

**CLWYD PENSION FUND COMMITTEE**  
**4 FEBRUARY 2015**

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held at County Hall, Mold, on Wednesday, 4 February 2015.

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

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

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

**IN ATTENDANCE:**

Advisory Panel comprising: Helen Stappleton (Chief Officer - People and Resources), Philip Latham (Clwyd Pension Fund Manager), Gary Ferguson (Corporate Finance Manager), Karen McWilliam (Independent Advisor - Aon Hewitt), Mr. Paul Middleman (Fund Actuary – Mercers), Mr. Kieran Harkin (Fund Investment Adviser – JLT Group)

Officers/Advisers comprising: Alwyn Hughes (Pensions Finance Manager), Debbie Fielder (Pensions Finance Manager), and Committee Officer

**26. DECLARATIONS OF INTEREST (including Whipping Declarations)**

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

**27. MINUTES**

The minutes of the meeting of the Committee held on 5 November 2014 were submitted.

Matters arising

Pension administration and communications update:

The Clwyd Pension Fund Manager reported that information on staffing levels and turnover in Pensions Administration would be provided in the business planning workshop to be held following the meeting.

**RESOLVED:**

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

## 28. GOVERNANCE UPDATE

The Clwyd Pension Fund Manager provided a verbal update on governance related issues and referred to the following key considerations:

- The outcome of the consultation by the Government on Collaboration and Efficiencies remains unknown and it is anticipated that no announcements will be made until after the general election
- The new Governance regulations were issued last week which include regulations for the Scheme Advisory Board, Local Board and Cost Management. In addition Shadow Scheme Advisory Board guidance on the implementation of a Local Board has also been published (this guidance is expected to be adopted by the Scheme Advisory Board once created).
- Now the regulations and guidance have been published the proposed Protocol to enable the creation of a Local Pension Board for the Fund will be recommended for approval to the meeting of the County Council on 3 March 2015. As a result, there have been some minor changes made to the draft Protocol recommended to Constitution Committee in October 2014 which will be highlighted to Council.
- In terms of the All Wales position on a business case for a collective investment vehicle for Wales, a draft report by the consultants Mercer is expected to be distributed prior to the next meeting of the Welsh Treasurers in late March/early April 2015.
- The Pension Regulator has issued a Code of Practice for Public Service Pensions. The Fund's compliance with the new Code is included in our Service Plan.
- A Technical Consultation on Scheme Rules has been responded to. As previously written the original regulations meant that Flintshire could not be the administering authority for any area outside Flintshire. This has now been corrected within the revised draft regulations, however, the correction did not cover the North Wales Fire Service. This has been drawn to the attention of the DCLG and will be corrected.
- The Shadow Scheme Advisory Board at a national level is working on two governance projects. One is considering various options on the level of separation between the scheme manager function from that of the lead authority. The other is project is working on proposals for performance measurement and benchmarking across the LGPS funds.
- The feedback from employers attending our AJCM in November 2014 was good.
- Conference at Carden Park on 26/27 February 2015. 4 paid places reserved along with 2 free places for officers. Karen McWilliam gave a

brief summary of the agenda for the conference to enable Committee members to decide on attendance, which is encouraged to comply with our Training Policy.

**RESOLVED:**

That the update be noted.

**29. PENSION ADMINISTRATION AND COMMUNICATIONS UPDATE**

The Clwyd Pension Fund Manager introduced a report to provide an interim update on the pension administration and communications service, focusing on specific projects and service planning. He provided background information and referred to the key considerations which were detailed in the report concerning risks and Service planning and backlog of tasks.

The Clwyd Pension Fund Manager referred to the need to improve historic membership data by removing a backlog of cases that had accumulated over a number of years. Due to staff turnover and workload, progress in clearing the backlog had reduced considerably, however, the importance of completing the project was recognised given legal requirements, increased scrutiny by the Pensions Regulator, and potential impact on employer liabilities. He explained that it had been agreed at Advisory Panel that Mercer would draft a proposal to provide project and administrative support to reduce and clear the accumulated backlog of unprocessed tasks. Mercer had met with the 'in house team' and it was proposed to undertake the work in two stages. Stage one was to resolve the more straight-forward cases and then review and determine the timescales and costs to remove the remaining cases which were considered more complex. The project plan also included implementation of procedures and internal controls with employers to avoid any recurring backlog in the future.

