

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 13 June 2018
<b>Report Subject</b>	Draft Pension Fund Accounts 2017/18
<b>Report Author</b>	Pension Finance Manager

### EXECUTIVE SUMMARY

Changes to the statutory financial framework remove the requirement to report the Pension Fund accounts with the Flintshire County Council statement of accounts. Instead the pension fund accounts must be reported solely via the Pension Fund Annual Report.

The separation of the Pension Fund accounts from the main County Council statement of accounts means that the Pension Fund accounts have to be subject to separate approval by Members. The 6 June 2018 meeting of the Audit Committee approved delegation to approve the Pension Fund accounts to the Clwyd Pension Fund Committee.

The draft Pension Fund accounts for 2017/18 are attached at Appendix 1 and are scheduled to be audited by Wales Audit Office in June/July 2018.

The audited Pension Fund accounts will be submitted to the Clwyd Pension Fund Committee for approval on 5 September 2018 as part of the Pension Fund Annual Report.

### RECOMMENDATIONS

1	That Members note the delegation of the approval of the accounts and comment on the draft unaudited Pension Fund accounts.
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### REPORT DETAILS

<b>1.00</b>	<b>Annual Accounts</b>
1.01	<b>Governance</b>
1.01	The Accounts and Audit (Wales) 2018 Regulations remove the requirement to report the pension fund accounts with the Flintshire County Council statement of accounts. Instead the pension fund accounts must be reported solely via the Pension Fund Annual Report. The LGPS Regulations 2013, as amended, require the Fund to publish an Annual Report before 1st December 2017. This is a later deadline to the County

Council statement of accounts which remains 30 June for submission to external audit with a 30 September publication deadline.

The separation of the Pension Fund accounts from the main County Council statement of accounts means that the Pension Fund accounts have to be subject to separate approval by Members. The 6 June 2018 meeting of the Audit Committee approved delegation to approve the Pension Fund accounts to the Clwyd Pension Fund Committee.

The draft Pension Fund accounts for 2017/18 are attached as appendix 1 and are scheduled to be audited by Wales Audit Office in June/July.

The audited Pension Fund accounts will be submitted to the Clwyd Pension Fund Committee for approval on 5 September 2018 as part of the Pension Fund Annual Report.

### **Pension Fund Accounts**

1.02 The draft Annual Accounts for 2017/18 are at Appendix 1. The separation of the Pension Fund accounts from the County Council statement of accounts has provided the opportunity to align the layout of the accounts with that of the Annual Report.

The key changes to the accounts for 2017/18 include:

- Expansion of the significant accounting policies (Note 3) and inclusion of the critical judgments (Note 4) to more fully comply with the CIPFA Code of Practice on Local Authority Accounting (the Code);
- Simplified disclosure of management costs and investment management expenses to focus on the significant figures (Note 10) in line with the Code and CIPFA Guidance. More detail will be reported in the Pension Fund Annual Report;
- Re-analysis of investments to meet the Code and CIPFA Guidance focussing on the class of assets rather than the investment strategy (Notes 11-13);
- Additional disclosures concerning fair value (Notes 15A and 15B);
- Slimmed down disclosure concerning financial risk (Note 17) to reflect the Code requirements, professional guidance and the key elements of the Council's approach.

Salient points from the accounts include:

- Management expenses increased by £6m. This largely reflects:
  - Increases in ad valorem fees for the core fund managers;
  - Additional fees arising new investments in private equity and infrastructure together with greater fee transparency arising from regulatory changes
- Net growth of assets dropped from £318m (23%) in 2016/17 to £87m (5.2%) in 2017/18.

	<ul style="list-style-type: none"> <li>The actuary reported a slight decrease in gross pension liabilities from £2,642m in 2016/17 to £2,629m in 2017/18, when valued on an accounting standards basis (IAS26). This was largely due to a reduction in the rate used to discount liabilities from 4.9% to 4.6%. Coupled with the increase in net assets this improved funding from 63.9% to 67.9%. IAS 26 tends to overstate the value of liabilities because of the discount rate, however it indicates that funding levels have improved since last year. It should be noted that these figures are based on IAS19 rather than the assumptions and methodology used for funding purposes. The estimated funding position on this basis as at 31<sup>st</sup> March 2018 was 89%, which reflects a significant improvement on the 2016 funding position of 76%.</li> </ul>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Note 17 of the Pension Fund accounts discloses the risks to which the Fund is exposed from using different types of financial instrument and how those risks are managed. These form part of the Pension Fund risk register (along with strategic and operational risks) which is subject regular scrutiny by the Committee, internal and external audit.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Draft Clwyd Pension Fund Accounts 2017/18

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None</p> <p><b>Contact Officer:</b> Debbie Fielder, Pension Finance Manager  <b>Telephone:</b> 01352 702259  <b>E-mail:</b> debbie.a.fielder@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p>