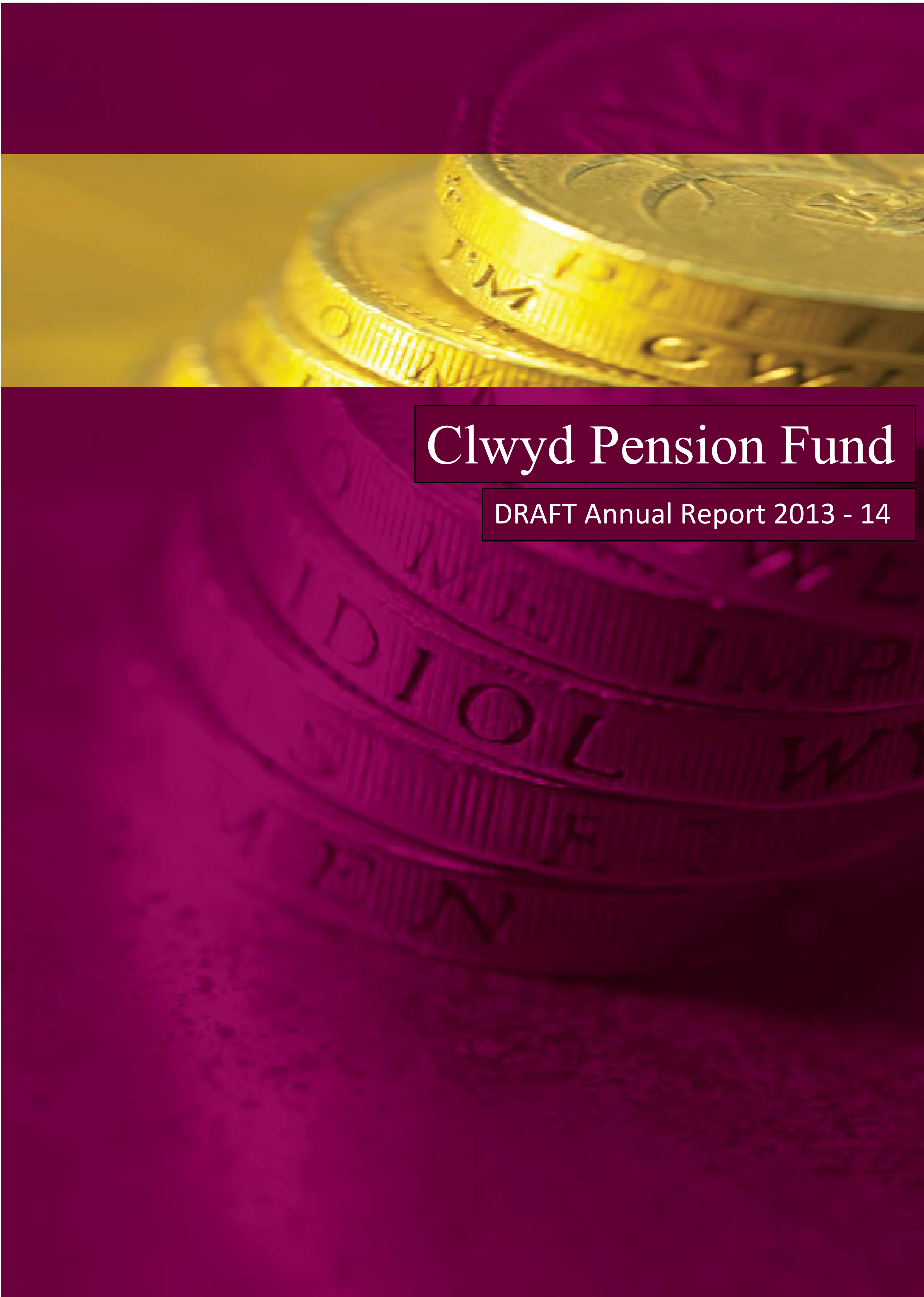

Clwyd Pension Fund

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CLWYD PENSION FUND – AWARDS

Professional Pensions Awards – September 2008

Won – Trustee Development (Private) & (Public)

IPE Awards November 2008

Won – Best Investment in Emerging Markets (Themed Awards – Europe-wide)
Won – Best Property Investment (Themed Awards – Europe-wide)
Won – Best Specialist Investment (Themed Awards – Europe-wide)

Runner-up – Commodities (Themed Awards – Europe-wide)

IPE Awards December 2010

Won – Best Investment in Commodities (Themed Awards – Europe-wide)
Won – Best Use of Alternatives (Bronze Awards – Europe-wide)
Won – Best Small Pension Fund (Silver Awards – Europe-wide) – Joint Winner

Runner-up – Best Investment in Emerging Markets (Themed Awards – Europe-wide)
Runner-up – Best Specialist Investment (Themed Awards – Europe-wide)

IPE Real Estate Awards – May 2011

Won – Best Pension Fund in UK/Ireland (Country Awards)
Won – Best Opportunistic Investment (Themed Awards – Europe-wide)
Won – Best Small Real Estate Investor in Europe (Gold Awards – Europe-wide)

Runner-up – Best European Real Estate Investor (Platinum Award – Europe-wide)

IPE Awards November 2011

Won – Best Use of Real Estate (Themed Awards – Europe-wide)

Runner-up – Best Use of Specialist investment Managers (Themed Awards – Europe-wide)
Runner-up – Best Use of Hedge Funds (Themed Awards – Europe-wide)

IPE Real Estate Awards – May 2012

Won – Best Portfolio Construction (Themed Awards – Europe-wide)
Won – Best Medium Real Estate Investor in Europe (Gold Awards – Europe-wide)

Runner-up – Best Pension Fund in UK/Ireland (Country Awards)
Runner-up – Best Indirect Investment Strategy (Themed Award – Europe-wide)
Runner-up – Best Opportunistic Investment (Themed Award – Europe-wide)

IPE Awards – November 2012

Won – Best Public Sector Fund in Europe
Won – Best use of Alternatives

Runner-up – Best Fund in Europe
Runner-up – Best use of Commodities
Runner-up – Best use of Emerging Markets
Runner-up – Best use of Hedge Funds
Runner-up – Best use of Real Estate
Runner-up – Best use of Specialist investment Managers

IPE Real Estate Awards – May 2013

Won – Best Institutional Investor in UK/Ireland

Contents

Introduction

I have pleasure in introducing the 2013/14 Annual Report, as the Chair of the new Clwyd Pension Fund Committee.

Since last year's Annual Report there has been a lot of change in how the Fund is managed and advised. I would like to draw your attention to the Governance Strategy Statement within this Annual Report, which explains the new governance arrangements, and also thank the members and advisor of the previous Panel.

The new Clwyd Pension Fund Committee has decision making powers documented in the Council's constitution, wider employer representation and voting rights for all, including the member representative.

Senior Officers with delegated responsibility for the day to day management of the Fund have also changed. Kerry Feather, Head of Finance of Flintshire County Council and Treasurer and Administrator for the Fund retired. The role is now shared between Helen Stappleton, Chief Officer (People and Resources) as Administrator to the Fund and Gary Ferguson (Corporate Finance Manager and S151 Officer), as Treasurer to the Fund. A joint commentary on progress with the management of the Fund is included in this Annual Report.

It is vital that all those involved with the governance of the Fund have the necessary knowledge and skills to understand any advice given and to make informed decisions. Both Committee members and Senior Officers are receiving training to satisfy the requirements of the CIPFA Knowledge and Skills Code of Practice and the Fund is developing a plan for on-going training.

A key benefit of the new Committee is transparency for our stakeholders. The Committee agenda papers for the first Committee meeting on the 22nd July 2014 are on the Flintshire County Council web-site. There is a standard format which includes reports on governance, administration and investments and funding. The reports cover both updates relating to general LGPS issues, the economy and financial markets as well as reports on the investment, funding and administration performance of the Fund itself including progress with the Service Plan.

There are a number of key challenges for the Committee, officers and advisers to address through 2014/15:

- Managing the outcome of the Government's consultation on the opportunities for collaboration, cost savings and efficiencies.
- Implementing the requirements of the Public Sector Pension Act 2013 for a new Local Board, whose role is to secure compliance with legislation and ensure the effective and efficient governance and administration of the Fund.
- Reviewing current arrangements against the new Pensions' Regulator Public Sector Code of Practice.
- Reviewing and monitoring the Fund's investment and funding strategy.
- Ensuring that the Committee and officers continue to develop their knowledge and skills to enable the Administering Authority to successfully manage a complex Fund which is now over £1.2bn in value and has 35,000 members.

This Annual Report attempts to demonstrate to stakeholders how the Fund is addressing these challenges and managing risks and includes all the statutory documents which underpin the strategic management of the Fund together with commentary on the outcomes and performance for 2013/14 including:

- An overview of the Fund by the Treasurer and Administrator
- Management of Pension Fund Risks
- An independent Annual Report from the Fund's Independent Advisor/Consultant.
- Details on Investment strategy and performance
- Audited Pension Fund Accounts 2013/14
- Pension Administration Update.

Further information can be found on the Fund's web-site *clwydpensionfund.org.uk.* Additionally, employer and employee representatives are invited to an Annual Joint Consultative meeting each November.

My intention, as the Chair, is to seek continuous improvement in line with the Fund's Mission Statement. I hope you find the Annual Report informative and welcome any comments or questions on the content.

Cllr Allan Diskin
Chair of the Clwyd Pension Fund Committee
September 2014

Mission Statement
• We will be known as forward thinking, responsive, pro-active and professional providing excellent customer focused, reputable and credible service to all our customers.
• We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.
• We will work effectively with partners, being solution focused with a can do approach.

Governance Structure Of The Clwyd Pension Fund

Administering Authority: Flintshire County Council

In May 2014 the Fund's governance arrangements were reviewed and the Council established a formal Pension Fund Committee, supported by a Pensions Advisory Panel.

These changes follow best practice, as well as the recommendations of an independent review undertaken by CIPFA in 2010, by transferring the management of the Fund from the Head of Finance, supported by the Clwyd Pension Fund Panel, to the Committee.

Additionally, the representation of stakeholders, with full voting rights, on the Committee was widened. The membership of both the new Committee and Advisory Panel are shown below along with that of the previous Panel.

Clwyd Pensions Fund Committee

Committee Members		Voting Rights
Flintshire County Council	Cllr Alan Diskin (Chair)	✓
	Cllr Haydn Bateman (Vice Chair)	✓
	Cllr Ron Hampson	✓
	Cllr Brian Dunn	✓
	Cllr Matt Wright	✓
Denbighshire County Council	Cllr Huw Llewelyn Jones	✓
Wrexham County Borough Council	Cllr Steve Wilson	✓
Scheduled Body Representative	Cllr Andrew Rutherford	✓
Member Representative	Mr Steve Hibbert	✓

Advisory Panel

Panel Members	
Chief Officer (People and Resources) (FCC)	Helen Stappleton
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson CPFA
Clwyd Pension Fund Manager (FCC)	Philip Latham
Investment Consultant (JLT Group)	John Finch ASIP FCII
Fund Actuary (Mercer)	Paul Middleman FIA
Independent Advisor (Aon Hewitt)	Karen McWilliam FCIPP

Clwyd Pension Fund Panel (To May 2014)

Clwyd Pension Fund Panel		Voting Rights
Flintshire County Council	Cllr Alan Diskin (Chair)	✓
	Cllr Haydn Bateman (Vice Chair)	✓
	Cllr Ron Hampson	✓
Denbighshire County Council	Cllr Huw Llewelyn Jones	✓
Wrexham County Borough Council	Cllr Steve Wilson	✓
Member Representative	Vacant	✗
Independent Advisor/ Consultant	Mr Bob Young (YCS UK Ltd)	✗

Investment Managers and AVC Providers

Investment Managers	Address
Aberdeen Asset Management Plc	Bow Bells House, 1 Bread Street, London
BlackRock Investment management (UK) Ltd	12 Throgmorton Avenue, London
BlueCrest Capital Management (UK) LLP	40 Grosvenor Place, London
Duet Group	27 Hill Street, Mayfair, London
Insight Investment	160 Queen Victoria Street, London
Investec Asset Management	2 Gresham Street, London
Liongate Capital Management	103 Mount Street, London
Pioneer Alternative Investments UK Ltd	Portland House, Bressenden Place, London
Pyrford International Ltd	95 Wigmore Street, London
SSARIS Advisors LLC	20 Churchill Place, London
Stone Harbor Investment Partners (UK) LLP	48 Dover Street, London
Wellington Management International Ltd	Cardinal Place, 80 Victoria Street, London
AVC Providers	
Prudential	Lancing, BN15 8GB
Equitable Life (*closed to new entrants*)	PO Box 177, Walton St., Aylesbury, Bucks., HP21 7YH

Other

Service	Address
Custodian: Bank of New York Mellon	160 Queen Victoria Street, London
Actuary: Mercer Ltd	Exchange Station, Tithebarn Street, Liverpool
Performance Measurement: WM Company	525 Ferry Road, Edinburgh
External Auditors: Wales Audit Office	Unit 4, Evolution, Lakeside Business Village, St. David's park, Ewloe
Bank: National Westminster Bank plc	48 High St., Mold
Legal Advisors: This varies depending on the issue and can include the Flintshire County Council in-house legal team as well as organisations listed on the Framework Agreement (see below).	

