Clwyd Pension Fund

Annual Report 2016 - 17

LAPF Investments 2015 Awards WINNER

LAPF Investments 2016 Awards FINALIST

CLWYD PENSION FUND – AWARDS

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

LAPF Investments 2015 Awards – September 2015

Won – Risk Management Project of the Year

LAPF Investments 2016 Awards – September 2016

Finalist - Governance

Contents

Introduction

Welcome to the Clwyd Pension Fund Annual Report for 2016/17.

2016/17 Overview

In the Annual Report last year we outlined the on-going challenges for the Fund in 2016/17 and over the next few years.

- Completing the March 2016 actuarial valuation and reviewing our future funding and investment strategies
- Continuing the preparatory work for the introduction of asset pooling by April 2018
- Implementing new ways of working to improve our administration and communications for employers and members.

Although, the Actuarial Valuation is dated March 2016 it was during 2016/17 that we prepared and provided the data to our Fund Actuary so he could carry out the valuation. It was during 2016/17 that the employer contribution results were received from him. Overall, there was positive feedback from employers on the process during what, for some, were difficult discussions in terms of finding the balance between the affordability of contributions and the long term financial health of the Fund.

It is the return from investments that plays a vital role in controlling the costs of pensions for employers. Therefore, in conjunction with the Actuarial Valuation the recommended some minor changes. The Investment Consultant considers the level of return assumed by the Actuary in the Actuarial Valuation and seeks to find an investment strategy that will deliver those required returns over the longer term. When doing this the Investment Consultant also considers the risk of the financial markets that we invest in falling significantly in value. Although financial markets can be unpredictable the Fund spends a lot of time finding the correct risk and return balance and taking advantage of market opportunities as they arise. Although only one year, 2016/17 proved to be a kind year in terms of financial markets. The Fund’s investment return was 21.5% which was well ahead of the assumptions used by in the Fund's Actuarial Valuation. The Fund’s financial position is now as favourable as it has been for two decades but we are very conscious on how quickly this sentiment can change.

We have continued to work with the other seven Welsh LGPS Pension Funds to introduce "asset pooling", in order to meet new guidance from Central Government. The Council has now signed Inter-Authority Agreement to formally enter into a partnership with the other seven Funds, the name of which is the Wales Pensions Partnership. As a result of this Partnership the Clwyd Pension Fund will increasingly invest collaboratively, rather than making our own individual investment arrangements. This simply means that the Clwyd Pension Fund will continue to decide the type of asset we want to invest in, whilst a professional organisation which will be appointed by the Partnership will decide which asset manager will be used for each type of investment.

The aim of the Wales Pensions Partnership is to reduce costs, increase efficiencies and further improve governance over the Welsh LGPS Pension Funds' investments. This will be a major change in how we operate, which we should have implemented by April 2018. This change will have no impact on scheme members' pensions or other benefits, nor on the way that we pay their pensions. The Inter-Authority Agreement includes provision for an Officer Working Group and Joint Governance Committee, both on which the Fund is represented. Fund officers also represent the Wales Pension Partnership on national groups for Responsible Investment and Infrastructure.

In March 2016, we formalised and launched the Fund's Administration and Communications strategies. The performance targets in our strategies are aspirational and we acknowledged at the time it would take around two years to fully implement and this is proving to be the case. The objectives continue to be focussed on providing a high quality customer focussed service to our stakeholders, with clear concise communications using the most appropriate means of delivery. In 2016/17 progress has been made especially with the creation of an Employer Liaison Team to assist some employers in their role of providing accurate and timely member data to the Fund. We also commenced the roll out of a new system (called i-Connect) to increase efficiency in transferred data between employers and the Fund. The Fund's Business Plan included further projects for improvement. Valuable assistance was provided throughout the year by the Pension Board and progress continued to be monitored by the Pension Committee.

Overall we can look back on 2016/17 in a positive light, as we continued to meet most of the Fund's objectives within a challenging environment, and made good progress at introducing a number of improvements to benefit the Fund and its stakeholders in the future. Hopefully this annual report illustrates the progress that has been and is being made in managing the various complex risks across the Fund.

2017/18 and Beyond

There were local elections in May 2017 and this resulted a change in Pension Committee membership. Of the 9 members on the Committee there are 4 new members, including a new Chair. The priority has been to train the new members to enable them to have the confidence in making decisions on the future of the Fund whilst receiving ongoing advice, and effectively challenging that advice, from both officers and advisors. The induction training is over four days covering governance, funding, investments and administration. Thereafter, training will be on-going in line with the Fund's Training Policy.

Looking to the future, we know there are still ongoing challenges for us to overcome. In addition to business as usual our business plan for the next three years has three key themes:

- Continuing with the implementation of assets pooling in Wales
- Responding to the requirements of the second Markets in Financial Instruments Directive (MIFID 11) which is new for 2016/17.
- Achieving the objectives of the Fund's aspirational administration and communication strategy as explained above.

This annual report
We hope you find this annual report useful. Our aim is to be as representative and transparent as practically possible. In it you will find much more detail relating to the points we have highlighted above, as well as all of our main strategy and policy statements. It also includes information on how we manage the Fund, including its governance and operational aspects. Our three key advisers also include their own reports to provide us with greater external assurance on how we are running the Fund and you will also find the annual report from the Fund's Pension Board. More information about the Fund can be found on our pension fund web-site clwydpensionfund.org.uk. We welcome any comments or questions on the content of this report.

Our intention is to seek continuous improvement in line with the Fund's Mission Statement as shown below. On that note, we invite any stakeholder to contact us with any comments or suggestions for improvement on any aspect on the management of the Fund.

Finally, we would like to thank all those involved with the management and administration of the Fund for their continuing hard work and dedication through what has been a challenging last decade.

Dave Hughes
Chair of Pension Fund Committee

Colin Everett
Chief Executive

September 2017

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 & Overview 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. Additionally, the representation of stakeholders, with full voting rights, on the Committee was widened. In performing their role the Committee takes advice from an advisory panel of officers and professional advisors. The Committee has a scheme of delegation to officers to ensure efficient implementation and receives monitoring reports at each quarterly Committee on governance, funding, investment, administration and communication strategies and progress with the 3 year Business Plan. The minutes of each Committee are available on the Flintshire County Council website. The membership of both the new Committee and Advisory Panel are shown below.

The Public Service Pensions Act 2013, which has been incorporated into the Local Government Pension Scheme (LGPS) regulations, included the establishment of Local Pension Boards.

