

## **FLINTSHIRE COUNTY COUNCIL (As Lead Authority for the Clwyd Pension Fund)**

### **CLWYD PENSION FUND BOARD**

Minutes of the meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Lead Authority for the Clwyd Pension Fund), held at County Hall, Mold, on Wednesday, 6 July 2016 at 2pm.

#### **THE BOARD:**

##### **Present:**

Chair: Mrs Karen McWilliam (Independent Member)

Member Representatives: Mrs Gaynor Brooks, Mr James Duffy

Employer Representatives: Mr Steve Jackson, Mr Mark Owen

#### **IN ATTENDANCE**

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

Mr Alwyn Hughes (Pension Finance Manager)

Mrs Helen Burnham (Pensions Administration Manager)

Mrs Karen Williams (Principal Pensions Officer - Technical)

#### **Actions**

##### **1. APOLOGIES**

There were no apologies.

##### **2. DECLARATIONS OF INTEREST**

The Chair declared that she was an employee of Aon which both sells specific Local Board liability insurance (agenda item 17) as well as likely to submit a bid to provide a platform for the Welsh LGPS pooling of investments (agenda item 10). These are both being managed and in neither case is the Chair personally responsible for any decisions for the Fund.

##### **3. MINUTES AND MATTERS ARISING**

The minutes of the meeting held on the 1 March 2016 had previously been confirmed as a correct record via e-mail.

There were no matters arising. Completed and/or outstanding actions were considered as part of agenda item 4 Action Tracker.

**4. ACTION TRACKER**

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

The contents of the Action Tracker were discussed and agreed as presented.

**RESOLVED:**

The Board noted the action tracker.

**5. LOCAL PENSION BOARD CONFERENCE**

Two Board members (Mr Owen and Mr Duffy), together with the Chair, attended the CIPFA LPB Conference of 20 June 2016. The overall feedback was very positive.

Mr Owen stated that the Pensions Regulator had identified the key areas for the LPBs as being record keeping, internal controls and communications. Mrs Brooks added that the Board should consider including a review of all compliments and complaints as a standard agenda item as, in her experience, they can identify interesting themes. A discussion ensued regarding the benefits of this and Mrs Burnham clarified that there was a complaint record kept in the Administration Team office, additionally, Flintshire County Council does have its own recording system.

Mr Owen's view is that the role of the Board is to challenge and support the Administering Authority; however, it was clear from the conference that there was a lack of clarity on the role of the Board at some other administering authorities. He also stated that he believed it was working well in Flintshire.

Mr Duffy added that other main topics included investment trends, Brexit and breaches of legislation.

**Resolved** - Action *to add Compliments and Complaints as a standard agenda* item for future meeting.

Board  
Secretary

**6. KEY PERFORMANCE INDICATORS**

A presentation on the progress in developing the administration team's performance measures was given by Mrs Williams.

## Actions

Significant work had been undertaken to date with the effort focused on retirement cases initially so that a full understanding of and confidence in the output can be gained before expanding to other case types. It was noted, however, that Altair does not make retrospective changes e.g. if the April output looked wrong it was not possible to access Altair, correct the data, and re-run the KPIs.

The Board were shown slides of the output currently available and detail was given of future information that will be reported. Following the presentation the following points were raised.

Mr Owen commented that the production of the KPIs was clearly extremely useful information for the Board and Committee, but it is, more importantly, key management information. Mr Owen asked how they would bring all the indicators together to achieve the targeted 95% and when would all the information be available. Mr Owen also asked for clarification as to whether the targets were discrete or composite.

Mrs Burnham responded that they were waiting for the GAD factors regarding transfers which had delayed them significantly so they would not achieve the 95% target in that area; the ongoing work on addressing the backlog will also result in under achievement of the target. Mrs Burnham highlighted that, regardless of the target being achieved, the KPIs allow her to focus on those other areas where it is not being achieved and ensure appropriate plans are put in place for improvement. Mrs Burnham confirmed that targets were discrete.

Mrs Brooks asked how the results from the KPI reports would tie in with the satisfaction survey and whether they would be included.

Mrs Burnham responded that the aim is 95% of those surveyed should be satisfied, however, this is not linked to the other KPIs. The survey forms are to be sent to a targeted genre of members e.g. retirees in August.

Mr Latham, as CPFM, added that the KPI strategy is aspirational over at least a three year period. From his perspective this will provide management information on the performance of the team.

The Chair referred to the backlog information (casework to March 2013) and stated that the anticipated completion date is now November 2016 and not September 2016.

The Chair also asked, in relation to ongoing work management, how the team knew what was outstanding and the date when the case started.

Mrs Burnham explained that tasks are allocated automatically by the

## Actions

system based on the earliest case date and allocated to the relevant officer. Where backlog tasks are being completed, the Team Leaders allocate these as appropriate to team members as it is important to ensure current work is also being undertaken.

Mr Owen expressed the view that the Team should concentrate on getting all areas onto the KPI reports rather than try to get individual areas up to 100%. This would identify areas where more focus was required and help all understand any underlying problems.