Framework Agreement – the following can be contacted for advice as and when required.

Organisation	Address
Squire Sanders	7 Devonshire Square, London
Aon Hewitt	40 Torpichen Street, Edinburgh
Mercer Human Resource Consulting	Tower Place West, London
JLT Benefit Solutions	7 Charlotte Street, Manchester
Allenbridge	60 Goswell Road, London
bFinance	26-27 Oxendon Street, London

Clwyd Pension Fund Panel Meetings Held During 2013/14

Panel Agenda Meetings	Councilor Attendees
20th May 2013	Cllr Haydn Bateman
	Cllr Ron Hampson
	Cllr Steve Wilson
	Cllr Huw Llewelyn Jones
	Cllr Ted Evans (deceased)
	Cllr Brian Dunn (non-voting)
13th August 2013	Cllr Alan Diskin
	Cllr Haydn Bateman
	Cllr Ron Hampson
	Cllr Steve Wilson
	Cllr Huw Llewelyn Jones
	Cllr Brian Dunn (non-voting)
27th November 2013	Cllr Haydn Bateman
	Cllr Ron Hampson
	Cllr Steve Wilson
	Cllr Huw Llewelyn Jones
	Cllr Ted Evans (deceased)
	Cllr Brian Dunn (non-voting)
26th February 2014	Cllr Haydn Bateman
	Cllr Ron Hampson
	Cllr Steve Wilson
17th September 2013 (Special Meeting)	Cllr Alan Diskin
	Cllr Haydn Bateman
	Cllr Ron Hampson
	Cllr Steve Wilson
	Cllr Brian Dunn
Investment Manager Meetings	**Councilor Attendees**
1st/2nd May 2013	Cllr Haydn Bateman
	Cllr Ron Hampson
7th November 2013	Cllr Alan Diskin
	Cllr Haydn Bateman
	Cllr Ron Hampson (non-voting)
	Cllr Steve Wilson (non-voting)
	Cllr Huw Llewelyn Jones (non-voting)
	Cllr Brian Dunn (non-voting)
5th February 2014	Cllr Alan Diskin

Clwyd Pension Fund Training Policy 2013/14

As an administering authority of the Local Government Pension Scheme, this council recognises the importance of ensuring that all staff and members charged with financial management and decision-making with regard to the pension scheme are fully equipped with the necessary knowledge and skills to discharge the duties and responsibilities allocated to them. It therefore seeks to appoint individuals who are both capable and experienced and it will provide and or arrange training for staff and members of the Pension Fund Panel (now Committee) to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

In 2011/12, the Fund adopted the CIPFA Code of Practice on Knowledge and Skills on Pension Finance for Members and Officers. Training in 2013/14 continued to satisfy the requirements of this Code of Practice and progress will be reported in future Annual Reports. The Clwyd Pension Fund is committed to providing appropriate training to Members on the Committee through various presentations, seminars and collaboration with other Local Government Pension Funds.

Date	Training	Provider
May 2013	Sustainable Private Equity	Bridges
	Investment Issues	In House
	Collaborative Working	In House
	Funding Strategy and Flightpath	Mercers
June 2013	Introduction to LGPS	CIPFA
August 2013	Investment Issues	In House
	LGPS Consultations	In House
	Welsh Funds Working Together	In House
September 2013	Investment Summit	LGC
November 2013	Investment Issues	In House
	Audit	In House
	Funding	In House
	Private Equity	Capital Dynamics
	Infrastructure	Capital Dynamics
	Clean Technology	Capital Dynamics
December 2013	Annual Conference	LAPFF
February 2014	Investment Seminar	LGC

Each of the quarterly panels in Mold provided members with presentations and reports which covered the following topics:

- Current Investment Issues
- Governance and LAPFF Updates
- Economic Reviews
- Scheme Consultation
- Collaboration
- Risk Assessments
- Audit of Pension Fund Accounts
- Transition Management

Detail of all training received is presented annually to the Clwyd Pension Fund Panel, now Committee, identifying the number of hours of training completed by each member. For the year to March 2014 the following number of training hours was recorded:

- Chair of Panel 66 hours
- Vice Chair 46 hours
- Other Panel Members 58 hours
- Substitutes 53 hours

Clwyd Pension Fund Contact Details

Name	Post	Contact details
Philip Latham	Clwyd Pension Fund Manager	(01352) 702264
Helen Burnham	Pensions Administration Manager	(01352) 702872
Debbie Fielder	Pensions Finance Manager	(01352) 702259
Alwyn Hughes	Pensions Finance Manager	(01352) 701811
Pensions Administration Team	pensions@flintshire.gov.uk	(01352) 702761
Pensions Finance Team	pensionsinvestments@flintshire.gov.uk	(01352) 702275

Joint Report From The Administrator And Treasurer

Introduction

The financial year 2013/14 was, in the main, a year of preparing for change. The Fund participated in the national debate covering several changes to the LGPS, reviewed its governance structure, prepared to implement LGPS 2014 and a new 'flight-path' strategy to manage funding risks. We would like to set out these main issues which have been addressed during the year and give a progress update for 2014/15.

The Clwyd Pension Fund Panel met quarterly during 2013/14 but the Panel has now been replaced by the Clwyd Pension Fund Committee. The agenda covers three main areas: Governance, Investment and Funding and Administration and Communication and our report follows these three main themes.

Governance

THE FUTURE STRUCTURE OF THE LGPS

The Government has been considering options for structural reform to the management of the LGPS in England and Wales since Lord Hutton chaired the Independent Public Services Pensions Commission in 2010. The Department of Communities and Local Government (DCLG) issued a package of proposals for consultation on 1st May 2014. The package of proposals set out in the consultation is:

- Establishing a common investment vehicle for listed and alternative assets to reduce investment costs
- Reduce investment fees by investing in listed assets on a passive basis
- Keeping asset allocation decisions at a local level
- Not to pursue fund mergers at this time
- Not to consult on administration reform at this time.

In summary the response from the Fund was supportive of the package of proposals providing there is no compulsion and decisions are made locally on a 'comply or explain' basis. A response from the DCLG on the consultation outcome is expected in late September 2014.

LGPS 2014

The Government introduced LGPS 2014 from 1st April 2014. Although the Fund had done all it could to prepare to administer the new CARE scheme there have been some teething problems due to the late issuance of Regulations. Those stakeholders affected have been kept informed.

PUBLIC SERVICE PENSIONS ACT 2013 AND LOCAL PENSIONS BOARDS

The Fund has responded to a DCLG Consultation on draft Governance Regulations. This follows The Public Service Pensions Act 2013 which includes provisions for the following 'bodies' within the LGPS:

- Responsible Authority – Secretary of State
- Scheme Manager – Administering Authority
- Local Pension Board – New local scrutiny body
- Scheme Advisory Board – New national advisory board.

Each LGPS administering authority is required to establish a Local Pension Board by 1st April 2015. The role of the Board will be to ensure the administering authority is governing and administering the Fund in line with legislation and in an effective and efficient manner. The Board must have an equal number of employer and employee representatives. The Council will consider a Protocol for the Local Board in November 2014 and it will be discussed at the Fund's Annual Employer & Employee Meeting (AJCM).

WELSH COLLABORATION

In the event of the above potential changes proposed by the Government for England and Wales the work on welsh collaboration has been put on hold. However, subject to these outcomes it is intended to implement the finding of the report by the Society of Welsh Treasurers (Pensions Sub-Group) on 'Working Together'. This will include considering a full business case for managing investments on a collective basis.

CLWYD PENSION FUND GOVERNANCE

The introduction to this Annual Report by the Chair of the Committee outlined the changes to our governance structure which now complies with best practice. The creation of an Advisory Panel and the appointments of a new Independent Adviser and Investment Consultant should enhance the governance of the Fund. We are making good progress with most aspects of the 2014/15 Service Plan which was presented to the first Committee meeting 22 July 2014.

The external auditors, Wales Audit Office, have not raised any major issues about the management of the Fund and their unqualified opinion in the 2013/14 accounts is included in the Annual Report.

There was one internal audit relating to 2013/14 on Clwyd Pension Fund Administration and one on Pension Investments, the findings of which have been reported to the Committee. There was one 'high risk' recommendation which related to disaster recovery and one 'medium risk' recommendation relating to the absence of a documented risk register. Both of these of are included in the 2014/15 Service Plan. This Annual Report includes a summary of our main risks, along with what we have done, work in progress and the future work planned on mitigating these risks.

Investment and Funding Strategy

This Annual Report includes detailed comment and analysis on both investment and funding performance along with the Fund's Statement of Investment Principles and Funding Strategy Statement. In summary, 2013/14 saw a continued small growth in the assets of the Fund to £1.2bn and a positive investment return of +2.1%. The funding position improved from 68% as at March 2013 to 70% as at March 2014. In early September 2014 the funding position had fallen back to 69%.

The Fund's 'flight-path' strategy, which manages interest rate and inflation risks through liability matching investing, commenced on 1st April 2014. It is very early days for this strategy. Further information will be provided in future years Annual Reports.

In terms of investment strategy and fund managers there are parts which are not working as well as hoped, as explained in the Independent Adviser/Consultant report. The new investment consultant is reviewing the investment strategy and we will be making recommendations to the November 2014 Committee.

The Committee receive quarterly reports on the financial markets, the fund's investment and fund manager performance along with updates on the funding position and flight-path strategy. Unless we consider any part of these reports need to be withheld for commercially sensitive reasons they can be found on Flintshire County Council's web-site.

Administration & Communication

A Pensions Administration update is included in the Annual Report which provides details of regulation changes, communications with members, pensioners and employers, website updates and key performance statistics. This illustrates the variety, complexity and the quantity of work undertaken by the pension service during the year.

The Pensions Committee receive two standard reports each quarter, a 'LGPS Issues' report, which includes the impact on the Fund and/or employers, and an update on the Fund's administration and communication performance.

There will be on-going work with our larger employers on data quality and correcting a backlog of historic records during this year, in preparation for Pension Regulator's new Code of Practice.

The development of an Administration Strategy is on-going which will provide more transparency to all stakeholders on the performance of the administration service and employers.

Conclusion

We would like to thank all those involved with management and administration of the Fund for their hard work and dedication during the year.

Finally, we invite any stakeholder to contact us with any comments or suggestions for improvement on any aspect on the management of the Fund.

Helen Stappleton, Chief Officer (People & Resources)
Administrator to the Fund

Gary Ferguson, Corporate Finance Manager (Section 151 Officer)
Treasurer to the Fund

September 2014

Independent Adviser/ Consultant Annual Report 2013/14

1. The purpose of this commentary is to provide an independent annual appraisal of the administration, governance and performance of the Clwyd Pension Fund. As my appointment to the Independent/Adviser role commenced on 1 July 2008, this report covers my fifth and last full year in this dual capacity role. Overall, the year 2013/14 was one of review, reflection and reassessment both in terms of world markets and the Local Government Pension Scheme (LGPS) itself.

2. Over recent years, the LGPS environment has been characterised by an increasing flow of regulatory documents on funding, risk, policy and governance. More recently, there have been various initiatives under the broad banner of "working together", ranging from potential fund amalgamations to simple increased collaboration between LGPS funds, which are all largely concerned with reducing costs, particularly the level of fees paid to investment managers. At the same time, there had been an ongoing review of the scheme to make it fair and affordable, which ultimately resulted in the new LGPS 2014.

3. As part of this environment of change and initiatives, the first half of 2013/14 saw LGPS funds inundated with documentation – a consultation paper on the detail of LGPS 2014, a discussion paper on new LGPS governance arrangements in England and Wales and a "Call for Evidence" on the future structure of the LGPS. Whilst the consultation paper on LGPS14 sought responses on a number of the detailed regulations proposed for implementing the new scheme and, in this sense, was a technical consultation with LGPS pension administration officers, the other two papers were more fundamental, with potentially far-reaching consequences for LGPS funds. However, all required detailed and careful responses, putting the in-house teams on both investments and pension's administration under particular pressure.

4. On governance it was an accepted fact that practices amongst LGPS funds varied considerably and that the Public Service Pensions Act 2013 had provided a broad framework for a common approach. The discussion paper raised various questions and sought views around the implementation and operation of this framework within the LGPS. The Fund responded accordingly but broadly accepted the move to a formal Committee structure and this is currently being implemented.

5. However, many of the details around national oversight and additional scrutiny at a local level are still being fine-tuned. The results of these deliberations should become clear in later 2014, although it is already known that each LGPS authority will be required to establish a formal set of internal controls for administering and managing its scheme, in addition to all the information on risk currently being provided in each fund's Statement of Investment Principles and its reporting requirements in the Annual Accounts under IFRS 7.