The role of the Board as defined in Regulation is to secure compliance with regulation and legislation and ensure effective and efficient governance. The minutes of Board meetings are included in the Committee agenda papers and Board members attend Committee, making an important contribution to debates and discussion. The Board annual report is included within this Annual Report.

The protocol for the Local Board can be found on the Fund's web-site, www.clwydpensionfund.org.uk.

Following County Council election in May 2017, there were four new members appointed to the Pension Fund Committee, including a new Chair. There is an outstanding appointment to be finalised for the 5th Flintshire representative. Details of the new Committee are shown below.

Clwyd Pensions Fund Committee (Effective from May 2017)

Committee Members		Voting Rights
Flintshire County Council	Cllr Dave Hughes (Chair)	✓
	Cllr Haydn Bateman (Vice Chair)	✓
	Cllr Billy Mullin	✓
	Cllr Ralph Small	✓
	Vacant	✓
Denbighshire County Council	Cllr Huw Llewelyn Jones	✓
Wrexham County Borough Council	Cllr Nigel Williams	✓
Scheduled Body Representative	Cllr Andrew Rutherford	✓
Member Representative	Mr Steve Hibbert	✓

Advisory Panel

Panel Members	
Chief Executive (FCC)	Colin Everett
Corporate Finance Manager/ S151 Officer (FCC)	Gary Ferguson CPFA
Clwyd Pension Fund Manager (FCC)	Philip Latham
Investment Consultant (JLT Group)	Kieran Harkin
Fund Actuary (Mercer)	Paul Middleman FIA
Independent Advisor (Aon Hewitt)	Karen McWilliam FCIPP

Clwyd Pension Fund Local Board

Local Board Members		Voting Rights
Independent Chair	Karen McWilliam	X
Employer Representatives	Mark Owen	✓
	Steve Jackson	✓
Scheme Member Representatives	Gaynor Brooks	✓
	Vacant	✓

Investment Managers

Investment Managers	Address
Insight Investment	160 Queen Victoria Street, London
Investec Asset Management	2 Gresham Street, London
Man FRM	Riverbank House, 2 Swan Lane, London
Pyrford International Ltd	95 Wigmore Street, London
Stone Harbor Investment Partners (UK), LLP	48 Dover Street, London
Wellington Management International Ltd	Cardinal Place, 80 Victoria Street, London

The Fund has a number of investments with managers investing in Property, Private Equity, Infrastructure, Timber & Agriculture which are listed in the Investment Policy & Performance section of this report.

Other

Service	Address
Custodian: **Bank of New York Mellon**	160 Queen Victoria Street, London
Actuary: **Mercer Ltd**	Old Hall Street, Liverpool
Consultant: **JLT Employee Benefits**	7 Charlotte Street, Manchester
Independent Advisor: **Aon Hewitt**	122 Leadenhall Street, London
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 National Framework Agreement .**	

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) 702812

Committee Attendance / Training and Activity 2016/17

As previously mentioned there was a substantive change to the membership of the Pension Committee in May 2017. Training is currently being provided to both new Members and as a refresher to existing Committee Members. Initial training days to date have included the following areas which cover the areas recommended in the CIPFA Knowledge and Skills Framework whilst being Clwyd Pension Fund specific:

- Governance
- Actuarial and Funding (including the Fund's Liability Driven Investment mandate)
- Administration and Communications
- Investment Strategy

The table below identifies the attendance at Committees and specific training undertaken during 2016/17 by the Committee in place during that year.

	Chair	Vice Chair	Flintshire Member	Flintshire Member	Flintshire Member	Denbighshire Member	Wrexham Member	Other Scheme Body	Scheme Member Representative
Committees (approx 3hrs)									
Special Committee April 2016	✓	✓	✓	✓	✓	✓	✓	✓	✓
May 2016	✓	✓	✓	✓			✓	✓	✓
Special Committee July 2016	✓	✓	✓	✓	✓		✓	✓	✓
September 2016	✓	✓		✓	✓		✓	✓	✓
November 2016	✓	✓	✓	✓	✓	✓	✓	✓	✓
February 2017	✓	✓	✓		✓	✓	✓	✓	✓
Special Committee March 2017	✓	✓	✓		✓	✓	✓	✓	✓
CIPFA Framework Requirements 2014/15 – 2016/17									
Governance (1 day)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Funding & Actuarial (1 day)		✓	✓	✓	✓	✓	✓	✓	✓
Investments (1 day)		✓	✓	✓	✓	✓	✓	✓	✓
Accounting (Included with Investments)		✓	✓		✓	✓	✓		✓
Additional Training & Hot Topics									
MiFID II	✓	✓		✓	✓		✓	✓	✓
Actuarial Valuations	✓	✓				✓	✓	✓	✓

	Chair	Vice Chair	Flintshire Member	Flintshire Member	Flintshire Member	Denbighshire Member	Wrexham Member	Other Scheduled Body	Scheme Member Representative
GAD Section 13 Data	✓	✓		✓	✓		✓	✓	✓
Pooling Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓
Investment Strategy Statement	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annual Joint Consultative Meeting (4hrs)	✓	✓	✓		✓	✓			✓
LGC Investment Summit (1.5 days) Sept 2016	✓			✓					
LAPFF Annual Conference (1.5 days) Dec 2016									✓
TUC Pension Conference									✓
LGC Seminar (1.5 days) March 2017	✓	✓	✓	✓	✓	✓	✓		✓

Clwyd Pension Fund Training Policy 2016/17

At a national level, there are expanding requirements for LGPS Pension Committee members, Pension Board members and officers to have an appropriate level knowledge and skills. These are being driven by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Pensions Regulator (tPR) and legislation

The Fund developed a Training Policy which details the proposed training strategy for members of the Pension Fund Committee, Pension Board and senior officers responsible for the management of the Fund. It has been created to provide a formal framework and greater transparency on the training regime in accordance with the national requirements. It will aid existing and future Pension Fund Committee members, Pension Board members and senior officers in their personal development and performance in their individual roles, providing a structure which will ensure that the Clwyd Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The full Training Policy is included in the Best Practice section within this Annual Report.

In order to monitor the knowledge and skills and identify whether we are meeting the objectives of this policy, we will compare and report on attendance at training based on the following:

a) Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.

b) Hot Topic Training – attendance by at least 80% of the required Pension Fund Committee members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.

c) General Awareness – each Pension Fund Committee member, Pension Board member or officer attending at least one day each year of general awareness training or events.

d) Induction training – ensuring areas of identified individual training are completed within six months.

