

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Friday, 23rd June 2017
Report Subject	Clwyd Pension Fund Update
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

It is normal practice for Committee to receive several monitoring reports on governance, administration and communication, funding and investments, including progress against the Business Plan and recommendations on how any emerging risks to the Fund should be managed.

Following the local elections there has been a significant change in the membership of the Committee. Time has not allowed for the new Committee Members to receive induction training to enable an understanding of these technical reports.

Therefore, the aim of this report is to provide a high level summary of the main issues across the Fund, comply with any specific reporting requirements and record delegations undertaken by officers since the last Committee.

The Advisory Panel continue to monitor the Business Plan and any emerging risks during this period of governance transition. There is an immediate funding and investment risk to be managed by the Fund which is explained in the next agenda item. There is an immediate administration risk and a recommendation is made in this report. Officers and advisors will be present at Committee to provide further background and information as required.

The aim is for induction training to be completed before the next Committee on 20th September 2017 and normal reporting practice will resume.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee approve the revised organisation structure for the Technical Team and ring-fence the appointment of Lead Technical Officer

	to within the Pensions Administration Section.
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REPORT DETAILS

1.00	CLWYD PENSION FUND SUMMARY
1.01	<p>Governance</p> <p>The Fund's Training Policy requires Committee Members to undertake training to comply with best practice guidance. The first day of induction training on the LGPS and Governance is planned for 19th July 2017 and will be delivered by the Fund's Independent Advisor and Clwyd Pension Fund Manager. There will follow a series of other training days on funding, investments, pooling investments and administration and communication. Each session, which will be delivered by the Fund's expert advisors, will provide both the theory and how the Clwyd Fund applies that theory. Officers will organise dates between now and the next Committee with preference given where the new Members are available to attend, albeit previous Committee members should also attend as a refresher. It is hoped that the second training day will be during the week commencing 24th July with the final days being at the beginning of September. Although training will be on-going, the aim of the induction training is for Members to more quickly be able to understand and question the advice they will receive from Advisors and Officers, to enable robust decisions to be made.</p>
1.02	<p>The Clwyd Pension Fund Board met on 1st March 2017. As previously agreed, to keep Committee informed of the work of the Board, the draft minutes are attached as Appendix 1. The national LGPS Scheme Advisory Board is currently undertaking a national survey on the how successful the relatively new 'Local' Boards have been in following the regulations set by the Department Communities and Local Government (DCLG). The survey is looking for views from Board Members, Committee Members and Trade Unions. Given the new membership of the Pension Committee the survey will be completed by the Clwyd Pension Fund Manager. Separately the Chair of the Local Pension Board will be completing it on behalf of and in liaison with the Pension Board members.</p>
1.03	<p>The national Scheme Advisory Board and sub-committees, Investment, Governance and Engagement Sub Committee and Cost Management, Benefit Design and Administration Sub Committee have met during February and March 2017. The agendas, actions and agreements can be found at www.lgpsboard.org. Some of the items currently on the agenda are:</p> <ul style="list-style-type: none">• Socially responsible investment,• MiFID II (covered by a separate agenda item),• Investment Pooling (commonly referred to as pooling),• Cost Transparency (relating to investment fees),• The Pension Regulator Survey on administration and governance in public sector schemes and• Cost Management Process (which relates to limits on some elements of the employer pension contributions).