6. The key paper, however, was clearly the "Call for Evidence" on the future structure of the LGPS, which followed on from some peripheral comments in the Hutton report about the quality and consistency of LGPS data. These were picked up in early 2013 by the Local Government Minister Brandon Lewis, who talked about the need for "robust data" and not shying away from "a smaller number of funds" if this could be shown to improve efficiency and cost-effectiveness. This national initiative effectively put on hold the already long-running project aimed at examining possibilities for "Collaborative Working in Wales", which itself had been the subject of various data collection exercises and consultations.

7. The "Call for Evidence" paper itself was based around a set of objectives and a series of questions that respondents were asked to address. Whilst these objectives were designed primarily to generate discussion and debate, they did seem a slightly odd collection, ranging from the very general (dealing with deficits) to the very specific (providing greater investment in infrastructure). At the same time, it was not always clear how the questions set related to these objectives, although there was clearly some overlap. In addition, there was no reference to key funding and investment considerations such as liabilities and their control, and no mention whatsoever of risk.

8. Pension funds are extremely complex vehicles, where all the moving parts are inter-linked. Funding level, strategy, risk and return targets, performance and fees etc. are all inter-dependent and cannot be looked at in isolation. In fact, some of the objectives identified were potentially contradictory. In summary, there was concern that the context set by the objectives and questions failed to appreciate the complexity of pension funds, with little apparent consideration given to the wider fund picture, the relationships between various investment objectives and the impact of some of these objectives on others. The Fund response made these points whilst attempting to cover all the objectives and questions comprehensively and constructively.

9. The "Call for Evidence" was followed in later 2013 by the Government appointment of a consultant to evaluate various options for change, resulting in a current Government consultation exercise on the future of the LGPS. Whilst the outcomes from this have not been delivered yet, forced fund mergers no longer appear to be on the agenda, with the Government focus now more on the creation of Common Investment Vehicles and the use of more passive management. The Fund continues to participate in this ongoing debate and is monitoring potential outcomes very carefully.

10. Clearly the above events consumed a lot of resource in 2013/14 but, despite these distractions, the business of running the Fund on a day to day basis had to be maintained by the fund finance and administration teams. Agreed staffing structures are now in place but, as noted in last year's report, recruiting staff with the appropriate LGPS expertise continues to be a challenge. Consequently, there remained during the year a number of staff within the pension administration team covering permanent posts on temporary contracts, whilst they received in-depth training to ensure competency in these roles. It is pleasing to note that these positions were reviewed towards the end of 2013 and some permanent appointments were made. However, as a result of staffing and recruitment issues in prior years, backlog problems persist. A specific team to tackle this was established in May 2013 but again recruiting experienced staff proved a problem and progress in reducing the backlog has suffered.

11. It is important, however, to put all this into the context of the additional pressures faced by the pension administration team during the year and to acknowledge its achievements. In addition to the detailed consultation exercise noted earlier and, later in the year, preparations for implementing effectively the new LGPS 2014, 2013/14 was also a Fund valuation year. This involved the preparation and successful delivery of all the valuation data to the actuary during the summer. At the same time, a revised website was launched and the communications program maintained, continuing to receive critical acclaim from both scheme employers and scheme members.

12. For the fund finance team, the year was one of real progress despite the pressures. In mid-year the key part of the revised staff structure was completed, with the appointment to the vacant Pension Finance Manager post, whose additional initial training was supplemented by an intense period of meetings with many of the Fund's alternative asset managers. Clearly this team, and the Clwyd Pension Fund Manager in particular, was also heavily involved in

the various Government responses required, in conjunction with the Fund's external advisers.

13. In addition, the team successfully completed the first questionnaire exercise aimed at testing investment managers' compliance with the Fund's Sustainability Policy. This policy, a key element of the Fund's investment philosophy, recognises the relationship between good environmental, social and governance practices and long-term business profitability. The questionnaire exercise, probably the first of its kind amongst LGPS funds, was very well received by managers and proved generally positive. The responses received, particularly the weaker ones, will be pursued as part of the normal pattern of officer meetings with managers during the coming year. This questionnaire exercise is likely to be a recurring one and the aim of the initial piece of work was to set a benchmark for each manager in order to measure improvement going forward.

14. However, the team's major project during the year was implementation of the Fund's flightpath project. Last year’s report noted that in recent years overall funding levels had been affected as much by fluctuations in liability levels as by asset performance, leading to a growing focus on liability-drivers such as inflation, interest rates and mortality. The Fund had already introduced broad diversification and risk diversity within the asset structure to minimise volatility. Flightpath's applies similar principles to liabilities, through a specialist provider on the long-term management of funding risk. After considerable in-house research into the concept, the exercise to appoint a specialist provider commenced in late 2012. This proved a lengthy, complex and challenging exercise, carried out in close association with the Fund's actuary and Independent Adviser/Consultant. However, after several separate stages and reviews, an appointment was made in late autumn 2013.

15. The implementation through Insight, the chosen provider, raised further complexities that required resolution, but the first phase was completed successfully by 1 April 2014, as planned. As noted previously, the flightpath project proved to be extremely challenging and the fund finance team was absolutely correct in taking it slowly and adopting a cautious, professional and thoroughly-researched approach, especially as the Fund was one of the first LGPS funds to implement this strategy in full.

16. In summary, 2013/14 certainly produced a challenging environment for both pension administration and fund finance staff as the preparations for LGPS 2014 and the wider changes gathered pace. All performed heroically in ensuring that day to day duties were maintained as far as possible within the staffing constraints and the additional pressures being faced. This bodes well for 2014/15 and implementation of the changes required in terms of governance and the scheme itself.

17. After the personnel changes post the 2012 elections, which produced a new Chairman and Vice-Chairman, the Pension Fund Panel continued to gel and develop during the year, with attendance and participation strong. It is pleasing to report that the Chairman, who had suffered an enforced period of absence through illness returned to lead the Panel in mid-year. Training remained a key focus. Most Panel meetings continued to include training elements and members also attended more formal seminars and conferences. The clear aim here is to ensure that members are kept up to date in an investment environment that is forever evolving both in terms of approaches and products. On approaches, the obvious example is flightpath, whilst on products, the Fund again maintained its ground-breaking reputation through new investments in social impact-based venture capital and sub-Saharan private equity.

18. As noted in the opening paragraph, 2013/14 was also a year of reflection and reassessment for world markets. The March quarter of 2013 and the year 2012/13 generally were typified by unusual exuberance, with all equity markets posting solid positive returns, the majority in

double figures, but largely on the back of a liquidity-driven environment. In response, the new financial year saw markets pausing for thought and contemplating whether such enthusiasm was justified for all markets.

19. Whilst certainly there appeared to be gradually improving economic news, particularly from the US, and a return to GDP growth, albeit modest initially for most countries, this period of reflection brought back to the fore many of the concerns that had troubled markets for the majority of 2012. Whilst these remained centered on US debt, the slowdown in China, the sustainability of the restructuring ambitions in Japan and especially the resolution of issues in Europe, later developments in the Middle East, the Ukraine and Thailand added to these worries. In short, these competing factors made for another volatile year in world markets, with fears persisting about the strength of this recovery and whether this could be sustained, as well as the wider political issues

20. As a result, markets overall produced only modest progress, with global equities delivering around 6%. However, this overall position conceals a much more complex picture, with the more considered environment in 2013/14 leading to greater discrimination between markets and, in simple terms, producing a dichotomy in performance between developed and developing world equities. The US and UK posted returns of 9-10% whilst Europe led the field with a positive 18% gain. The exception to this in developed markets was Japan, where confidence in the ability of politicians to deliver the structural reforms promised appeared to stall and Japanese equities largely stood still in the year. In contrast, emerging market equities faltered after the significant gains made in prior years, losing around 10% in the year as liquidity was withdrawn. The exception here was frontier markets, the new emerging markets, which produced strong positive returns.

21. Away from equity markets, private equity and real assets such as property and infrastructure produced solid returns in the year, slightly above those for global equities. However, commodities returns were negative and bonds overall were about flat, with the negative returns from Government stock only partly offset by credit. In absolute terms, therefore, the overall Fund return in 2013/14 is likely to be disappointing, with performance positive but only marginally so.

22. In comparative terms too, 2013/14 is likely to be a weak year for the Fund within its peer group of local authorities. As noted in previous reports, the Fund is structured to provide protection when markets fall through broad diversification and a lower weighting to more volatile assets such as equities. This was exacerbated in 2013/14 by the Fund's long-term focus on developing markets and its deliberately low weighting to Europe in particular.

23. At manager level within equities, most met their targets and a number made up ground in terms of since-inception performance, with the weaker performance overall largely down to asset mix. Other asset categories performed largely as expected, although the hedge fund managers, whilst offering downside protection, do continue to disappoint in terms of the returns achieved.

24. The key disappointment elsewhere in the portfolio was the continuing weak performance of its tactical asset allocation managers, particularly Blackrock. These three managers comprise 12% of the Fund's assets and, within this, Blackrock is double-weighted at 6%. The aim of these managers is to move assets between asset categories tactically to take advantage of differing market environments and to produce a positive return from this. Whilst the two smaller-weighted managers were flat or marginally positive and producing returns not too far below expectations, Blackrock delivered a negative 10% in 2013/14, with the 3-year number showing a negative 4% per annum, despite stronger performance in some earlier years. Clearly this area of tactical asset allocation and the managers employed is one that will require reassessment as part of the forthcoming Fund Structure review.

25. As for next year, the economic environment is improving but many of the concerns remain. Globally, China needs careful management as its urbanisation programme and housing investment boom continue to moderate, reducing asset price and credit growth and thus producing a potentially deflationary outlook. Within Europe, the focus will probably be on Germany. European growth is certainly stronger and credit demand building, but on competiveness, Germany remains an outlier and the issue is whether it is willing to reflate wages to create some sort of economic convergence. On the UK, the economy is booming but spare labour capacity is reducing, potentially leading to rising wages and ultimately inflation. In summary, market volatility looks likely to continue, as many of the concerns, particularly the politic ones, persist and worsen, despite a generally improving economic environment.

26. On governance, there will also be changes in 2014/15, with the demise of the Pension Fund Panel and its replacement by a formal committee, probably with a larger membership, as well as some sort of scrutiny body. Whilst it is hoped that there will be a good degree of continuity through existing Panel members, clearly there are significant ongoing implications in terms of establishing revised governance arrangements and the training of committee members new to pension fund administration and investing.

27. Next year, therefore, is likely to be another challenging one for the in-house team and those elected members involved with the Fund. As well as implementation of the above governance changes and the introduction of the new LGPS 2014, towards the end of the year the Fund will be undertaking and implementing the results of its regular Fund Structure Review, a major and resource-intensive exercise impacting upon the Fund's advisers, officers and elected members alike.

28. As implied by the opening paragraph of this report, my planned retirement as the Fund's Independent Adviser/Consultant took place on 31 March 2014. This joint role has now been split and it is pleasing to note that appointments to these positions were made early in 2014/15. John Finch of JLT was made Fund Consultant and Karen McWilliam of Aon Hewitt appointed Independent Adviser, although this latter role has been modified slightly to place a far greater emphasis on governance, an understandable adjustment given the changes that are imminent. I wish them all well in their respective roles and have every confidence that the Fund is in good hands.

29. Despite such a challenging year on both administration and fund matters, it is pleasing to report further external recognition for the Fund. At the Europe-wide IP Real Estate Awards in May 2013, the Fund won the award for Best Real Estate Investor UK & Ireland and finished runner-up in the Best Medium-sized Real Estate Investor in Europe. Overall since 2007, the Fund has been honoured with 21 awards and has finished as runner-up in a further 18 categories. As noted previously, these awards are not given lightly and are highly prized throughout the UK and particularly wider Europe. Their award is a tremendous honour and a clear acknowledgement of the Clwyd Fund's pro-active and innovative approach. This in turn reflects the commitment of its Panel members and their willingness to move the Fund forward, as well as the continuity and strength of the in-house team.

30. As noted earlier, this report ends my formal connection with the Fund. This started in 1979, although my involvement on the investment side did not commence until 1982. At that time, the Fund was valued at just £100 million rather than its current £1.2 billion. The investment environment has certainly changed dramatically, growing more complex year by year and thereby increasing both the demands and workloads involved. However, from my own perspective the work has been both enjoyable and rewarding, and the last 30 years or so has been an amazing journey both for the Fund and for all those active in its management.

31. Finally, therefore, I would like to thank all the Chairs, Vice-Chairs and members that I have worked with over the years. They have always been willing to listen, learn and take a cutting-edge approach when necessary to further the Fund's progress. Politics has never been a factor. However, my greatest acknowledgement is reserved for those officers with whom I have worked over the years. My particular thanks go to Dave Bamber, with whom I shared more than 20 years on the Fund, and more recently Phil Latham and Debbie Fielder. The Fund has been very fortunate to have had such a dedicated, hard-working and professional team in place for so long and again I wish those remaining well for the future.

R T Young
Independent Adviser/Consultant
July 2014

Management of Pension Fund Risks
Position Statement (September 2013 to September 2014)

Risk Management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them or responding to them. The aim is to reduce the frequency of risk events occurring and minimise the severity of their consequences if they occur. Not all risk can be eliminated but it is vital that risks are recognized and recorded and that their potential to cause loss is fully understood.