The previous table details all the training provided to Members of the Committee to satisfy the requirements of the Training Policy. This includes committees attended and relevant training sessions, conferences and seminars. All four Local Board Members also received and completed relevant training in line with the Policy, details of which are included in the Pension Board annual report. The Fund has a Training Plan which is provided to both Committee and Local Board Members and details all the training to be covered during the year.

In line with the Training Policy the follow measures relate to 2016/17 in relation to all Pension Committee, Local Board and senior officers (a total of 19 persons):

a) Individual Training Needs – all but one have completed the required training on all key elements in the last three years.   ,

b) Hot Topic Training - Of the 5 additional training sessions offered, the attendance was as follow:
   - 1 session 74%
   - 4 sessions 79%

c) General Awareness – Out of the total of 19 members (Committee and Board) and officers, 16 of them completed at least one general awareness day in accordance with the policy.

Independent Adviser

Introduction

This is my third annual report in my role as Independent Adviser to the Clwyd Pension Fund (the Fund), focussing on the year 2016/176.

My role

I was appointed in early 2014 as Independent Adviser to the Fund, and the intention was that I would become a 'critical friend' to the Fund. My remit was to advise the Fund and report annually to stakeholders on whether the administering authority is managing all risks associated with governance, investments, funding, administration and communication, although it should be noted that I am not required to be, nor indeed am, an expert in all of these areas. In particular, the Fund already has an appointed actuary to advise on funding matters and an appointed investment consultant to advise on investment matters, and I therefore use my working knowledge in these areas (and close working relationship with the appointed advisers) to specifically advise on the governance of these areas rather than on these areas themselves.

This is my third annual report, and it sets out my views on the management and administration of the Fund and, in particular, how it this has evolved during 2016/17 (April to March), but also touches on some developments that have taken place after March 2017. I also highlight some of the ongoing challenges Flintshire County Council will face in the future, in its role as Administering Authority to the Fund, both in the short term and in the longer term.

Overview

Once again, 2016/17 has been another year where there have been significant challenges to the management and operations of the Fund. As before, some challenges have been driven by national changes to the LGPS (particularly around the requirement to implement asset pooling arrangements), whereas others, particularly relating to planned improvements to and evolution of the management of the Fund, have been driven by Flintshire County Council. Once again, my view is that a significant amount has been achieved in an extremely short period of time, which continues to be of great credit to all involved.

Effective Governance

There are some key benefits from having effective governance in place, including:

Robust risk management that can assist in avoiding issues arising or at least reducing their impact

Ensuring resources and time are appropriately focussed

Timely decision making and implementation of change

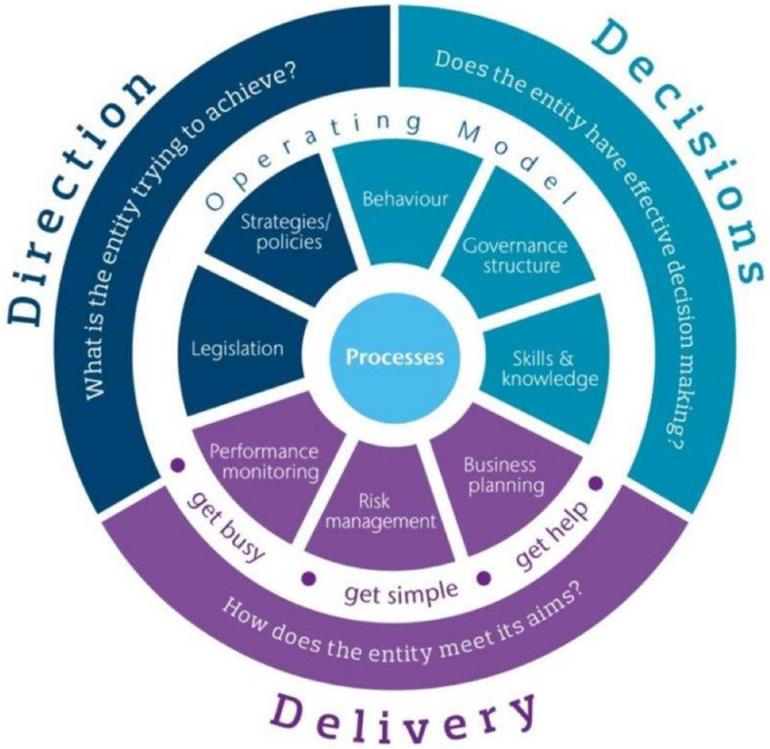
A clear view of how the Fund is being operated for the Pension Fund Committee (or equivalent).

The approach I take in advising Flintshire County Council in its role as Administering Authority to the Fund is to consider its approach to governance against the Aon Hewitt governance framework. The Aon Hewitt governance framework incorporates our beliefs about what it takes to achieve good governance, and considers the following key areas:

Direction – having clear strategies and policies that also meet legislative requirements are fundamental

Delivery – having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management ensure effective and efficient delivery

Decisions – having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is critical.



In relation to each of these elements, I consider the key responsibilities for the Fund, in particular:

the overall governance (aka management and decision making) of the Fund

having an appropriate approach to funding the liabilities

the safeguarding and investment of assets

the administration of the scheme members' benefits and

communications with the Fund's stakeholders.

My thoughts on each of these areas are set out in the next section.

Observations

In this section I consider the progress made in the key areas of focus for the Fund as well as highlighting my thoughts for the future.

Governance

Key achievements:

establishing the Wales Pensions Partnership and agreeing its governance arrangements

robust governance structure and ability to respond quickly through appropriate delegations

excellent business planning and monitoring.

The Fund went into 2016/17 in a strong position with governance arrangements that were well established and operating well including an experienced Pension Fund Committee, a Pension Board providing invaluable assistance and a proactive Advisory Panel, Accordingly during 2016/17, Flintshire County Council governance matters were mainly focussed on responding to national changes, alongside some relatively minor areas of improvement, including:

A few areas which were planned exercises from the Fund's business plan:

The continuing work to be able to implement asset pooling from April 2018 resulted in the eight Welsh administering authorities entering into an Inter-Authority Agreement in March 2017, hence establishing the Wales Pensions Partnership. The Inter-Authority Agreement went through a number of iterations and was subject to comments from officers of the Clwyd Pension Fund, the Advisory Panel and myself. The Pension Board and Pension Fund Committee also had an opportunity to feed into it before the Pension Fund Committee recommended it for approval to Flintshire County Council. From a structural perspective, this means there is now an all Wales Joint Governance Committee and Officer Working Group who will manage the Wales Pensions Partnership and provide instructions to their Operator for running the asset pooling arrangement. The Inter-Authority Agreement also clarifies key matters such as how budgets will be set, business plans developed and who will make key decisions on the running of the asset pooling arrangement.