	Updates on any outcomes will be provided but Members are also encouraged to visit the web-site.																																								
1.04	<p>Funding and Investments</p> <p>The estimated funding position as at 31st March 2017 was 86% which is 9% ahead of the expected position at this point based on the assumptions set at the 2016 Actuarial Valuation.</p>																																								
1.05	<p>The investment returns for the Fund as at 31st March 2017 are shown in the table below and compared with various benchmarks and targets. Global financial markets have been favourable over recent years which are reflected in the strong returns and the improvement in the funding position. Further details will be provided in the Fund's Annual Report which will be presented to the next Committee. A more recent update on the funding position and investment returns will be provided at the Committee.</p> <table border="1"> <thead> <tr> <th></th> <th colspan="2">3 months %</th> <th colspan="2">12 months %</th> <th colspan="2">3 years % p.a.</th> <th>Strategic</th> </tr> <tr> <th></th> <th>Fund</th> <th>B'mk</th> <th>Fund</th> <th>B'mk</th> <th>Fund</th> <th>B'mk</th> <th>Allocation %</th> </tr> </thead> <tbody> <tr> <td>TOTAL CLWYD PENSION FUND</td> <td>3.4</td> <td>2.8</td> <td>21.5</td> <td>16.2</td> <td>11.4</td> <td>9.9</td> <td>100.0</td> </tr> <tr> <td>Strategic Target (CPI +4.1%)</td> <td>1.6</td> <td></td> <td>6.3</td> <td></td> <td>6.3</td> <td></td> <td></td> </tr> <tr> <td>Actuarial Target (CPI +2.0%)</td> <td>1.1</td> <td></td> <td>4.2</td> <td></td> <td>4.2</td> <td></td> <td></td> </tr> </tbody> </table>		3 months %		12 months %		3 years % p.a.		Strategic		Fund	B'mk	Fund	B'mk	Fund	B'mk	Allocation %	TOTAL CLWYD PENSION FUND	3.4	2.8	21.5	16.2	11.4	9.9	100.0	Strategic Target (CPI +4.1%)	1.6		6.3		6.3			Actuarial Target (CPI +2.0%)	1.1		4.2		4.2		
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1.06	The Funding & Risk Management Group, Tactical Asset Allocation Group and Private Equity and Real Asset Group continue to actively manage the implementation of the Investment Strategy Statement and the delegated decision made during the period are provided in Appendix 2.																																								
1.07	The project to pool investments across the eight LGPS funds in Wales continues. An Invitation to Tender was issued on 9 th June 2017 to six short-listed bidders. As required under the Inter-Authority Agreement each administering authority will be required to approve the appointment. In the case of this Fund, this has been delegated to this Committee. It is planned a recommendation will be made to the 20 th September Committee. The first meeting of the newly constituted Joint Governance Committee (JGC) is planned for 29 th June 2017 in Cardiff, where the Clwyd Pension Fund will be represented by the Chairman of the Pension Fund Committee. An Officer Working Group, whose role is to advise the JGC, continues to meet regularly, with Philip Latham, Clwyd Pension Fund Manager, being the main representative for the Fund. The Wales Pool will be known as the Wales Pension Partnership (WPP). The host authority for the WPP is the Dyfed Pension Fund, however, it was been agreed that the Pension Finance Managers from the Clwyd Fund will continue to represent the WPP on the cross pool infrastructure and responsible investment groups. The DCLG continue to monitor progress of all the pooling projects.																																								
1.08	<p>Administration & Communication</p> <p>As required by the Fund's Governance Policy Statement, the annual internal audit report is attached as Appendix 3. All the recommendations have been agreed.</p>																																								

1.09	The Pensions Administration Team are progressing a number of areas to improve services in line with the Administration and Communication Strategies. An update of the membership statistics, Internal Dispute Resolution Procedures (IDRP) and communications issued will be included in the Fund's Annual Report and future Committee reports.
1.10	<p>The number of employing bodies in the Fund has now increased to 40. Three new employing bodies have been admitted to the Fund under delegated powers since the last Committee. All are a result of alternative delivery models by Flintshire County Council, which means employees have transferred from Flintshire County Council to these new employers. The new bodies are as follows, with the date of entry to the Fund being shown for each as well as the approximate number of scheme members:</p> <ul style="list-style-type: none"> • Holywell Leisure Services (1st April / 37 members) • Newydd Catering & Cleaning Ltd (1st May / 404 members) • Cartref Ni Ltd (supported housing -1st June / 5 members).
1.11	<p>Workforce planning for the Administration Section is part of the Business Plan to ensure that the Section is appropriately resourced for the amount and type of work they carry out, and that succession planning is taking place where possible. Although work is on-going across the Section, the Technical Team have a more immediate risk to manage. This team maintains the pension systems software and website, reconciles employer records and processes all the Fund's pensioners' payroll payments.</p> <p>The current and recommended organisation structures are shown in Appendix 4. There are a number of reasons for recommending these changes which are outlined in the Appendix. In total the number of Full- Time Equivalent posts within the Team only increases by 0.1 and the budget increase is approximately £15K, subject to the outcome of job evaluation for the new Lead Technical Officer post. In addition it is recommended that the recruitment of the new post is ring-fenced to officers within the Pension Administration Section.</p>

2.00	RESOURCE IMPLICATIONS
2.01	Paragraph 1.11 outlines changes to organisational structure, recruitment and an increase in the budget of approximately £15K per annum.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	The risk register covers risks across the Fund. In particular this report considers the following risks

	<p>Governance Risk No.2: Inappropriate or no decisions are made as a result of changes to the Committee.</p> <p>Administration & Communication Risk No.1 – Unable to meet legal and performance expectations due to staff issues.</p> <p>The risk register will be made available at future meetings and is available on request to the Clwyd Pension Fund Manager.</p>
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5.00	APPENDICES
5.01	<p>Appendix 1 – Draft Clwyd Pension Fund Board Minutes</p> <p>Appendix 2 – Officer Delegations</p> <p>Appendix 3 – Internal Audit Report</p> <p>Appendix 4 – Technical Team Organisation Structure</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Clwyd Pension Fund:</p> <p>Business Plan 2017/18 to 2019/20</p> <p>Training Policy</p> <p>Governance Policy Statement.</p> <p>Risk Register</p> <p>Investment Strategy Statement</p> <p>Funding Strategy Statement</p> <p>Administration Strategy Statement</p> <p>Communication Strategy Statement</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – 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) Administering authority or scheme manager – 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) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p>

- (d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (f) **TPR – The Pensions Regulator** – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.
- (g) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (h) **DCLG – Department of Communities and Local Government** – the government department responsible for the LGPS legislation.
- (i) **MiFID II- Markets in Financial Instruments Directive II** - the EU legislation that regulates firms who provide services to clients linked to “financial instruments” (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.