Risk Management is an integral part of the Flintshire County Council's (the Administering Authority) Governance Framework and Internal Control and aids informed and transparent decisions by ensuring that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is integral to service and governance. Risk management is part of the Council's system of internal control assisting in the management and achievement of its business objectives and priorities

Whilst the Fund is under the umbrella of Flintshire's risk management framework an external review of the Fund's approach to managing those risks specific to itself is planned for 2014. This will bring together the various risks, and the ways that they can be mitigated, from separate documents including the Service Plan, Funding Strategy, Governance Policy, Statement of Investment Principles, and Communications Policy. Additionally, this will form an up to date risk register that will become a live document for use within the Fund. Subject to this review a summary of the key risks and the actions taken, or planned, to mitigate those risks, is included below:

Risk	Actions Undertaken or Planned
GOVERNANCE RISKS	**What We Have Done** • Created a new pension fund committee for the Fund with decision making powers, wider representation and voting rights. • Reviewed working practices and documented a Delegation of Functions to Officers from the Pension Fund Committee. • Appointed an independent adviser, investment consultant and actuary to an Advisory Panel to advise the new Committee. • Appointed a new Chief Officer responsible for the day to day management of the Fund. • Published a Service Plan for the Fund. • Developed reports for the Pension Fund Committee. • Responded to a consultation by the Government on draft Governance Regulations. **Work in Progress** • Training of both members of the Pension Committee and senior officers in line with CIPFA Knowledge & Skills Code of Practice. **The Near Future** • Develop a risk register. • Develop the training policy and training plan. • Create and service a new Local Board, develop a protocol, appoint employer and employee representatives and provide training. • Review current arrangements against the new Pensions' Regulator Public Sector Pensions Code of Practice. **Longer Term** • Consider collaboration with the other seven Welsh pension funds. • Consider the impact of re-organisation of local government in Wales.

FUNDING RISKS	**<u>What We Have Done</u>** • Implemented the new funding plan from 1st April 2014. • Documented a Termination Policy for employers. • Implemented a 'flight-path' strategy to manage interest rate and inflation risks. **<u>Work in Progress</u>** • Monitoring the 'flight-path' strategy. **<u>The Near Future</u>** • Annual review of the Funding Strategy and Flight-path. **<u>Longer Term</u>** • Prepare for the next Actuarial Valuation in 2016.
INVESTMENT RISKS	**<u>What We Have Done</u>** • Monitoring and reporting on the performance of the current investment strategy and fund managers. • Made new commitments within the alternative asset classes. • Assessed the performance of fund managers against the Fund's Sustainability Policy. • Responded to the Government's consultation on collaboration, cost savings and efficiencies relating to collective investment vehicles and passive investment. **<u>Work in Progress</u>** • A review of the Fund's investment strategy. • Publishing the voting records of our equity fund managers. **<u>The Near Future</u>** • Implementation of the new long term investment strategy. • Appointment and removing of fund managers. • Implementation of a new approach to tactical asset allocation. • Review AVC arrangements. **<u>Longer Term</u>** • Impact of the outcome of the Government's consultation for collaboration, cost savings and efficiencies relating to collective investment vehicles and passive investment. • Impact of collaboration with the other seven Welsh funds on collective investment vehicles.
ADMINISTRATION AND COMMUNICATION RISKS	**<u>What We Have Done</u>** • Implemented LGPS 2014. • Reviewed all pensioner records. • Reviewed pensioner payroll service. • Implemented Communication Plan. **<u>Work in Progress</u>** • Working with large employers on data quality. • Working with employers on updating historic records. **<u>The Near Future</u>** • Develop performance standards for the Fund and employers. • Review implementation of communication plan. **<u>Longer Term</u>** • Implement member self-service.

Financial Performance

The following provides a brief overview of the key movements within the Fund over a five year period. More detail can be found in Investment and Funding, Pensions Administration Update, and Fund Accounts.

Table 1.

Fund Account *(Amounts £000's, years end 31 March)*	**2014**	**2013**	**2012**	**2011**	**2010**
Value of Fund at start of year	**1,181,232**	**1,060,823**	**1,051,815**	**955,833**	**697,412**
Increase in fund value during year	**32,335**	**120,409**	**9,008**	**95,982**	**258,421**
Value of fund at end of year	**1,213,567**	**1,181,232**	**1,060,823**	**1,051,815**	**955,833**
The increase in fund value is made up of the following:					
Member and Employer related					
• Contributions and pension strain	68,869	68,078	66,593	68,147	68,181
• Transfers in or (out)	563	3,139	(21,708)	4,898	1,726
• Benefits payable	(61,137)	(56,977)	(53,789)	(53,584)	(49,978)
	8,295	14,240	(8,904)	19,461	19,929
Investments (after income and fees)					
• Net change +/(-)	25,534	107,216	19,156	77,783	239,772
Other					
• Administrative and other expenses	(1,494)	(1,047)	(1,244)	(1,262)	(1,280)
	32,335	**120,409**	**9,008**	**95,982**	**258,421**

Table 1 illustrates the annual increase in the Fund value over the five years ending 31st March 2014. The change in the fund value is further analysed between member and employer related income (contributions and pension strain) or expenditure (benefits payable), net return or loss on investments (net of any income or management fees) and other expenditure. These are detailed further, for years ending 31st March 2013 and 2014, in the fund accounts. Transfers in or out of the fund can vary, as shown in Table 1, significantly between years and are outside the control of the Fund.

Chart 1.

This illustrates the Fund value over five years as detailed in Table 1 above. The column segment shown in orange identifies the annual change in Fund value and, as shown in Table 1, is mostly due to changes in the market value of investments.

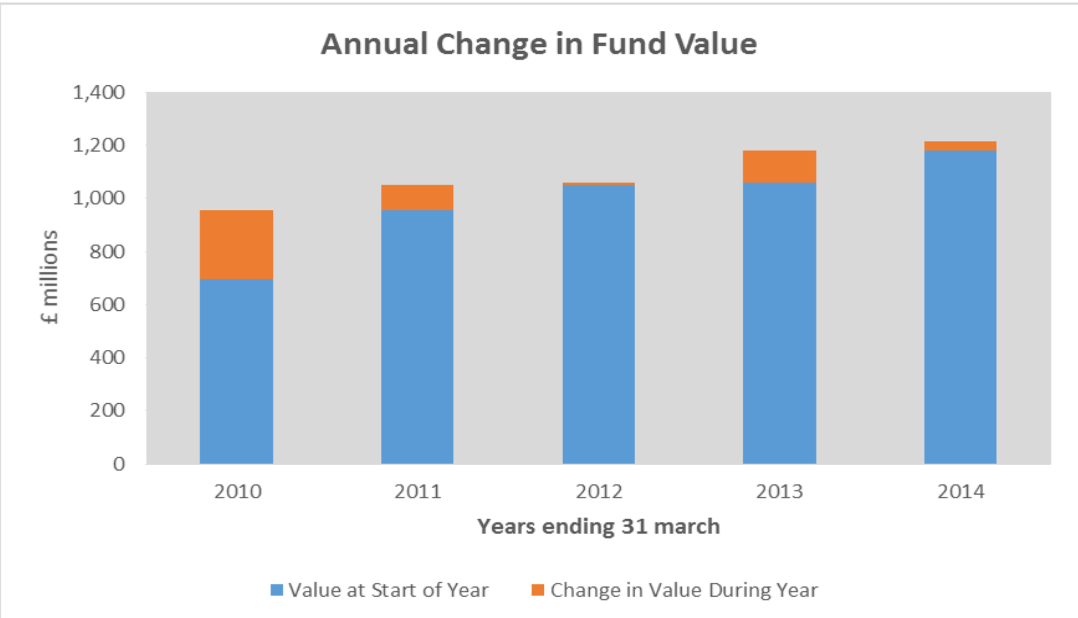


Chart 2.

This compares the difference between contributions received and benefits paid (Table 1 above), but not taking account of transfers, over the same five year period. From Chart 2 it is clear that the excess in contributions over benefits paid is steadily reducing. This is not unexpected and reflects the growing maturity of the Fund. At this stage it is unclear what the outcome for 2015 will be as there are a number of significant variables, namely, an increase in employer contributions following the 2013 Fund actuarial valuation, workforce reductions across the large employers, and, auto enrolment is increasing the number of active members.

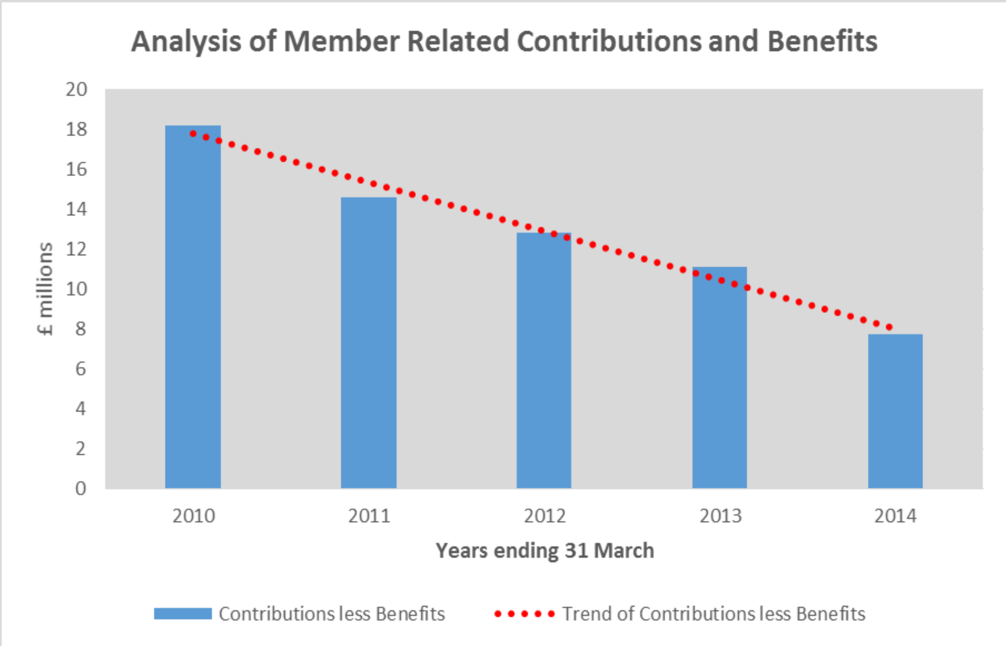


Table 2.

Membership	2010	2011	2012	2013	2014
Number of Contributors	15,073	14,960	14,519	14,920	16,133
Number of Pensioners	8,820	9,091	9,553	9,874	10,367
Number with Preserved Benefits	5,969	6,910	7,386	7,539	8,307
Total	**29,862**	**30,961**	**31,458**	**32,333**	**34,807**

Table 2 details the membership of the Fund over the same five year period as Table 1. The membership is split between active contributors, those in receipt of a pension and those whose entitlement is preserved.

Chart 3.

This shows the membership data in Table 2 graphically. Overall, the trend in total membership is upwards over the five years ending 31st March 2014. However, it should be noted that the overall impact of auto-enrolment, which will increase membership, and the contraction in most employers' budgets, which will reduce membership, cannot yet be quantified.

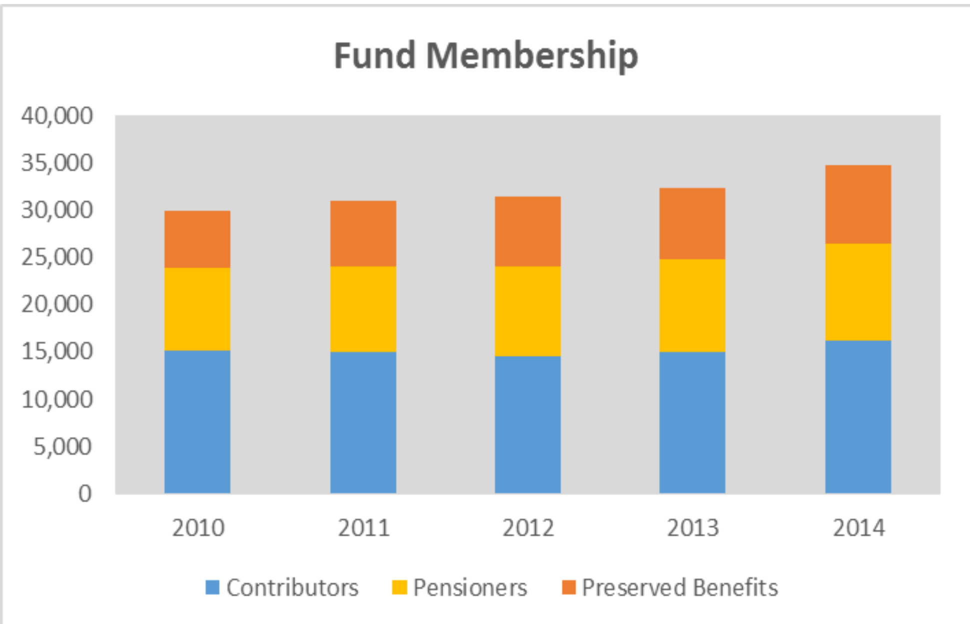


Chart 4.