As a result of entering this agreement, it was necessary to update the Committee's own terms of reference to include areas such as oversight of the Partnership. The Fund's Governance Policy was also updated and is a useful overview of how the governance now operates within the Clwyd Pension Fund, as well as the relationship with the Wales Pensions Partnership.

I was generally very pleased with the final content of the Inter-Authority Agreement as it appears to lay strong and clear foundations as to how the Partnership should operate going forwards. There were a couple of elements that we would have ideally liked to also be incorporated into the agreement that were excluded but nothing of critical importance. For example, the Flintshire Pension Fund Committee would have preferred a more direct appointment of a scheme member representative on the Joint Governance Committee.

The Wales Pensions Partnership also commenced the procurement exercise to appoint an Operator who will be responsible for establishing the sub-funds within which each of the Fund's assets will be invested. Again the officers of the Clwyd Pension Fund were key contributors to the development of the Operator's requirements and other tender documentation. I am unable to comment on the content or process relating to this procurement as I was not privy to any of the information for confidentiality reasons, but I can confirm that external legal and pensions advisers were used throughout and so the officers of the Fund should have been well advised throughout the process.

The contracts for the Investment Consultant (JLT) and for myself as the Independent Adviser (Aon Hewitt) were subject to review this year. The Pension Fund Committee agreed to extend these (as permitted by their contracts) for a further term to March 2019, at which point they will be subject to procurement.

As I said last year, I continue to feel that the current governance structure is well established and is working as intended. The structure seems to work well allowing decisions to be made urgently where required, which we have seen to be the case a few times during the year. Attendance at Committee, Board and Advisory Panel meetings has been good throughout the year too.

I am also particularly pleased with the value that the Fund is seeing from the Clwyd Pension Fund Board, which I also chair. The Board have produced a separate report (which can be found in the Fund's annual report and accounts) which outlines the work of the Board, and which I believe demonstrates the excellent partnership they have with the Committee and officers of the Fund, and the benefits that they bring to the management of the Fund.

The governance has benefited from good continuity this year too, with very little change to the key decision makers, officers of the Fund and advisers.

I continue to be extremely impressed by the engagement and involvement of the Fund in the Wales Pension Partnership, and particularly the officers who have ensured that they have been on the front foot in the development of the Partnership, and also at a national level. It would be extremely risky for the Fund to take a back seat in these discussions given the impact asset pooling could have on ongoing performance. However, as I will expand on below, I continue to be concerned about the sustainability of undertaking this additional work whilst continuing to deliver day to day services.

The review of the Risk Register, and how risks are captured and monitored, was finalised early in the year. On the back of this, I feel that risk management is much more embedded in the day to day management of the Fund. I also hope that the improved risk register is easier for the Fund's stakeholders to understand.

Business planning continues to be integral to the day to day running of the Fund. The 2016/17 business plan was agreed by the Pension Fund Committee in March 2016 and was monitored throughout the year. The plan continues to be robust, with very little need to adapt it mid-year, and the officers of the Fund have done a tremendous job in delivering the projects and tasks highlighted within it.

My general opinion is that the Clwyd Fund continues to compare well to the Aon Hewitt Governance Framework. The Fund identifies and sets out good clear objectives in all areas, measures itself effectively against these objectives, and has a good attitude to Business Planning and to Risk Management. The Fund's governance structure works well, as mentioned above, and the individuals charged with managing the Clwyd Fund are well engaged, committed to their roles and well trained. The Fund's Conflicts of Interest Policy is now also well bedded in and I consider that all potential conflicts are identified at an early stage and managed appropriately. Transparency has been key to this and I commend all those involved for their openness and willingness to embrace this.

Looking to the future:

There are three matters relating to governance that I will be particularly interested in during 2017/18:

1. The knowledge of the existing Committee and Board members during 2016/17 was, in my view, excellent with training needs being focussed on specific areas of business as they arose. However, the Welsh elections in May 2017 have resulted in a significant change in the Committee members. At the time of writing, intensive induction training is being undertaken, which also acts as refresher training for existing Committee and Board members. I have been extremely impressed by the enthusiasm of the new members as they participate in this training. I will be looking for assurance that all new members have taken part in full induction training, and also expect the Fund to continue to identify subject specific training requirements on an ongoing basis over the course of the year. During the autumn of 2017 I will be carrying out a training needs assessment with all Committee and Board members. I also hope that I continue to see a high level of engagement at Pension Fund Committee meetings going forward, and I believe the new Chairman, Councillor Dave Hughes, will be integral to this, supported by the Fund's officers and advisers.
2. As mentioned above, there has been significant progress in establishing the Wales Pension Partnership for asset pooling. The Clwyd Pension Fund has a very different investment strategy to many other Funds, so they need to be assured that both the Operator and the pooling arrangements themselves can deliver to the Fund's requirements and the governance arrangements, as outlined in the Inter-Authority Agreement, are put into practice. These will be key areas that I will be focussing on during 2017/18 and 2018/19. In the longer term, the crucial measure of success will be whether or not the move to asset pooling results in savings for all funds, and this must also be kept under close consideration.
3. With so much going on, and so much uncertainty, I continue to recognise the pressures on all those involved and particularly on the officers of the Fund. The Fund has also identified the need for workforce planning given the evolving environment that they work in, and also the age profile of some of the senior members of staff. Although some of this is part of a longer-term vision, short-term priorities should be around prioritising workloads, identifying short-term resourcing solutions, and training and mentoring existing staff.

Not quite as critical, but still on my radar are:

The Fund needs to be mindful of the Pension Regulator's increased interest in the LGPS (and to some degree, the national Scheme Advisory Board's focus on governance matters) when considering their ongoing business plans. I would also expect there to be continuing focus on any areas identified as not meeting best practice as outlined by the Pension Regulator in his Code of Practice for public service pension schemes.

In the short term, there is a major project to be undertaken in agreeing Flintshire County Council's professional status with their fund managers and some professional advisers. This is a change required as a result of the Markets in Financial Instruments Directive II ("MIFID2"). Failure to achieve suitable agreements could impact the Fund's ability to continue investing with those managers or to receive advice from those advisers.