In response, Mrs Williams briefly updated the Board on how the KPIs would assist in identifying where delays exist, for example, whether it was with the administering authority, an employer or a scheme member.

Mr Jackson clarified that the Board would only require information at a high level.

The Chair commented that legal requirements in respect of timescales were not included on the KPI report. Mrs Burnham replied to confirm that they will be built into the reporting.

The Board asked that feedback was given to the team that they were really pleased with the progress made to date to which the CPFM added there was an absence of consistency of performance measurement within the LGPS. The CPFM commented that the Scheme Advisory Board national benchmarking did not appear to drill down into administration KPIs much and that they should be more interested in this area, in his view.

In relation to the element of the backlog that is being completed by Mercers, it was noted that this project is being relocated to Liverpool. Mrs Burnham stated that she had been assured that this move would not impact project timescales nor increase the work of the Clwyd pension administration team.

In relation to the pre 14 backlog, Mrs Burnham confirmed that this is still being managed internally and it should be complete by Q2 this year.

When asked when the full KPI reporting would be ready, Mrs Burnham confirmed it would be at the end of July – but she noted that it won't be fully populated until applicable cases arise due to them not picking up cases retrospectively.

**Resolved** – that the Pension Board would consider this at a later date when further reporting is available and it should be added to the future work plan.

**Actions**

Board  
Secretary

**7. BULK TRANSFER**

The Pension Board asked Mrs Burnham to explain the perceived delay in concluding this bulk transfer to Gwynedd Pension Fund. Mrs Burnham explained that the transfer date was during March 2013 with Education staff moving to Gwynedd County Council. The main delay was due to the discussions between the actuaries of the two Funds in agreeing the terms of the transfer. Discussions then took part between the two council treasurers regarding the deficit; it was agreed to transfer this.

It was stressed that there was no significant impact due to the delay.

Mrs Burnham added that there were no other bulk transfers in the pipeline and that bulk transfers applied to groups of ten people or more.

**8. SCHEME/ GMP RECONCILIATION**

The Pension Board asked for this item to be put on the agenda to better understand the work and potential costs included within the budget. Mrs Burnham started by providing an overview, explaining that, as part of the review of State Pensions, the Government is ceasing holding GMP information for scheme members on their systems. Accordingly, all pension scheme providers who have been contracted out of the state scheme will need to ensure that their GMP records are accurate. This means, that the schemes will need to reconcile their records with those held by HMRC by 2018.

This is a significant task and there are insufficient internal resources available to undertake what is a high risk task. The Fund has over 35,000 records of which, following preliminary work undertaken as part of a pilot scheme, some 20,000 do not fully match, 5,824 100% match, 18,000 orphan matches (HMRC have scheme members with GMP liability that we do not or vice versa). Mrs Burnham explained it is important that this work is undertaken before the HMRC system is closed as inconsistent records after that point will cause problems. The budget for the work is calculated on the basis of the estimated number of records and at an average rate per record. The National LGPS Framework will be used for the procurement.

The Chair advised Board members that this is a significant challenge for most LGPS administering authorities. She was aware that the budgeted amount was in line with the general costs being quoted

throughout the marketplace and, given her understanding of the work involved, she was supportive of this being outsourced as otherwise it would have a material impact on business as usual.

**9. THE PENSION REGULATOR CODE OF PRACTICE COMPLIANCE CHECKLIST – UPDATE**

The Chair identified this as one of the key areas of responsibility for the Board and that it will be a standard agenda item.

One of the key areas discussed, that had been highlighted by the compliance check, was recording and reporting breaches of the law. It was discussed how the Fund's procedure focusses on monitoring, reporting, investigating and remedying breaches with a view to minimising the likelihood of breaches recurring. Mrs Burnham clarified that these are discussed at team meetings and that the management information produced as part of the KPI reports would identify breaches of the law. Ad hoc breaches, outside those captured by the KPIs, are asked for at team meetings. It was also noted that there may be Breaches of Law occurring within the Finance team and that these must also be recorded in the register. The Board welcomed that these issues were being dealt with transparently.

**10. POOLING OF INVESTMENTS**

The Chair gave a brief update on the pooling discussions held at the CPF Committee of the 5<sup>th</sup> July.

There was a discussion amongst Board members where they recognised the risks of pooling investments.

The Board Secretary explained that the Fund will have to operate differently to how we have been used to especially for infrastructure, private equity and so forth. Infrastructure may be done nationally and private equity through the pool. He also reassured the Board that the Fund Actuary and our Investment Consultant were both qualified and experienced to give advice noting that the Clwyd Pension Fund investments are generally more complex than is typically the case.

Mr Duffy raised the issue of the size of the Welsh pool and whether it was sufficient to make savings. The Board Secretary responded saying he hoped that would be the case but it would depend on the model adopted, for example, we could benefit from scale with some operators.

**11. RISK REGISTER**

The Chair referred to the risk register heat maps provided and clarified that these are driven from the risk register but should allow for easier identification of those risks that require attention. The arrows identify movement whilst a white background signifies a new risk.

The detailed register makes use of emoticons (smiley faces) to visually compare the current risk level to the target level and how far apart these two levels are.