This plots the Fund value over ten years to 31st March 2014. Over this period the Fund has approximately doubled in value. The yellow line shows total membership over the same period (using right axis) and illustrates the growth in membership from around 24,100 to 34,800; an increase of just over 44%. Most discussions around pension funds focus, understandably, on their value, however, the value is only one part of the picture with the other part being the pension funds' liabilities. The liabilities of the pension fund are calculated by the fund actuary and represent the future liabilities of the fund at a particular time. As shown above (Table 1 and Charts 1 and 4) the Fund has nearly doubled in value over the past ten years, however, its liabilities have also increased.

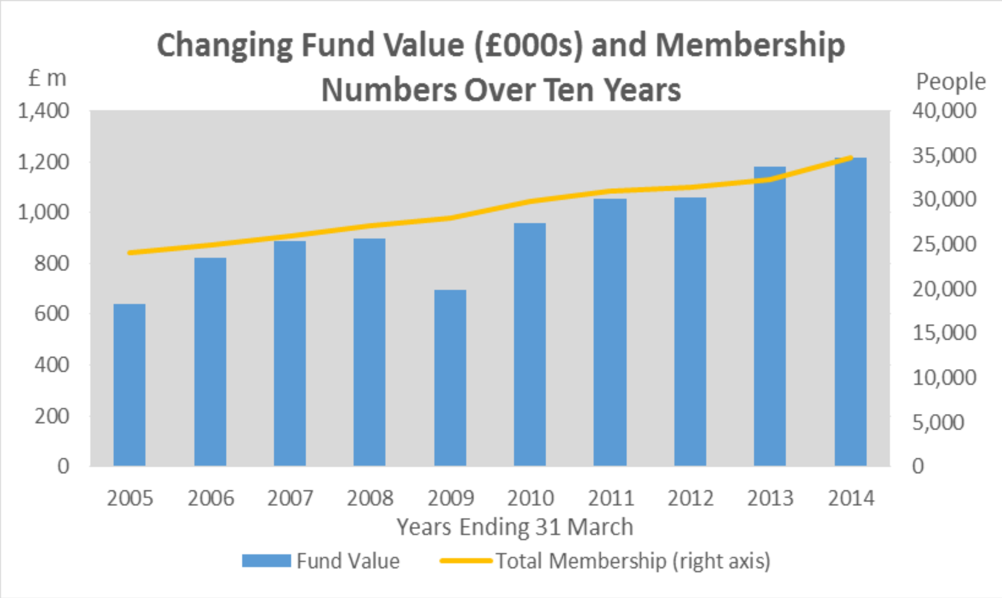
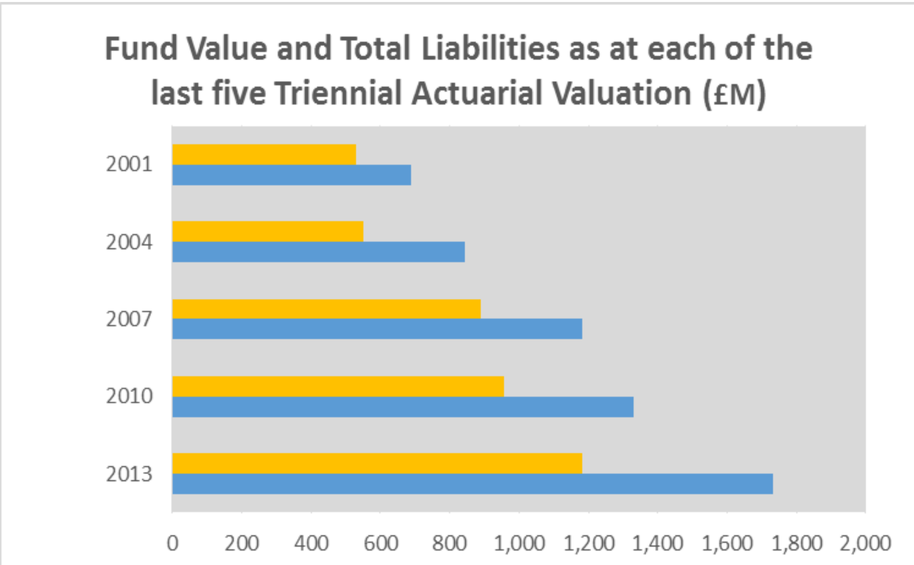


Chart 5.

This shows the Fund value (yellow bars) and liabilities (blue bars) at each of the last five triennial actuarial valuations. The difference between the values shown by the blue and yellow bars represent the funding deficit of the Fund. The 2013 Triennial Valuations section gives further details. Historically, all pension schemes focused primarily on their assets and placed a lower emphasis on the impact of changes in the value of liabilities. Many also assumed that the fund employers would be able to make increased contributions over time. In recent years, particularly after 2008, funding levels have been volatile as the performance of assets has not matched the increase in values of liabilities. The calculation of the liability take into account a number of elements including projections of future interest rates, inflation and longevity of members. This is shown in Chart 5 by increased funding deficit.



	2013	2010	2007	2004	2001
Fund Value	1,181	956	889	549	530
Total Liability	1,733	1,332	1,183	845	689

From the 1st April 2014 the Fund has introduced a Liability Driven Investment (LDI) approach, for a portion of its assets, the focus of which is to reduce funding level volatility by using investments that are linked to two of those factors (inflation and interest rates) that are drivers in the calculation of liabilities. These investments should track changes in these two factors whilst the remaining assets are invested for growth.

2013 Triennial Valuation

Every three years the Fund is subject to a formal valuation by the Fund actuary which produces two key outputs. Firstly, it quantifies the Funding Level i.e. the level to which the Fund's pension liabilities for the accrued benefits of current employees, deferred pensions and pensions in payment are matched by the market value of the Fund's assets. A funding level of less/ more than 100% implies that there is a deficit/ surplus in the Fund at the valuation date. Secondly, it also sets the rate at which employers should contribute to the Fund for the following three years i.e. in this case it is effective from 1st April 2014. Chart 5 above illustrates the Fund value and liabilities as at each of the past five valuations.

The following table summarises the change in the financial position of the Fund from 31 March 2010 to 31 March 2013.

Summary Valuation results (£m)	31 March 2013	31 March 2010
Total assets	**1,181**	**956**
Liabilities:		
Active members	762	633
Deferred members	219	131
Pensioners	752	568
Total Liabilities	**1,733**	**1,332**
Past service surplus/ (shortfall)	(552)	(376)
Funding level	**68%**	**72%**

Funding level and deficit

Although the value of total assets increased by 23.5%, the pace of growth in liabilities is greater with an increase between the years of 30%.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and maintain a funding level of 100% of liabilities (the Funding Target). As required in the FSS a deficit recovery plan has been put in place that requires additional contributions to correct the shortfall. The average deficit recovery period for the Fund has been set as 18 years. The normal contribution rate (for future service) has been set as 13.8% (11.7% 2010); the actual rate per employer will differ from this according to their own circumstances. To address the deficit a total annual contribution of £32.6m, increasing at 4.1% per annum, is required; again the actual rate per employer will differ. The implied average employer contribution is 27.8% compared to the previous average of 20.7% of pensionable pay over 20 years at the March 2010 valuation.

Further detailed information can be found in the Valuation Reports for each valuation on the Clwyd Pension Fund website (see Governance and Investments/ Valuation Reports).

Cash Flow

The Fund operates a rolling three year cash flow which is estimated and monitored on a quarterly basis. There are several unknowns within the cash flow such as transfers in and out of the fund and also drawdowns and distributions across the Fund's Property and Private Equity portfolio for which the current allocation is 21% of the Fund.

Cash flow predictions for the drawdowns and distributions are reassessed annually to incorporate the actuals for the year and any further commitments agreed during the period.

The following table shows a summarised final cash flow for 2013/14. This is purely on a cash basis and does not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals.

2013/14	Estimate £000	Actual £000	Variance £000
Opening In House Cash		**(15,874)**	
Payments			
Pensions	46,200	46,858	658
Lump Suns & Death Grants	14,000	12,861	(1,139)
Transfers Out	2,000	3,260	1,260
Expenses (including In House)	2,120	2,436	316
Support Services	150	166	16
Total Payments	**64,470**	**65,581**	**1,111**
Income			
Employer Contributions	(27,000)	(27,451)	(451)
Employee Contributions	(14,000)	(14,629)	(629)
Employer Deficit Payments	(23,400)	(24,666)	(1,266)
Transfers In	(5,000)	(3,802)	1,198
Pension Strain	(200)	(1,104)	(904)
Investment Income	(2,400)	(2,901)	(501)
Total Income	**(72,000)**	**(74,553)**	**(2,553)**
In House Investments			
Draw downs	58,864	46,624	12,240
Distributions	(52,723)	(33,148)	(19,575)
Net Expenditure /(Income)	**6,141**	**13,476**	**7,335**
Net Purchases /(Sales) **	**(1,210)**	**(19,150)**	**(17,940)**
Total Net Cash Flow	**(2,599)**	**(14,646)**	**(12,047)**
Closing In House Cash		**(30,520)**	

** £17.96m was transferred to the Clwyd Pension Fund cash account as the residual redemption from SSgA developed equity portfolio and funding of Insight LDI mandate.

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2017. These are purely on a cash basis and do not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals. An estimate of the asset valuation has been included at the end of the table and has been based on a targeted investment strategy which looks to produce an overall return of 7.1% per annum. Estimates of Manager pooled investment fees are included in the budget report which follows the cash flow report.

	2014/15 £000	2015/16 £000	2016/17 £000
Opening Cash	(30,520)	(12,982)	(10,205)
Payments			
Pensions	47,642	50,384	53,263
Lump Suns & Death Grants	14,000	14,700	14,800
Transfers Out	2,800	2,800	2,800
Expenses (including In House)	2,320	2,360	2,480
Support Services	240	240	240
Total Payments	**67,002**	**70,484**	**73,583**
Income			
Employer Contributions	(27,000)	(27,019)	(27,038)
Employee Contributions	(15,200)	(15,200)	(15,200)
Employer Deficit Payments	(28,550)	(27,200)	(31,200)
Transfers In	(4,000)	(4,000)	(4,000)
Pension Strain	(700)	0	0
Investment Income	(2,800)	(3,000)	(3,200)
Total Income	**(78,250)**	**(76,419)**	**(80,638)**
In House Investments			
Draw downs	54,459	46,053	27,133
Distributions	(69,463)	(76,291)	(66,054)
Net Expenditure /(Income)	**(15,004)**	**(30,238)**	**(38,921)**
Net Purchases/(Sales)*	(1,210)	(1,050)	0
Rebalancing Portfolio	45,000	40,000	45,000
Total Net Cash Flow	**17,538**	**2,777**	**(976)**
Closing Cash	**(12,982)**	**(10,205)**	**(11,181)**
Estimated Asset Valuations	**1,264,724**	**1,354,519**	**1,450,690**

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2013/14 compared to 2012/13. Increases in direct employee costs were as a result of recruitment to vacant positions within the service area. The difference in actuarial costs was in respect of the triennial valuation and within investment expenses, consultancy fees reflected the implementation of the Fund's new investment manager, Insight, who were appointed to manage the Long Term Management of Funding Risk mandate in September 2013.

	2013/14 £000	2012/13 £000	Net change £000
Administration Expenses			
Employee Costs (Direct)	781	630	151
Employee Cost (Internal Recharges)	92	82	10
Premises	97	37	60
IT (Support & Services)	233	85	148
Other Supplies & Services	110	113	(3)
Miscellaneous Income	(2)	(21)	19
Audit Fees	35	35	0
Actuarial Fees	148	86	62
Total Administrative Expenses	**1,494**	**1,047**	**447**
Investment Expenses			
Fund Manager Fees	5,571	5,187	384
Custody Fees	17	15	2
Performance Monitoring Fees	25	24	1
Consultancy Fees	260	68	192
Total Investment Fees	**5,873**	**5,294**	**579**
Total Fees	**7,367**	**6,341**	**1,026**

During 2013/14 the Fund produced an annual budget for 2014/15 to be included within the Pension Fund Service Plan.

This identified three areas for budget monitoring:

- Governance & Oversight
- Investment Management Costs
- Administration Costs

The Fund also appointed a new external consultant and an independent advisor. Increased governance costs, training for new committee members and the costs of a strategic investment review have all been incorporated into the budget for 2014/15.

