from 1<sup>st</sup> March 2013 to 31<sup>st</sup> March 2013 and both Flintshire County Council (as an employer) and Flintshire County Council as lead authority for the Clwyd Pension Fund participated.
- 3.11 As a reminder to Members a summary of the recommendations were:
1. Merger of the eight pension funds is not recommended for further work at this time.
  2. Enhanced collaboration is seen as the area when medium term savings can be optimised.
  3. Creation of an appropriate and responsive governance structure to drive and manage future collaboration.
  4. A full business case to be created for a common investment approach.

- 3.12 The Society of Welsh Treasurers (Pensions Sub-Group) responded to the consultation which was sent to all respondents and key stakeholders at the end of July. The majority of the responses supported the recommendations which enable progression to the next stage. This will focus on the creation of a full business case for a common investment vehicle by end of March 2014 and also consider the way forward and timescales with the other three recommendations.
- 3.13 The report also acknowledges the national discussion on structural reform of the LGPS but hopes that this evidenced backed work in Wales can inform this debate.

### **FINANCIAL UPDATE**

- 3.14 As required by LGPS Investment Regulations, investments are monitored quarterly and performance reported in detail to each Clwyd Pension Fund Panel. The report of the 13th August 2013 highlighted a market value as at 30th June 2013 of £1.178bn (£1.1bn, as at 31<sup>st</sup> December 2012) and an estimated funding level of 70% (64% as at December 2012). The Clwyd Pension Fund Panel receive presentations from the four largest fund managers each quarter and investment performance statistics from all the fund managers. There are no changes planned to fund managers as a result of performance.
- 3.15 As part of the 2013 Actuarial Valuation process, work is being undertaken with the actuary, in consultation with the unitary authorities, on potential options to stabilise employer contributions for the three years starting from 1<sup>st</sup> April 2014. The indicative Valuation results are expected from the actuary during October 2013, at which point various funding options can be discussed with employers, along with consultation on the revised Funding Strategy.

### **NEW INVESTMENT UPDATE**

- 3.16 The Panel receive a detailed report each quarter from the Fund's Independent Adviser/Consultant on Alpha Seeking Alternative Investments and Real Assets. In line with the Fund's Medium Term Plan and previously agreed priorities:

- Following satisfaction with current investments, follow on commitments have been made in several real asset and private equity investments:
  - Blackrock US Residential Property Fund II (\$10m)
  - Morgan Stanley Real Estate Fund VIII (\$14m)
  - Morgan Stanley Infrastructure Fund II (\$10m)
  - Schroders Columbus Property II (£5m)
  - HarbourVest Cleantech II (\$7.5m)
  - Carlyle Distressed & Corporate Opportunities Fund III (\$7.5m)
  - Access Fund VI and Co-Investment Fund I (£6.5m)

- After due diligence and a presentation to the Panel, a commitment of £5m has been made to Bridges Venture Fund III, a new manager to the Fund, but as the name suggests it is the company's third private equity fund. They invest in sectors where a social or environmental need and commercial return go hand in hand. It has a thematic focus in four main areas:
  1. Underserved areas – typified by high unemployment, underutilised property and scarcity of capital.
  2. Environment – initiatives focused on need for rapid de-carbonisation and where there is pressure on natural resources.
  3. Education and Skills – investments focused on addressing skill shortages and budget constraints.
  4. Health and well-being – projects targeting the ageing population, areas of pressure on NHS resources and rising chronic illness.

As well as measuring investment returns (target of 15-20%), Bridges Ventures also measures and records social impact of all its projects.

- 3.17 As previously reported to Council, the Fund is considering a 'Flight-path' solution for managing funding risk. A tender notice via the European Journal was issued and due diligence on potential providers completed. The final selection meeting with the Panel is planned for the 17<sup>th</sup> September 2013.

#### **OTHER INFORMATION**

- 3.18 A number of other items have been reported to the Panel for information or agreement:
- Quarterly update on progress with the implementation of the Fund's Sustainability Policy.
  - An annual report from the Fund's Independent Adviser/Consultant on the Panel's performance which will be published in the Fund's Annual Report and Accounts.
  - Details of the on-going communication service for employers and members and other aspects of the benefit administration service.
  - The issuing of 'Life Certificates' for completion and return from pensioner members.
  - A copy of the draft annual accounts for the pension fund.

3.19 The training of Panel Members in line with the CIPFA Code of Practice is being progressed. CIPFA provided a training session specifically on the areas covered in the Code which was attended by five Panel Members and the Head of Finance. The training received during the year is published in the Fund's Annual Report and Accounts.

3.20 The annual meeting with the Fund's employers and member representatives is planned for the 27<sup>th</sup> November 2013 and the Fund's Annual Report and Accounts will be on the Fund's web-site [clwydpensionfund.org.uk](http://clwydpensionfund.org.uk) in November.

#### **4.00 RECOMMENDATIONS**

4.01 Members are asked to note the report.

#### **5.00 FINANCIAL IMPLICATIONS**

5.01 None directly as a result of this report.

#### **6.00 ANTI POVERTY IMPACT**

6.01 None directly as a result of this report.

#### **7.00 ENVIRONMENTAL IMPACT**

7.01 None directly as a result of this report.

#### **8.00 EQUALITIES IMPACT**

8.01 None directly as a result of this report.

#### **9.00 PERSONNEL IMPLICATIONS**

9.01 None directly as a result of this report.

#### **10.00 CONSULTATION REQUIRED**

10.00 None.

#### **11.00 CONSULTATION UNDERTAKEN**

11.00 None.

#### **12.00 APPENDICES**

12.01 None.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985**  
**BACKGROUND DOCUMENTS**

- Pension Fund Panel Minutes for 20<sup>th</sup> May and 13<sup>th</sup> August 2013
- DCLG and LGA call for evidence on the future structure of the LGPS
- LGPS (England and Wales) new governance arrangements discussion paper
- And Clwyd Pension Fund response.
- Local Government Pension Scheme 2014 Consultation and Fund response
- Welsh Local Government Pension Funds Working Together – Response to the Consultation.
- Clwyd Pension Fund draft accounts 2012/13
- Clwyd Pension Fund Statutory Documents – Governance Strategy, Funding Strategy, Statement of Investment Principles and Communication Strategy.

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