Following a comment by Mr Hibbert at the CPF Committee the covering report will comment on the higher risk areas when the register is presented to each Committee.

The Chair then asked the Board for their views of the proposed format. The Board indicated that they were happy with the revised risk register.

**12. FLIGHTPATH**

Mr Owen asked whether the Fund Actuary, Mercer, had provided the funding comparison information that been requested by the Chief Executive during the Flightpath agenda item. Mr Owen was referring to the minutes of the CPF Committee.

***Resolved - The Board Secretary will follow this up with the Fund Actuary.***

Board Secretary

**13. ANNUAL LOCAL PENSION BOARD REPORT**

The Chair shared an outline of the proposed Pension Board Annual Report with the Board and explained that an annual report was required and that it needs to reflect the Board members' thoughts and views. However, the Chair was willing to draft the report for the Board's consideration if requested to do so.

Mr Owen responded that he was he was happy for the Chair to draft the report but that, for 2015/16, it should include a section regarding Internal Audit reports and that consideration should be given as to whether the proposed section, for 2016/17, regarding the UK exit from Europe (Brexit) should be removed

Mrs Brooks commented that, for 2015/16, a section should be included on the input from the focus groups to try and further improve communications. For 2016/17 this should be included in the report as well as the Pension Regulator focus.

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The Chair stated that due to the length of time to the next Board meeting the annual report would be finalised via email or by telephone if necessary.

Following the discussion regarding communication to Fund members regarding any potential impact of Brexit and Pooling on the Fund the Chair commented that concerns regarding this were raised at the CPF Committee and a scheme member communication was being prepared. The Board were satisfied that this concern was being addressed.

**Resolved – Chair to draft report** taking into consideration the above comment and circulate to the Board for comments.

Chair

**14. VALUATION 2016 - ENGAGEMENT WITH EMPLOYERS**

Mrs Burnham updated the Board on the position to date. All year end documents and contributions had been received although not all are in the required format. Further work remains necessary regarding the reduction of errors and that the data has not yet been forwarded to the Fund Actuary; this should be actioned next week. Data quality is better than last year although it is still work in progress. As part of improving the data quality additional meetings are taking place with the employer with the greatest issues. In terms of overall quality a lot will depend on the Fund Actuary's view of the data when they receive it and begin testing.

The Board Secretary updated the Board on the progress to date including ongoing engagement with employers, the setting up of the steering group and that meetings have taken place with two education bodies. Overall, the officers of the Fund are trying to engage as effectively as possible. Meetings with other employers are on the agenda and consideration of how best to undertake these meetings is ongoing. As part of the discussions the Board expressed that they were happy with the progress to date.

**15. CONSIDERATION OF 24th MAY 2016 PENSION FUND COMMITTEE MEETING PAPERS**

The Chair opened this item up to the Pension Board. Mr Owen stated that he had already raised his question. No other questions were raised.



**Actions**

**16. INPUT INTO ADVISORY PANEL AND CPF COMMITTEE**

No areas were raised for input into either the Advisory Panel or the CPF Committee.

**17. PENSION BOARD INSURANCE**

After highlighting her potential conflict of interest, the Chair briefed the Board on work undertaken by the insurance risk arm of Aon regarding the extent, if any, that existing local authority insurance would cover pension boards in general.

The conclusion was that current insurance by local authorities is unlikely to cover pension boards and that self-insurance for part of the risk, common in local authorities, would not be permissible in law.

Possible resolutions of this issue include contacting the Council's insurers to determine if they would extend their cover, at what cost, and with what exclusions. Also, Aon do have a suitable insurance product which could be considered; cost varies according to liability cover and is on a board basis not a person basis.

***The Board Secretary agreed to pursue with the Council's insurance team with a view to trying to resolve this by September.***

**RESOLVED:**

The Board resolved that they would like this to be continued to be pursued.

Board Secretary

**18. FUTURE WORK PLAN**

The Chair presented the future work plan and initiated discussion. Mrs Brooks suggested a new future item would be information assurance including data protection, whether staff had all received appropriate training and considering any breaches of data protection. ***The Chair agreed to update the work plan.***

Chair

The Chair also suggested that the Board could receive demonstrations of some of the future administration functionality, such as member self-service. The Board agreed and the ***Chair agreed to update the work plan.***

Chair

**RESOLVED:**

The Board resolved that the additional items are added to the work plan as detailed above.

**19. PENSION BOARD BUDGET MONITORING**

Mr Hughes gave a verbal update to the Board regarding the 2016/17 budget. No issues were raised and it was noted the cost of any insurance would come out of the budget. Mr Hughes explained that, for this year, sufficient funds existed to absorb the part year cost of the insurance but that the budget would need to include this item for 2017/18.

**RESOLVED:**

The Board accepted the budget monitoring report.

**20. FUTURE DATES**

The Board Members were reminded of the future Board meeting dates already agreed, namely 13/10/16, 02/03/17 and 28/06/17. The Chair asked the Board to advise her if there was an issue with any of these dates.

**21. ANY OTHER BUSINESS**

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

Board  
Secretary