Budget 2014/15	£000	£000
GOVERNANCE & OVERSIGHT		
Employee Costs (Direct)	223	
Internal Recharges	40	
Expenses	20	
Training & Conferences	7	
Independent Advisor	63	
Committee (Meetings & Training)	16	
Membership Fees	18	
Investment Consultancy Fees	253	
Audit Fees	36	
Actuarial Fees	64	
Legal Fees	40	**780**
INVESTMENT MANGEMENT COSTS		
Fund Manager Fees	6,300	
Performance Management Fees	27	
Custody Fees	17	**6,344**
ADMINISTRATION		
Management		
Employee Costs (Direct)	55	
Training & Conferences	16	
Internal Recharges	200	271
Operations		
Employee Costs (Direct)	415	
Expenses	7	422
Payroll		
Employee Costs (Direct)	26	26
Communications		
Employee Costs (Direct)	30	
Printing & Postage	34	
Other Expenses	2	66
Technical		
Employee Costs (Direct)	122	
Training	3	
System Costs	180	305
Total Administration		**1,090**
Total Costs		**8,214**

Investment & Funding

Long Term Strategy

In determining the Investment Strategy for the Clwyd Pension Fund (the Fund), the overall objective is to:

- Aim for a funding level of 100%
- Aim for long term stability in employers' contribution rates
- Achieve superior investment returns relative to the growth of liabilities

The investment policy of the Fund is intended to strike the appropriate balance between the policy most suitable for long-term consistent performance and the funding objectives. A favorable investment performance can play a valuable role in achieving adequate funding over the long term.

Summary of 2013/14

During 2013/14 the Fund implemented a significant strategic change of direction with the appointment of Insight, following a lengthy and challenging process, to the Fund's Long Term Management of Risk mandate (Flight Path). Last year's report noted that, in recent years, overall funding levels had been affected as much by fluctuations in liability levels as by asset performance, leading to a growing focus on liability-drivers such as inflation, interest rates and mortality. The Fund had already introduced broad diversification and risk diversity within the asset structure to minimise volatility. The "Flight Path" mandate applies similar principles to liabilities on the long-term management of funding risk. The implementation of this strategy is a further differentiator between the Fund and the majority of LGPS funds.

The first phase of the implementation was completed by 1st April 2014, as planned, and early indications are that the mandate is performing as expected.

The investment arrangements of the Fund were carried out by twelve external managers covering fourteen mandates all of which are pooled vehicles. In addition the Fund manages its Real Asset and Alpha Seeking Alternative portfolios in house through thirty eight managers investing in excess of ninety funds. These are shown at the end of this section of the Annual Report. During 2013/14, the Fund committed £16.6 million to two new managers, Bridges (two funds) and Dyal, with an additional £63.2 million in 13 funds with existing managers.

During 2013/14 the market value of the Fund increased from approximately £1,181m to £1,214m. The Fund achieved a positive investment return of +2.1% which was 1.6% behind the Fund's strategic benchmark of +3.7%.The funding level decreased from an estimated 72% at March 2013 to 68% at March 2014 due to the increase in the value of liabilities, which are mainly driven by the low gilt yields, outpacing the gain in assets.

The majority of the Fund's assets (58%) are invested in traditional asset classes such as equities and bonds and these will be measured mainly against standard market benchmarks. The remaining 42% of the Fund is invested in "alternative" strategies which are measured against Fund specific benchmarks, generally absolute targeting returns in excess of 8%. In current market conditions it would be difficult for many of our managers to achieve those returns.

Traditional assets, in total, produced a positive return of +2.0%, 0.6% ahead of their +1.4% benchmark. Real assets and Alpha Seeking alternatives also produced positive returns in total, albeit behind their customised benchmarks, increasing the overall Fund performance (excluding GTAA) to +2.8% against a benchmark of +3.7%. The performance of the GTAA managers however, detracted from overall performance, returning -4.2%, 7.2% behind the +3.2% benchmark.

The Fund's Real Asset portfolio invests 15% across property, infrastructure, timber, agriculture and commodities. Whilst property produced a good return of +7.5%, this was behind the IPD UK benchmark of +11.9%. Infrastructure produced +9.3% against the absolute benchmark of +8.0% but Timber & Agriculture had a poor year returning -10.1%.

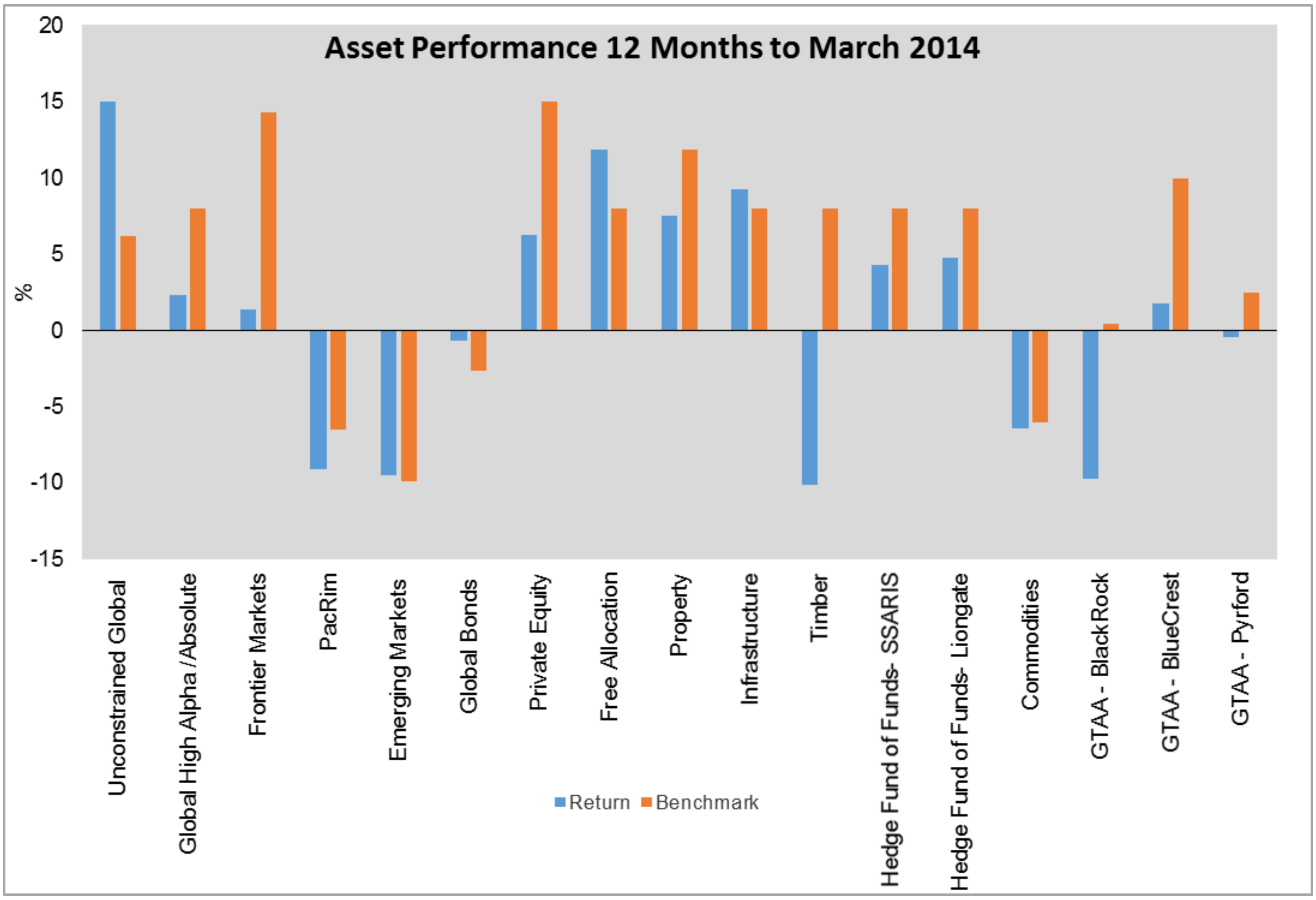
Commodity markets continued to underperform and the Fund returned -6.4%, marginally behind the -6.0% commodity index.

The Fund's Alpha Seeking Assets portfolio invests 15% across private equity (both direct and fund of funds), opportunistic funds and hedge funds of funds. All asset classes within this allocation produced positive returns producing a combined return of +6.3%, behind the strategic benchmark of +10.6%. The private equity portfolio returned +6.3% but the opportunistic funds returned +11.9%, in line with expectations at this early stage of the investment cycle. The hedge fund of funds managers produced average returns of +4.5% against their absolute +8.0% benchmark. As stated earlier, in a low interest rate environment, we would not expect these managers to achieve such a high benchmark.

The Fund allocates 12% to global tactical asset allocation (GTAA) across three managers. The three fund managers are all managing their assets very differently and have all produced varied returns to contribute to the overall GTAA portfolio return of -4.2% compared to a combined benchmark of +3.2%. This area continued to be disappointing.

In addition to the GTAA fund managers, Conditional Asset Allocation (CAA) allows officer discretion and flexibility to make substantial changes in asset allocation between equities and fixed income of up to +/-15%, if conditions require. There are quarterly meetings with the Fund's tactical asset allocation managers to discuss Fund positioning, as well as ad hoc telephone conversations when market events appear to be moving quickly. In order to instruct any changes there has to be a clear consensus from all the managers concerned that any event being witnessed represent a fundamental market change and not a short term correction. This strategy has not been implemented to date, however, this flexibility remains an important part of the Fund's investment strategy.

The 12 month performance of the Fund's assets is shown below.



The table below shows a summary of the annualised investment performance over the last 20 years compared with the Fund's benchmark and corporate pension funds.

Period (Years)	Clwyd Pension Fund (%) pa	Clwyd Benchmark (%) pa	Average Local Authority (%) pa	Corporate Funds (%) pa
1	2.1	3.7	6.4	3.7
3	4.7	5.7	7.5	7.8
10	6.5	7.3	7.8	7.7
15	4.8	5.0	5.5	5.2
20	6.8	6.9	7.2	7.1

The table below shows the historic funding, deficit and employer contribution rates. As a result of the advice received by Clwyd County Council (pre Wales local government reorganisation in 1996), during the implementation of the Community Charge, the employers in the Fund received a 'contribution holiday' that allowed the Fund to reduce to a 75% funding position in the late 1980s.

Actuarial Valuation	Funding Position (%)	Recovery Period (years)	Deficit (£m)	Average Employer Rate (%)
2001	77.0	15	158.4	19.5
2004	65.0	20	295.7	20.4
2007	75.0	17	294.0	21.6
2010	72.0	20	376.0	20.7
2013	68.0	18	552.0	27.8

Summary of the Longer Term

The market value of the Fund has increased from approximately £559m in 2004 to approximately £1,214m in 2014. This is detailed in the Management and Financial Performance section of this report.

The Fund's investment strategy is more diversified than most LGPS funds. The aim is to reduce volatility of returns, in line with the objective of stabilising employer contribution rates. Although history suggests that in the long term equities should out-perform other asset classes, these returns can be very volatile and the asset class can under-perform for many years. Although the Fund still has a strategic allocation of 43% to equities and the associated equity risk, this is lower than the average LGPS fund which allocate 63% to equities. Hence, in years where equities have performed so well the investment performance of the Clwyd Fund will lag most of its peers in the LGPS.

The following table documents the changes in investment strategy since 2001. As can be seen the asset allocation is very different from that of the average local government pension fund. The Fund has been particularly active and very early in its commitments to alternative assets through a broad range of specialist managers. The current investment strategy remains as 2011 below. The Fund will be carrying out another review of its investment strategy during 2014 with any changes to be implemented in 2015.

Investments	2001 %	2004 %	2007 %	2011 %	LGPS Average
Equities					
Global Unconstrained	-	-	5.0	5.0	
Global High Alpha/ Absolute	-	-	-	5.0	
UK Active (traditional)	35.0	29.0	15.0	-	
UK Active (portable alpha)	10.0	10.0	12.0	-	
US Active	7.0	8.0	5.0	-	
Europe (ex UK) Active	11.0	9.0	6.0	-	
Japan Active	4.0	4.0	4.0	-	
Far East (ex UK) Active	2.5	3.0	4.0	7.0	
Emerging Markets Active	2.5	3.0	4.0	7.0	
Developed Passive	-	-	-	19.0	
	72.0	**66.0**	**55.0**	**43.0**	**63.0**
Fixed Interest					
Traditional Bonds	10.0	9.5	-	-	
High Yield/ Emerging	1.5	2.0	-	-	
Unconstrained	-	-	13.0	15.0	
Cash/ Other	2.5	0.5	-	-	
	14.0	**12.0**	**13.0**	**15.0**	**19.0**
Alternative Investments					
Property	5.0	7.0	6.5	7.0	
Infrastructure	0.5	5.0	1.5	2.0	
Timber/ Alternatives	-	-	1.5	2.0	
Commodities	-	-	2.0	4.0	
Private Equity	4.5	4.5	6.5	8.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	
Currency Fund	-	4.0	4.0	-	
Free Allocation	-	-	-	2.0	
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	
	14.0	**22.0**	**32.0**	**42.0**	**18.0**

The 2013/14 fixed strategic benchmarks for each of the managers and the mandates within their remit are shown below along with their actual allocation at year end. As stated in the Statement of Investment Principles, having agreed the fixed benchmark there is a need to keep the position under review. Re-balancing of the Fund to keep it in line with the benchmark will incur costs and will, therefore, need to be considered in light of the benefits to be achieved and the costs associated with turnover. Re-balancing will only take place quarterly when an asset class has moved by more than the ranges indicated in the table below except in exceptional economic or stock market circumstances. Although there is no long term strategic allocation to cash there is a need to include a tactical range to accommodate these circumstances where it is not considered appropriate to re-balance the portfolio and where investment commitments have been made.