Councillor Haydn Bateman commented on the cost for the first phase of the work. The Chief Officer (People and Resources) and Clwyd Pension Fund Manager referred to the complexity of the tasks to be undertaken and the significant risks if the backlog was not cleared. Officers advised that the charge for the work was competitive for the skill and level of expertise required and represented 'good value for money'. Mr. Paul Middleman (Fund Actuary – Mercers) gave an assurance that the project costs had been kept to a minimum in view of the strong and long standing relationship with the Fund, the temporary nature of the work involved and a mutual recognition of the need to move forward and clear the backlog within the required timescale.

Karen McWilliam, Independent Advisor - Aon Hewitt, reiterated the risks to the Clwyd Pension Fund if the backlog was not cleared efficiently and accurately without undue delay.

During discussion Officers responded to the queries and comments raised concerning incorrect and incomplete member data across the three

unitary authorities in the Fund. The Chief Officer advised that work was ongoing with a view to improving system links.

Councillor Andrew Rutherford asked if there would be a recharge to Flintshire County Council, Denbighshire County Council and Wrexham County Borough Council based on the level of work involved in clearing the backlog of cases. Mr. Paul Middleman advised that the appropriate split of any excess costs could be recharged to the authorities via the contribution rates set at the valuation and the appropriateness of this will be considered.

**RESOLVED:**

That the report be noted.

**30. FUNDING AND FLIGHT PATH UPDATE**

Mr. Paul Middleman, Fund Actuary - Mercer, introduced a report to provide an update on the funding position and liability hedging undertaken as part of the Flight-path strategy for managing liability risks.

Mr. Middleman provided background information and referred to the key considerations in the report. He explained that the monthly summary report on the funding position and an overview of the liability hedging mandate was appended to the report for Quarter 4, 2014. Mr. Middleman gave a verbal update and reported that “traffic light” analysis showed that the mandate was operating in line within the tolerances set by the advisors as at 31 December 2014. However, there was continuing volatility in the markets and the current funding position could change to an “amber” rating if these persist.

Mr. Middleman gave an update on interest rate and inflation rate changes. He advised that since 31 December 2014 further inflation triggers had been hit in January 2015 which meant that the inflation hedge increased to 40% which was the maximum allowed under the current mandate. This meant that the aim for the planned target level at April 2019 for inflation hedging had been reached already. The Advisory Panel would consider if inflation hedging should continue and this would be reported to the next meeting of the Committee to be held on 24 March 2015. Mr. Middleman reported the time based interest and inflation triggers had been suspended, the latter because the 40% limit had been achieved as noted. It had been agreed by the advisory panel that the interest rate time-based triggers were suspended due to the relatively high cost of hedging this risk. Both time based triggers will be reviewed periodically.

**RESOLVED:**

That the report be noted.

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

**RESOLVED:**

That the press and public be excluded from the meeting for the following item as it is considered to contain exempt information by virtue of paragraphs 12 and 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

**32. APPOINTMENT OF A DIVERSIFIED GROWTH FUND MANAGER**

The Clwyd Pension Fund Manager introduced a report to seek ratification for the appointment of a Manager for a Diversified Growth Fund (DGF). He provided background information and invited the Pensions Finance Managers and Kieran Harkin (JLT – Investment Consultant) to report on the selection process undertaken for the additional manager to complement the Fund’s existing DGF manager. Mr Harkin provided comments on how it is believed that, going forward, the combination of the two managers will provide strong diversification benefit within the Fund’s DGF exposure, which is contained within the Tactical Asset Allocation (TAA) portfolio.

During discussion Officers responded to the questions raised by members around cost and fees. Officers advised that all funds now have to disclose all costs and performance fees, as well as the annual management charge, in the final accounts.

**RESOLVED:**

That the decision to appoint Investec Asset Management Limited to manage a Diversified Growth Fund mandate for the Clwyd Pension Fund be approved.

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

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

(The meeting commenced at 10.00 am and ended at 11.05 pm)

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**Chairman**