Funding and Investments (including accounting and financial management)

Key achievements:

Successful processes to complete the 2016 actuarial valuation with improved employer engagement

Developing and agreeing the Funding Strategy and Investment Strategy Statements

Successful review of the Fund's Flightpath Risk Strategy, including implementing a number of improvements.

I work closely with both the actuary and the investment consultant to the Fund, and each will produce his own report, so this area of my report focusses on how things are done, rather than the detail of what is done. Key areas in relation to investment and funding this year have included:

A number of areas which were planned exercises from the Fund's business plan:

- Undertaking the 2016 actuarial valuation of the Fund – the process seems to have gone extremely smoothly. I am aware that the officers and the Fund's Actuary (Mercers) were focussed on increased engagement with employers of the Fund at this valuation, which I understand has been received well by those employers. It goes without saying that this doesn't take away from ongoing pressures around the affordability of pension provision for most employers.
- In tandem, the Fund's Investment Consultant (JLT) undertook a light touch review of the Fund's investment strategy. The Fund also agreed its new Funding Strategy Statement and also the new Investment Strategy Statement; the latter being the first in a new format in line with Government guidelines. The new Investment Strategy Statement continues to include a clear focus on Responsible Investment including how this will be measured going forward.
- The Fund's Actuary also undertook a review of the Fund's Additional Voluntary Contribution ("AVC") arrangement which is with Prudential. Although an extremely small proportion of the overall LGPS pension provision, Flintshire County Council, in its role as the administering authority for the LGPS, have a responsibility to ensure the proper governance of the AVC arrangements, including value for money, efficiency and effectiveness. The Actuary identified a small number of changes or improvements that could be made which are now in progress, and I was pleased to see that the consideration of these AVC arrangements will now be carried out annually (albeit at different levels)
- During the year, a fundamental review of the Fund's flightpath / derisking arrangements was carried out by the Fund Actuary, Investment Consultants and officers, and the review was then considered by the Pension Fund Committee. This resulted in a number of changes to the existing strategy that were quickly and efficiently implemented. I was reassured at the range of options considered and the debate which took place around them, and also that the ongoing reporting against the Flightpath has evolved to incorporate measures against its new objectives.
- The Tactical Asset Allocation Group, PERAG (Private Equity Real Asset Group) and Funding Risk Management Group are three Groups involving Fund officers and advisers. I see evidence of the value of these Groups, providing the time for the officers and advisers to focus and implement change, ensuring risk is appropriately managed and that opportunities are quickly identified and implemented.

My general opinion is again that the Clwyd Fund compares well to the Aon Hewitt Governance Framework in this area. The Fund identifies and sets out good clear objectives, has a good attitude to Business Planning and to Risk Management. The Fund's governance structure works well, with appropriate delegations allowing the Pension Fund Committee to spend their time focusing on strategy. The Fund makes good use of consultants as appropriate, but the knowledge and understanding of individuals within the Fund continues to be excellent, allowing the Fund to benefit from the best ideas from all sources.

Looking to the future:

As mentioned previously, a significant focus next year will be on asset pooling and ensuring that the Fund’s investment strategy can continue to be delivered. 2017/18 will largely be preparatory work which will need to be well planned, resourced and monitored. In 2018/19, key areas will include ensuring:

appropriate sub-funds are put in place to align with the Clwyd Pension Fund's strategy

the smooth transition of assets to those sub-funds

ongoing reporting arrangements continue to provide sufficiently specific information for the Clwyd Fund to satisfy the needs of the officers, advisers and the Committee and Board.

In due course it will also be good to see further information on how the Fund is meeting its Responsible Investment objectives.

Administration and Communications

Key achievements:

Establishment of the Employer Liaison Team

Initial roll out of the i-Connect data collection system for use by employers.

I am pleased to report that, during 2016/17, Flintshire County Council continued to improve the administration and communications of the Fund, working hard across a large number of different areas. They continue to work in a challenging environment, with significant workloads much of which stems back to the introduction of the CARE scheme in 2014. Progress that I have observed during the year has included:

A number of areas which were planned exercises from the Fund's business plan:

- Timely preparation and submission of the member data for the actuarial valuation, which in itself is a major exercise
- Commencing the roll out of i-Connect, which is an online administrative module that allows information to be submitted by employers more directly and efficiently into the pension administration system from their own payroll systems. This will be invaluable to the Fund and its employers going forward and will be fully rolled out over two to three years. Denbighshire County Council are now live on the system and initial feedback is that it is resulting in much more timely and accurate information, including a significant reduction in queries at year-end
- Identifying the requirements in relation to the GMP reconciliation exercise and then carrying out and appointing a provider to carry out this exercise. This is a major project where contracting out information for many thousands of scheme member records needs to be compared and then reconciled with HMRC's records
- Initial preparation for the implementation of an on-line Member Self Service facility which will be launched in the autumn of 2017
- Reviewing and updating a number of day to day processes so that document production is now more integrated and automated within the administration system, resulting in greater efficiencies and lower risk of inaccuracies in letters and communications
- Making considerable headway clearing the majority of the backlog that relates to pre 2013 cases that was outsourced to Mercer
- Good progress with the website review, with the new website due to be launched in the autumn of 2017

The introduction of an employer liaison team; this has been a significant step for the Fund and was not part of the original business plan. On the back of the new Administration Strategy (launched in 2015/16), the officers of the Fund identified challenges in meeting their objectives due to the separate challenges that employers also have in collating and transmitting information to the Fund. To assist, Flintshire County Council has established, within the Pension Fund office, the employer liaison team which will carry out employer responsibilities for them (the cost of which is then recharged back to that employer). This means the Employer Liaison Team and the Pension Fund Operations Teams can work together more efficiently to ensure the correct information is available so that scheme benefits and other processes can be completed in a more timely manner.

I cannot stress enough what an innovative and effective solution this is and I wish to congratulate the Fund officers for identifying this and putting it in place, obviously with the full support of the Committee and the Board. To the best of my knowledge, this is the first of its kind in the UK LGPS environment. However, I will highlight that this meant that the Pensions Administration Team needed to grow in order to resource the Employer Liaison team. Some staff members relocated from the Pension Fund Operations side of the Administration Team, which in turn means that there continues to be some further workload backlogs due to lower resources there. However, I am quite confident in the long term success of this initiative and the long term benefits to the management and operations of the Fund, its employers and scheme members, once the teams are fully recruited and trained.

It was particularly pleasing to see the involvement of Flintshire County Council officers at a national level, such as Helen Burnham's involvement on the working group which established and appointed providers to the national Third Party Administration framework.