Manager	Mandate	Weight %	Allocation 31/03/14	Tactical Ranges
	Liability Driven Investment			
Insight	LDI	19	18.8	+/- 1%
	Equities Alpha Seeking			
Aberdeen Asset Management	Pac Rim – High Alpha	7	6.3	+/- 1%
Aberdeen Asset Management	Frontier Markets	1	0.7	
Wellington Management International Ltd	Emerging Markets Core	6	6.1	+/- 1%
Investec Asset Management	Global – High Alpha	5	5.9	+/- 1%
Duet Asset Management Ltd	Other Global – High Alpha	5	4.1	+/- 1%
	Fixed Interest			
Stone Harbour Investment Funds	Unconstrained	15	14.4	+/- 2%
	Cash	0	2.6	+/- 5%
	Real Assets	**15**	**15**	+/- 3%
Various	Property	7	8.0	
Various	Infrastructure	2	2.4	
Various	Timber/ Agriculture	2	1.9	
Wellington Management International Ltd	Commodities	4	2.7	
	Alpha Seeking Alternatives	**15**	**16.5**	+/- 3%
Various	Private Equity	8	11.5	
Liongate	Hedge Fund of Funds	2.5	1.9	
SSARIS	Hedge Fund of Funds	2.5	2.1	
Various	Opportunistic	2	1.0	
	Tactical Asset Allocation (TAA)			
Blackrock	Global TAA	6	4.2	+/- 1%
BlueCrest Capital Management	Macro Fund of Funds	3	2.7	+/- 1%
Pyrford International Ltd	Dynamic TAA	3	2.7	+/- 1%

Real Assets Portfolio

Property

Open Ended Holdings

Schroders
Hermes
LAMIT
Legal and General
BlackRock

Closed Ended Holdings

Aberdeen Property Select (Asia Pacific – 2 funds)
BlackRock US Residential Opportunity Fund
Bridges Property
Darwin Leisure Property Fund
InfraRed Active Property (2 funds)
Igloo Regeneration Fund
Morgan Stanley Global Real Estate (2 funds)
Partners Group Global Real Estate (2 funds)
Franklin Templeton (2 funds –European and Asia Pacific)
Schroders – Columbus UK Real Estate (2 funds)
Threadneedle

Timber

RMK Timberland (3 funds)
Stafford International Timberland (3 funds)

Agriculture

Insight Global Farmland
GMO

Infrastructure

Arcus European Infrastructure
Henderson PFI
InfraRed (4 funds including Environmental)
Innisfree
Morgan Stanley – Global (2 funds)
Impax New Energy Fund

Alpha Seeking Alternatives Portfolio

Private Equity

Direct

Apax (5 funds)
Arle (3 funds)
Bridges Ventures
Carlyle (2 funds)
Charterhouse Capital (3 funds)
Crossroads (2 funds)
ECI Ventures (3 funds)
Environmental Technologies Fund (2 funds)
Ludgate Environmental Fund
Granville Baird (3 funds)
August Equity (3 funds)
Parallel Ventures (3 funds)
Partners Group Direct

Fund of Funds

Access Capital (4 funds)
Harbour Vest (7 funds including Cleantech Fund)
Hermes Environmental Innovation
Partners Group (10 funds)
Capital Dynamics (11 funds)

Opportunistic

Carlyle (1 fund)
Capital Dynamics (1 fund)
Marine Capital Eclipse Shipping (2 funds)
Dyal II

* *Italic* – new fund during 2013/14
* ***Bold italic*** – new manager and fund 2013/14

Sustainability Policy

Aim and Definition

The aim of Corporate Governance is to align the interests of individuals, corporations and society. Corporate Social Responsibility is operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has for businesses.

The Clwyd Pension Fund Policy

The Clwyd Pension Fund has always included a section in the Statement of Investment Principles (SIP) on environmental, social and ethical considerations and corporate governance. However, in light of the publication of the United Nations Principles on Responsible Investment (UNPRI) and the Financial Reporting Council's new Stewardship Code, the Fund produced a Sustainability Policy and a Stewardship Code compliance statement as part of the SIP which can be found within the regulatory documents section of this Annual Report. The format of the Policy follows that of the UNPRI but as recognised in the Policy, given the pooled nature of the investments, it would be difficult to become a formal signatory of the UNPRI.

Compared with the previous sections in the SIP on this area, this Policy makes a clear commitment that the Fund will be an active supporter of UN principles. The Policy is specific in the actions the Fund will take in the 6 principle areas:

- Investment Strategy
- Company Engagement & Voting
- Investment Management & Monitoring of Performance
- Investment Management Selection and Contracts
- Collaboration
- Reporting and Disclosure

Members receive quarterly reports which update Members on the progress and application of the Fund's Sustainability Policy.

Implementation of the Policy

The Sustainability Policy included within the SIP identifies, in detail, the approach the Fund will adopt within each of the areas specified above and the Stewardship Code identifies areas where further work is required to ensure full compliance. The Fund sends all its fund managers copies of the Sustainability Policy, protocol, questionnaire and guidance notes and asks them to report on their compliance.

Responses from managers were analysed and results were positive for many of the managers within the Fund. As expected, the Fund's four main managers and smaller equity managers, who account for 61% of the Fund's assets all scored very highly whilst the Hedge Fund based managers did not provide enough information to achieve adequate scores. The managers concerned account for 14% of the Fund and individual issues raised are discussed with those managers during their update meetings

The Real Assets and Private Equity portfolio is currently 23% of the Fund and responses were mixed across the managers. The majority of real asset managers scored well across the categories as we expected. Responses were more mixed amongst the private equity managers with some providing much more detailed information resulting in higher scores than others. There were only a few low scoring managers and these are to be addressed at subsequent meetings.

The Fund is also a member of two bodies, the Local Authority Pension Fund Forum (LAPFF) and the National Association of Pension Funds (NAPF). The LAPFF has 60 LGPS members with combined assets of over £125bn. In line with the Fund's policy LAPFF believe that by actively encouraging companies to comply with best practice shareholder value is improved over the medium and long term. The LAPFF work programme is on-going on projects on overseas employment standards, company workforce practices, climate change and greenhouse gas emissions. Further details can be found on the LAPFF web site www.lapfforum.org.

The Fund is invested in pooled vehicles, therefore does not own individual shares. However, the Fund's investment managers report on how they voted the shares within the vehicle. In particular, if corporate governance concerns are raised by LAPFF or NAPF these are reported to the fund managers and an explanation is received from the managers on how they voted and the engagement undertaken with the managers of the company. Details of the voting activities of the managers have been reported to the Pension Fund Committee each quarter and a summary of the activity from April 2013 to March 2014 is shown in the following table.

Manager	AGM's	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted
Aberdeen	92	1,042	967	40	21	14
Investec	65	809	561	69	112	67
Pyrford	62	792	727	64		1
Wellington	456	4,370	3,627	431	97	215

As can be seen below, as part of the Fund's Property & Private Equity allocation, the Fund invests in environmental and sustainable projects, including Agriculture, Timber, Regeneration, and Environmental Technology Funds. During 2013/14 three new investments were made within this asset allocation. On-going, the Fund will continue to review the approach taken and welcomes any comments Member Bodies have on the policy, its implementation, and any ideas that might be adopted by LAPFF for future projects.

Year	**Investment**	**Commitment**
2006	Igloo Regeneration Fund	£2m
2006	Ludgate Environmental Fund	£1m
2007	Stafford Timberland IV	$8m
2007	RMK Timberland	$8m
2008	Environmental Technologies Fund	£3.7m
2008	Ludgate Environmental Fund (additional)	£1m
2008	Stafford Timberland V	€2.6m
2008	RMK Timberland Resources Fund	€2.4m
2008	HSBC Environmental Infrastructure	€5m
2008	Harbour Vest Cleantech Fund	$7.5m
2009	Impax New Energy	€5m
2010	Hermes Environmental Innovation Fund I	£5m
2010	Ludgate Environmental Fund (additional)	£2m
2011	Stafford Timberland VI	€3m
2011	RMK Timberland	€2.4m
2012	Capital Dynamics US Solar Fund	$8m
2012	Environmental Technology Fund II	£5m
2013	Insight Global Farmland	$8m
2013	GMO Farmland Optimisation Fund	$8m
2013	Ludgate Environmental Fund II	£6m
2013	Threadneedle Low Carbon Workplace Fund	£5m
2013	Bridges Ventures Fund III	£5m
2013	Harbour Vest Cleantech III	$7.5m
2014	Bridges Property Alternatives Fund II	£5m

Pensions Administration Update 2013/14

Introduction

The Fund's day to day administration service is provided by the Pension Administration Section which consists of a total of 20 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager. It is split between an Operational Team and a Technical Team, and is separate from the Accounting and Investment Team.

The Operational Team of 13 FTEs delivers a pensions service for approximately 35,000 scheme members and 28 employing bodies. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team of 6 FTEs implements and maintains the pension software systems, reconciles employer records, provides a communication service for members and employers and a pensioner payroll service for 10,000 pensioners and dependents.

The LGPS

Following the review of the Public Sector Pension Schemes, on 1 April 2014 the Government introduced a new scheme for Local Government.

The Local Government Pension Scheme 2014 is a Career Average Revalued Earnings Pension Scheme. This means the pension accrued, is based on a proportion (1/49) of the pay earned each year. Before each year is added to the pot, the pot is adjusted by treasury orders (which follow inflation).

However, all active members who joined the scheme prior to 1 April 2014, have been given protection for their pre April 2014 membership. The protection means that all membership prior to 1 April 2014 will remain in the final salary scheme and the pension will be based on the pensionable pay earned in the last 365 days of service (under the 2008 scheme definitions).

This has led to Clwyd Pension Fund, having to administer benefits which often span across several sets of regulations. Membership is treated differently under each set of regulations. Benefits prior to 1 April 2008 are calculated under the 1997 scheme regulations. Benefits between 1 April 2008 and 31 March 2014 are calculated under the 2008 scheme regulations and the benefits accrued after 1 April 2014 are calculated under the 2014 scheme regulations.

Each set of regulations require some interpretation but attempts to guide each fund through the administration of benefits. Pension Officers/Managers meet regularly to discuss and confirm the implications of each change and to consider new procedural and literature requirements to ensure continuity.

Auto Enrolment

In April 2013 the first of the Clwyd Pension Fund Employers reached their staging date. All eligible job holders have now been enrolled into the Scheme, with the exception of the category of workers who were eligible on the staging date and have previously opted out. These employees will be reviewed in October 2017. Individual letters have been issued to all employees confirming how auto enrolment affects them personally.

In line with the Auto Enrolment guidelines, the Clwyd Pension Fund now record the details of opt outs as informed by each employer.

The 2013/14 new starter figures confirm the initial impact of Auto Enrolment on the Clwyd Pension Fund. New starters have doubled from 1,000 to 2.000 from March 2013 to March 2014.

Communications

During the 2013/14 financial year, the Clwyd Pension Fund has published and distributed the following communications:-

- Distributed issue 10 of Clwyd Catch Up – a newsletter for our pensioner members which is issued along with their pensions increase notification.
- Circulated issue 18 of Penpal – a newsletter that is sent to our active members informing them of changes and updates to the Scheme.
- Distributed benefit statements to both active and deferred Local Government Pension Scheme members.
- Distributed an AVC/ARCs introduction letter for members aged from 45 to 59 during May 2013.
- Between April 2013 and March 2014 the following have taken place:
    i. 28 days of drop-in surgeries for scheme members at their workplace
    ii. 6 pre-retirement seminars

The welcome pack, which includes "The Employees Guide to the Local Government Pension Scheme", was sent out to new Fund members up to 31 March 2014. This booklet has now been replaced with 'a Short Scheme Guide' which includes information on the new scheme.

The literature entitled "Topping up your Benefits" has recently been reviewed and updated to take into account the recent regulation changes.

2013/14 Website updates:
- Link to the LGPS2014 website
- Employee pension contribution table
- Updated scheme literature

The Website has been invaluable in giving both member and Fund Employers access to pension forms, reducing paperwork and postage costs. This is also a useful tool to communicate LGPS matters to our members, pensioners, employers, and also anyone interested in our Governance and Investments. The website continues to be maintained and updated when required.

For further information on Clwyd Pension Fund communications, please refer to our Communication Policy Statement following in this Annual Report.

Developing the Service

The Clwyd Pension Fund is dedicated to improving its service delivery to employers, scheme members and pensioners by:

- Reviewing its service level agreements with employers on an annual basis.
- Maintaining an effective business continuity plan
- Formulating an Administration Strategy
- Attending manager meetings to discuss LGPS administration and also current regulation issues
- Attending LGPS training courses to ensure staff skills and LGPS knowledge are up-to-date
- Introducing software, provided by a third party, to assist employers in addressing their Auto Enrolment obligations, in respect of record keeping and reporting on employee data. In addition it is a filter for the flow of information from a Scheme Employer to the Administering Authority.
- Scanning of all documents and post to maintain a paperless office
- Pensions administration and pensions payroll working on the same merged computer package – Altair.

In 2013/14 progress continued to be made with the new operational model for the Fund. The staff dealing with the benefits administration, are split into teams. Each team looks after set employers within the scheme, giving a direct point of contact and reinforcing the Fund/Employer relationship. There will be on-going work with our larger employers on data quality and correcting a backlog of historic records during the year in preparation for the Pension Regulator's new Code of Practice.

A main point of focus has been the major undertaking of staff training. This has involved both the progression of current staff and the introduction of new members of staff. When operating the new structure, expanding staff knowledge has proved vital. The section will also continue to benefit considerably from this in the future.

In addition, the Clwyd Pension Fund Pensioner Payroll, were pleased to proceed with an early 'Go Live' date for the H, M, Revenue & Customs' Real Time Information (RTI).

The challenges of 2013/14 were significant with the Fund Valuation, the early distribution of the Annual Benefit Statements and the issuing of Life Certificates to all Fund pensioners. The Clwyd Pension Fund Staff have pulled together to achieve goals simultaneously whilst continuing to improve key knowledge levels and development.

Performance monitoring will ensue, enabling transparent and meaningful statistics to all stakeholders on the performance of the administration service and employers.

Administrative Management Performance

This section of the report focuses on key administration performance indicators, efficiency and staffing indicators, together with a five year analysis of membership data. The Fund participates in the CIPFA Pensions Administration Benchmarking Club.

Key administration benchmarks

Indicator	The Fund	Benchmark Average	Highest
Net cost per member	£25.23	£20.75	More than £40
Net cost per member including investment management expenses #1	£169.33	n/a	n/a
Net cost per member excluding temporary staff #2	£22.71	£20.75	More than £40
Active members	15,879 41%	29,480 37%	n/a
All other members	22,785 59%	50,880 63%	n/a

#1 this is a new indicator that is not included in the CIPFA Benchmarking Club and thus comparators are not available. This may change in 2014/15 due to the Fund undertaking a review of its investment strategy together with the introduction of specific national guidance on the identification and recording of manager fees.
#2 Temporary staff have been employed to address historic backlogs that has increased the gross cost per member as shown in the benchmarking club.

Cases completed 2013/14:

Case Type	Cases
New Starters	2,037
Address changes	1,989
Defers	1,583
Retirements (all types)	769
Estimates (all types)	464
Deaths (deferred, active and pensioners)	394
Transfers In	142
Transfers Out	53

Staff Turnover 2013/14

Description	Number
Total permanent Staff as at 31/03/2014	20
Permanent staff leaving up to 31/03/2014	0
Permanent staff joining up to 31/03/2014	0

Ratio of Pensions Staff to LGPS Members 2013/14:

Although there are 20 full time equivalent members of staff (not including temporary staff), only 13 full time equivalent staff deal with administration. The remaining 6 staff deal with I.T., pension payroll and communications.

As at 31/03/2014, there were 34,807 members of the Clwyd Pension Fund. This means that there are 2,677 members per Pension's staff member.

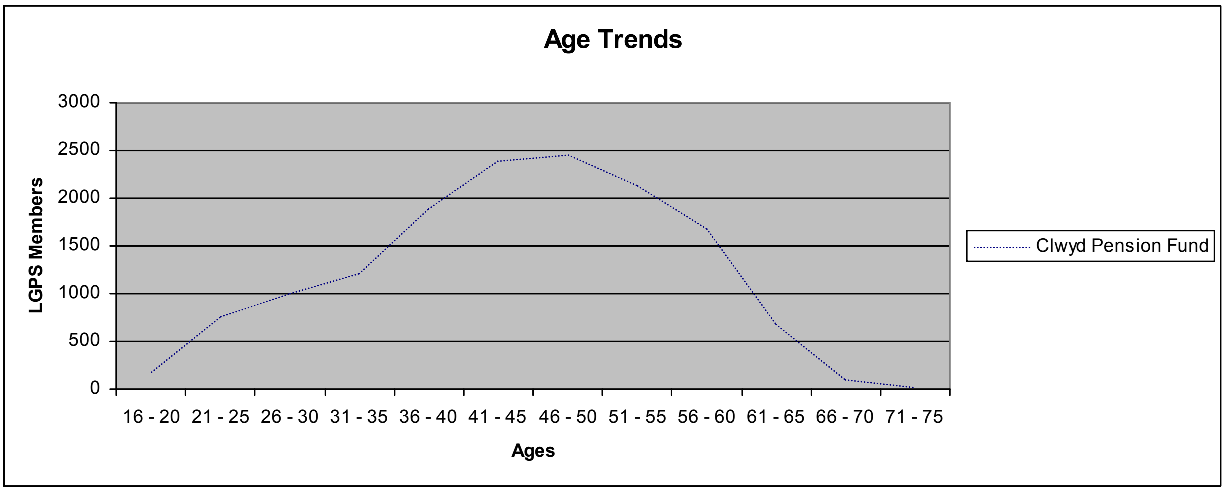
Member Trends: 5 Years

Period from – to	Contributors	Deferred Members	Pensioners	Dependant Pensioners
01/04/2009 – 31/03/2010	15,073	5,969	7,395	1,425
01/04/2010 – 31/03/2011	14,960	6,910	7,641	1,450
01/04/2011 – 31/03/2012	14,939	7,008	7,662	1,443
01/04/2012 – 31/03/2013	14,920	7,539	8,386	1,488
01/04/2013 – 31/03/2014	16,133	8,307	8,805	1,562

Pensioners who were awarded enhanced retirement benefits:

Period from – to	No. of Enhanced Benefits
01/04/2006 – 31/03/2007	85 Members
01/04/2007 – 31/03/2008	33 Members
01/04/2008 – 31/03/2009	23 Members
01/04/2009 – 31/03/2010	27 Members (tier 1 & 2 ill health only)
01/04/2010 – 31/03/2011	21 Members (tier 1 & 2 ill health only)
01/04/2011 – 31/03/2012	22 Members (tier 1 & 2 ill health only)
01/04/2012 – 31/03/2013	15 Members (tier 1 & 2 ill health only)
01/04/2013 – 31/03/2014	34 Members

Age profile of members 2013/14:



Internal Dispute Resolution Procedure 2013/14:

1st Stage Cases Submitted	Cases Won	Cases Lost
2	0	0
2nd Stage Cases Submitted	**Cases Won**	**Cases Lost**
0	0	0

The cases submitted during 2013/14 (as above) have since been finalised, with one case being upheld and one case being rejected.

Due to the open door policy within the department, the majority of cases where dissatisfaction is raised, are resolved by the Pensions Administration Manager and the Principal Pensions Officers.

An appeal may be against either the former employer or the administering authority (Flintshire CC). This depends on what the appeal is against. Some examples are given below:-

Employer Decisions

- termination of employment on medical grounds
- calculation of final year's pay for benefits
- what counts as pensionable pay of various pay allowances

Administering Authority Decisions

- counting of service in present/previous employments
- award of spouse/children benefits
- death grant nominations

Written appeal applications must be made within six months. The formal right of appeal is in two stages. If you are dissatisfied with the stage one decision you may go to the second stage which will be the administering authority, Flintshire CC. The Chief Executive has appointed a suitably qualified officer to hear stage two appeals.

National Fraud Initiative (NFI)

Clwyd Pension Fund participates in the NFI every other year. The NFI is a data matching exercise designed to detect and prevent fraud and overpayments across England and Wales. As a public body, we are required by law to protect the public funds we administer.

The Auditor General is responsible for carrying out data matching exercises under his powers under the Public Audit (Wales) Act 2004.

As the use of data by the Auditor General for Wales in a data matching exercise is carried out with statutory authority (Part 3A of the Public Audit (Wales) Act 2004), it does not require the consent of the individuals concerned under the Data Protection Act 1998.

In addition to this, Clwyd Pension Fund uses a mortality screening service provided by Atmos, which informs us of deceased members.

Analysis of Pension Overpayments and Write Offs

The Fund has a policy in which it does not seek to recover any overpayments of pensioner payroll payments which are under £100. Details of those are shown below. Every effort is made to recover any payroll overpayments above £100. In some circumstances these may be written off with agreement from the Head of Finance (now Chief Officer (People and Resources)).

	2013/14 £	2012/13 £	2011/12 £	2010/11 £	2009/10 £
Amounts under £100	5,975	3,443	4,954	3,320	3,062
Number of cases	129	97	99	75	76
Overpayments Recovered	19,518	39,625	24,214	26,836	31,807
Number of cases	57	51	34	46	50
Overpayments Written Off	402	0	6,146	200	1,676
Number of cases	2	0	5	4	5

Participating Employers Of The Fund As At 31st March 2014

There have been no additional bodies admitted to the Fund during 2013/14 and therefore no bonds or any other secured funding arrangements have been entered into.

The results of the March 2013 Actuarial Valuation led to new employer contributions and funding plans which were discussed and agreed with individual employers.

The Pensions Regulator allows the Fund the option to levy interest on overdue contributions during the financial year. During the year the Fund monitored timeliness of contributions and liaised with employers to overcome any problems they had encountered. The analysis below shows the number of late contributions made to the Fund, along with the amounts and days concerned. The Fund did not exercise its option to levy interest against any of the employers during the year as the amounts involved amounted to only 0.118% of total contributions received, £0.079m compared to £67m.

Employer	Late Occasions	Contributions (£)
A	8	11,374.54
B	8	18,925.49
C	1	1,726.07
D	1	5,804.85
E	1	36,253.25
F	3	3,547.62
G	1	1,363.93

The Fund had 27 bodies who contributed to the Fund during 2013/14, 20 scheduled and 7 admitted. Contributions are paid over to the Fund by the 19th of the following month to the month that the contributions relate to. An analysis of contributions received during 2013/14 is shown below.

Scheduled Bodies	Employer Contribution (£)	Employee Contribution (£)
Flintshire County Council	18,321,005.97	5,052,083.47
Wrexham County Borough Council	16,266,595.87	4,207,338.29
Denbighshire County Council	12,844,609.11	3,722,060.76
Coleg Cambria	1,787,604.32	691,719.23
Glyndwr Univesity	1,469,819.00	533,387.07
North Wales Fire Service	851,882.49	253,079.28
Rhyl Town Council	36,883.61	8,534.70
North Wales Valuation Tribunal	38,369.20	8,480.57
Hawarden Town Council	30,298.01	9,405.32
Connah's Quay Town Council	19,960.66	5,620.48
Prestatyn Town Council	18,570.80	8,762.03
Caia Park Town Council	14,594.74	4,854.49
Buckley Town Council	12,944.26	4,748.32
Coedpoeth Town Council	13,712.80	2,928.62
Mold Town Council	10,430.47	3,694.22
Rhos Town Council	9,373.99	2,889.38
Offa Town Council	3,874.42	1,297.06
Shotton Town Council	4,523.04	1,664.56
Argoed Town Council	3,125.22	1,216.41
Llanasa Town Council	221.00	0.00

Admitted Bodies	Employer Contribution (£)	Employee Contribution (£)
Careers Wales	337,464.11	115,158.42
Clwyd Leisure	94,627.15	27,675.99
Cartref y Dyffryn Ceiriog	50,116.65	3,585.52
Bodelwyddan Castle Trust	27,634.16	11,357.39
Compass Group UK	7,499.17	2,742.45
Denbighshire Voluntary Services	7,565.27	2,333.81
Grosvenor Facilities Management	5,564.44	1,739.28

Administrative Responsibilities:

The Clwyd Pension Fund is solely responsible for the administration of pensioner payroll. The administration for scheme members is mainly the responsibility of the Clwyd Pension Fund although the Employers must adhere to certain standards set out in the Service Level Agreements. For example, the Employers must supply the Clwyd Pension Fund with documents in a timely manner in order for benefits to be calculated as soon as possible.

Although the Clwyd Pension Fund has the power to seek compensation from Employers in respect of any breaches of such standards, the Clwyd Pension Fund has not used this power.

Other Information

The following information is provided to assist in the production of the scheme annual report compiled by the LGPS scheme advisory board.

Analysis of Employers of the Fund

The table below shows a summary of the employers in the fund analysed by scheduled bodies and admitted bodies which are active and ceased.

	Active	Ceased	Total
Scheduled body	20	8	30
Admitted body	7	4	11
Total	27	12	41

Analysis of Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2014

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	159,621	121,722	281,343
Alternatives	95,795	206,319	195,964	498,078
Bonds & LDI	227,459	0	174,002	401,461
Property (Direct)	0	0	0	0
Cash	31,928	0	0	31,928
Total	355,182	365,940	491,688	1,212,810

The alternatives portfolio comprises pooled investments in the following asset classes:
GTAA, Hedge Fund of Funds, Commodities, Property, Private Equity & Opportunistic, Infrastructure and Timber.

Analysis of Investment Income

The table below provides an analysis of the Fund's investment income accrued as at 31 March 2014. The Fund invests in pooled vehicles for equities and bonds, hence, investment income is reinvested within the vehicle and not paid out to the Fund.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	8		8
Alternatives	2,283	292	0	2,575
Bonds & LDI	0	0	0	0
Property (Direct)	0	0	0	0
Cash	138	0	0	138
Total	2,421	300	0	2,721