My general opinion is that the Clwyd Fund compares well to the Aon Hewitt Governance Framework in this area. The Fund identifies and sets out good clear objectives, (with some of the measuring still in the process of being developed) and has a good attitude to Business Planning and to Risk Management. The knowledge and understanding of individuals within the Fund continues to be excellent, and the Pension Fund Committee's engagement on administration is also excellent (as is the Board's).

Looking to the future:

I feel optimistic about the future of the administration service, but I would caution that the improvements that are being implemented will, in my view, take another two years or so to fully bed in such that the benefits can be clearly evidenced. For example, moving employers onto i-Connect requires a major review of the quality of scheme member data. That being said, the combination of i-Connect, Member Self Service and the Employer Liaison Team will result in increased efficiencies (for both the Fund and employers), much more effective communications and much quicker turnaround times. In the meantime, I will continue to monitor the Fund's administration key performance indicators and management information to ensure progress is being made, and I will encourage the Fund's officers, Committee and Board to identify short-term solutions to assist with reducing existing workloads, and ensure they have the capacity to implement these new systems and train their expanding teams.

I also look forward to hearing ongoing updates on the progress of the GMP reconciliation exercise that has been outsourced to Equiniti.

- **Final Thoughts**

I want to say a huge thank you to the Pension Fund Committee, Pension Board, officers and other stakeholders of the Fund for continuing to make me extremely welcome, and for being so open and receptive to my many suggestions, particularly during these challenging times. I remain extremely impressed and inspired by the hard work and dedication of the Fund's officers, and the commitment and engagement I see from the Pension Fund Committee and Pension Board members who dedicated many hours to Committee / Board business.

Contact Information

Karen McWilliam
Head of Public Sector Benefits Consultancy
Aon Hewitt Retirement Practice
+44 (0)7711 016707
karen.mcwilliam@aonhewitt.co.uk

About Aon

Aon plc (NYSE:AON) is a leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 66,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world's best broker, best insurance intermediary, best reinsurance intermediary, best captives manager, and best employee benefits consulting firm by multiple industry sources. Visit aon.com for more information on Aon and aon.com/manchesterunited to learn about Aon's global partnership with Manchester United.

Clwyd Pension Fund Board

Annual Report 2016/17

Introduction

This is the second annual report of the Clwyd Pension Fund Board based on the financial year from 1 April 2016 to 31 March 2017.

Role and Membership of the Clwyd Pension Fund Board

The Public Service Pensions Act (PSPA) 2013 requires each Administering Authority in the LGPS to have a local Pension Board consisting of employer and scheme member representatives. Some Pension Boards also have an Independent Chair, which is the case with the Clwyd Pension Fund Board. The Chair is a non-voting role.

Legislation states that the role of the Pension Board is to assist the Administering Authority in securing compliance with regulations and with requirements imposed by the Pensions Regulator, as well as assisting in ensuring effective and efficient governance and administration of the Scheme. This has generally been interpreted as the Pension Board having an oversight role but not a decision making role. For the Clwyd Pension Fund, we have very much embraced this role as being about partnership. We work closely with the Pension Fund Committee (the decision making committee for the Clwyd Pension Fund) and officers of the Fund in the hope that the questions we ask, and the challenge we sometimes provide, will assist in ensuring that the Fund is managed in the best interests of its scheme members and employers.

We will undertake these roles for a period of between three and five years, although we may be reappointed for future terms if we are selected again through the recruitment process.

Meetings, training and attendance

During 2016/17 we held three Pension Board meetings (in July 2016, October 2016 and March 2017). Attendance was as follows:

		July 2016	October 2016	March 2017
Mrs Gaynor Brooks	Member Representative	✓	✓	✓
Mr Jim Duffy	Member Representative	✓	✓	
Mr Steve Jackson	Employer Representative	✓	✓	✓
Mr Mark Owen	Employer Representative	✓	✓	✓
Mrs Karen McWilliam	Independent Chair	✓	✓	✓

The meetings were also attended by Pension Fund Officers who support the Pension Board.

As members of the Pension Board, we have all committed to following the requirements of the Clwyd Pension Fund's Training Policy and attending a range of events and training in 2016/17 to complement the three days of induction training we undertook during 2015/16. In addition, we are invited to attend the Pension Fund Committee meetings and their training events.

Our full record of attendance at meetings, training and events is shown below:

Event	Mark	Steve	Gaynor	Jim

	Owen	Jackson	Brooks	Duffy
Committees				
Special Committee April 2016	✓	✓	✓	✓
May 2016	✓		✓	
Special Committee July 2016	✓	✓	✓	
September 2016	✓	✓	✓	
November 2016	✓		✓	
February 2017	✓	✓	✓	
Special Committee March 2017	✓			
CIPFA Framework				
Governance	✓	✓	✓	✓
Funding & Actuarial	✓	✓	✓	✓
Investments	✓	✓	✓	✓
Accounting	✓	✓	✓	
Additional & Hot Topics				
MiFIID II	✓	✓	✓	
Actuarial Investments		✓	✓	✓
GAD Section 13 Data	✓	✓	✓	
Pooling Governance	✓		✓	
Investment Strategy Statement	✓		✓	
ESG Training				✓
Conferences				
CIPFA Pension Boards One year On Seminar	✓			✓
LGC Investment Seminar		✓	✓	✓

What has the Pension Board done during 2016/17?

Our meetings include a number of standing items, such as consideration of the latest Pension Fund Committee papers and monitoring of our allocated budget. In addition to these regular items, we also focused on a number of one-off items. Key areas of discussion for us during the year included:

- We have been working closely with the Fund's pension administration team to better understand the challenges that they face, often due to the complexity of the scheme's benefit structure and the increase in their workloads in recent years. We've considered the challenges employers face in providing timely and accurate information to the administration team, and the challenges then faced by the administration team in not receiving timely and accurate data, and the impact this can have on service delivery. We have discussed potential solutions and are pleased to see significant progress by the administration team in implementing these. These included the initial roll-out of a more automated system (i-Connect) for some employers and the creation of a dedicated team to assist with carrying out employer responsibilities.
- We received a demonstration of the i-Connect system through which employers will submit information on a monthly basis. The system carries out elements of automatic validation which, together with the monthly submissions, will ensure greater efficiency for employers and the administering authority, as well as more accurate date, in a more timely manner.

We recognise the challenges in introducing this system (which is being rolled out over two to three years) but see it as a fundamental long term approach to ensure the accurate and timely administration of scheme members' benefits.

- We also received a demonstration of the new Member Self-Service facility which will allow scheme members to view their pension details on-line via a secure web log-in. This will also provide scheme members with the ability to carry out their own pension retirement projections, to update certain details and to view certain documents, such as their annual benefit statements, on-line. We were very impressed with the system and look forward to hearing further feedback as it is rolled out during 2017/18.
- The administration team also updated us on their plans for completing the Guaranteed Minimum Pension reconciliation exercise, which is a one-off project comparing contracting-out information held for Clwyd Pension Fund members with that held by HMRC. This is a significant project, which must be completed by December 2018.
- Early versions of the improved management information have been shared with the Board. These are produced by the administration team to help them in monitoring their day to day workloads. This is also helping to better identify situations where the team are struggling to meet legal timescales and we discussed the causes of those situations with the Pensions Administration Manager.
- We have taken an interest in the robustness of the administration team's disaster recovery plans, including the resolution of an issue that arose in the testing. We were pleased to see the issue being quickly resolved and we recommended further improvements which have now been implemented.
- We have asked the administration team to maintain a log of all compliments and complaints that they receive. We now see this log at all Pension Board meetings and are pleased to report that the number of complaints appears very low. We are grateful to scheme members and employers who take the time to provide feedback to the team.
- Throughout the year we received ongoing updates on the introduction of asset pooling for LGPS funds. We were able to feed in views and ask questions in the run up to the Committee and Council agreeing to enter into the Wales Asset Pooling Collaboration. Much of the focus during 2016/17 was around the development of the Inter Authority Agreement including the governance structure.
- We provided views on a fundamental review of the Fund's risk register which we believe is now more focused with descriptions of risks that are easier to understand, as well as being clearer on the possible impact of those risks and how those risks are being mitigated.
- We worked closely with officers of the Fund providing feedback on the engagement with employers as part of the 2016 actuarial valuation exercise. We were impressed by the increase in employer engagement, as well as opportunities for employers to receive more information, including sessions with the Fund actuary.
- During the year the matter of insurance for Pension Board members was also considered, as we are not covered by the Council's existing insurance. Following advice from the Secretary to the Board, suitable insurance has now been secured.

What will the Pension Board do in the future (in particular in 2017/18)?

We have a number of items on our forward plan for 2017/18, although the exact agendas and timescales will necessarily remain flexible to consider any further matters that may arise. The following are already on our work plan for the forthcoming year:

- Ongoing consideration of a number of the elements above, including:
  - Feedback on further disaster recovery testing
  - Ongoing review of the Wales Pooling Collaboration's meeting papers, including considering whether the governance operates in the way expected
  - The implementation of the improved systems and processes by the administration team
- Consideration of national survey results and commentary on administration, governance and pension board matters, including the Scheme Advisory Board's survey results
- Review of the latest compliance check for the Fund against The Pensions Regulator's Code of Practice. We'll be particularly focusing on areas which are high on the Regulator's agenda this year, which include record keeping and data maintenance.
- Receiving updates on the Fund's plans to meet the General Data Protection Regulations, the increasing risks from Cybercrime and more generally considering data quality and security.
- Receiving progress reports on the changes required as a result of the Markets in Financial Instruments Directive II ("MIFID2"), where the Fund has to provide a range of information to all of its fund managers to satisfy them of the professional status of the administering authority.

We will also take the opportunity to review our own effectiveness during the autumn of 2017, now that we've been in existence for over two years.

Other observations and general comments

Once again we feel that 2016/17 has been a successful year for the Board, and we are pleased with the work we have completed, covering a wide range of fund management areas. We continue to have an excellent working relationship with the Pension Fund Committee and the Fund's officers, and are grateful for the way they have all embraced our involvement. In particular, we would like to thank the Committee for welcoming us to their meetings, which helps us put the challenges and successes of the Fund much more easily into context. We look forward to continuing that relationship, and particularly working closely with the many new Pension Fund Committee members to support them as best we can.
We would also like to take this opportunity to thank our fellow board member, Jim Duffy (Member Representative), for his time and commitment as a Board member since the Board's inception. Unfortunately Jim has had to resign recently for health reasons. We wish him a speedy recovery and we look forward to working the new Board member.

Gaynor Brooks, Member Representative
Steve Jackson, Employer Representative
Mark Owen, Employer Representative

Clwyd Pension Fund Board

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 2016/17. 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.

2016/17	Estimate £000	Actual £000	Variance £000
Opening In House Cash		(13,640)	
Payments			
Pensions	57,300	54,684	(2,616)
Lump Suns & Death Grants	20,000	14,857	(5,143)
Transfers Out	2,800	5,473	2,673
Expenses (including In House)	3,000	3,001	1
Support Services	250	300	50
Total Payments	83,350	78,315	(5,035)
Income			
Employer Contributions	(33,250)	(32,787)	463
Employee Contributions	(15,200)	(13,779)	1,421
Employer Deficit Payments	(28,500)	(28,474)	26
Transfers In	(4,000)	(2,540)	1,460
Pension Strain	(1,200)	(2,282)	(1,082)
Income	(170)	(146)	24
Total Income	(82,320)	(80,008)	2,312
Cash Flow net of Investment Income	1,030	(1,693)	(2,723)
Investment Income	(3,000)	(3,019)	(19)
Investment Expenses	1,500	2,991	1,491
Total Net of In House Investments	(470)	(1,721)	(1,251)
In House Drawdowns	40,955	45,146	4,191
In House Distributions	(71,043)	(56,614)	14,429
Net Drawdown/Distributions	(30,088)	(11,468)	18,620
Net External Manager Cash	30,000	13,206	(16,794)
Total Net Cash Flow	(558)	17	575
Closing In House Cash	(14,198)	(13,623)	

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2020. 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 6.5% per annum. Estimates of Manager pooled investment fees are included in the budget report which follows the cash flow report.

	2017/18 £000	2018/19 £000	2019/20 £000
Opening Cash	(13,623)	(30,053)	(20,599)
Payments			
Pensions	55,860	57,720	60,040
Lump Suns & Death Grants	15,000	15,000	15,000
Transfers Out	3,200	3,200	3,200
Expenses (including In House)	3,400	3,400	3,400
Support Services	120	120	120
Total Payments	77,580	79,440	81,760
Income			
Employer Contributions	(34,100)	(35,200)	(36,000)
Employee Contributions	(14,000)	(14,000)	(14,000)
Employer Deficit Payments	(51,784)	(18,123)	(18,247)
Transfers In	(2,000)	(2,000)	(2,000)
Pension Strain	(1,200)	(1,200)	(1,200)
Income	(100)	(100)	(100)
Total Income	(103,184)	(70,623)	(71,547)
Cash Flow net of Investment Income	(25,604)	8,817	10,213
Investment Income	(3,000)	(3,000)	(3,000)
Investment Expenses	3,000	3,000	3,000
Total net of In House Investments	(25,604)	8,817	10,213
In House Drawdowns	47,008	39,607	38,100
In House Distributions	(77,834)	(68,970)	(59,699)
Net Drawdowns/Distributions	(30,826)	(29,363)	(21,599)
Net External Manager Cash	40,000	30,000	15,000
Total Cash Flow	(16,430)	9,454	3,614
Closing Cash	(30,053)	(20,599)	(16,985)
Estimated Asset Valuations	1,759,705	1,874,086	1,995,901

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2016/17 compared to 2015/16 .Actuarial fees have increased as 2016/17 was an actuarial year and Consultancy fees increased due to additional projects connected with the Liability Driven Investment mandate.

	2016/17 £000	2015/16 £000	Net change £000
Governance & Oversight Expenses			
Employee Costs (Direct)	236	225	11
Support & Service Costs (Internal Recharges)	17	12	5
Premises	5	8	(3)
IT (Support & Services)	4	11	(7)
Other Supplies & Services	58	52	6
Miscellaneous Income	(11)	0	(11)
Audit Fees	39	39	0
Actuarial Fees	335	224	111
Consultant Fees	703	371	332
Advisor Fees	188	225	(37)
Legal Fees	59	35	24
Total Governance Expenses	**1,633**	**1,202**	**431**
Investment Management Expenses			
Fund Manager Fees	14,386	14,971	(585)
Custody Fees	31	28	3
Performance Monitoring Fees	57	30	27
Total Investment Management Fees	**14,474**	**15,029**	**(555)**
Administration Expenses			
Employee Costs (Direct)	648	603	45
Support & Service Costs (Internal Recharges	94	46	48
Outsourcing	260	404	(144)
Premises	6	33	(27)
IT (Support & Services)	290	243	47
Other supplies & services	70	61	9
Miscellaneous Income	0	0	0
Total Administrative Expenses	**1,368**	**1,390**	**(22)**
Total Fees	**17,475**	**17,621**	**(146)**

The following table shows actual costs for 2016/17 compared to the budgeted costs along with the budget for 2017/18. The difference in manager fees compared to budget reflects the estimated valuation rising by 7.1% compared to an actual increase of +21.5%. Consultancy fees increased due to additional work allocated to the restructuring of the LDI mandate and additional costs associated with projects connected to Pooling assets within Wales. Outsourcing costs for the GMP reconciliation or Member Self Service were not implemented during 2016/17.

	2016/17 £000 Actual	2016/17 £000 Budget	2016/17 £000 Variance	2017/18 £000 Budget
Governance & Oversight Expenses				
Employee Costs (Direct)	236	229	7	238
Support & Service Costs (Internal Recharges)	17	19	(2)	8
Premises	5	17	(12)	7
IT (Support & Services)	4	10	(6)	9
Other Supplies & Services	58	56	2	50
Miscellaneous Income	(11)	0	(11)	
Audit Fees	39	40	(1)	40
Actuarial Fees	335	304	31	202
Consultant Fees	703	389	314	399
Advisor Fees	188	188	0	187
Legal Fees	59	30	29	40
Total Governance Expenses	**1,633**	**1,282**	**351**	**1,180**
Investment Management Expenses				
Fund Manager Fees	14,386	11,028	3,358	11,878
Custody Fees	31	34	(3)	34
Performance Monitoring Fees	57	25	32	58
Total Investment Management Fees	**14,474**	**11,087**	**3,387**	**11,970**
Administration Expenses				
Employee Costs (Direct)	648	711	(63)	762
Support & Service Costs (Internal Recharges	94	90	4	42
Outsourcing	260	1,240	(980)	900
Premises	6	75	(69)	33
IT (Support & Services))	290	250	40	250
Other supplies & services	70	70	0	70
Member Self Service	0	107	(107)	75
Miscellaneous Income	0	0	0	0
Total Administrative Expenses	**1,368**	**2,543**	**(1,175)**	**2,132**
Employer Liaison Team				
Employee costs (Direct)		N/A		**144**
Total Costs	**17,475**	**14,912**	**2,563**	**15,426**

AN UPDATE FROM THE FUND'S INVESTMENT CONSULTANT

I am delighted to provide my update from an investment perspective on the activities of the Clwyd Pension Fund (CPF) during 2016/17. As the Fund's Investment Consultant I provide advice to the Fund on how to manage various investment risks. I also have a specific role in guiding the overall direction of the Fund via my seat on the CPF Advisory Panel.

Investment Strategy Statement (ISS)The Fund's ISS, which is appended, sets out the funding and investment objectives for the fund. The specific investment objectives are:

- Strike an appropriate balance between long-term consistent investment performance and the funding objective to maintain assets equal to 100% of liabilities within the 15year timeframe. .
- Ensure net cash outgoings can be met as and when required.
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.

My report demonstrates progress made towards these long term objectives during 2016/17, compliance with the ISS, the economic and market environment and changes implemented or planned during the year.

Summary of 2016/17

Market Commentary

One of the main drivers of investment performance of any pension fund is the direction of the financial markets.

Throughout the year 2016/17 protectionist policies gained momentum with the UK voting to leave the EU and further reinforced by US President Donald Trump's win in November. Global equity markets performed strongly, primarily driven by the general optimism surrounding pro-growth and pro-inflation policies alongside reforms proposed by the new US President. Global Developed Equities returned +32.7% with Asia Pacific ex Japan Equity the strongest performer at +36.8% followed by US Equity and Emerging Market Equity which both returned +35.2%. Over the period global government bond yields generally rose on the back of increased inflation expectations, however fell towards the end of the year owing to increasing uncertainty around the implementation of Donald Trump's policies and political risk from a number of impending European elections.

In the UK, the main issue was the build up to and the outcome of the EU referendum. On the night of the referendum, Sterling depreciated as much as 11%, falling to a 30-year low. To stimulate the economy, the Bank of England, at its August 2016 meeting, cut its interest rate to 0.25% and provided additional monetary stimulus, extending the existing quantitative easing programme by £60 billion. UK Equities posted a return of +22.0% with the top 100 companies, whose earnings are primarily derived from overseas, boosted by the depreciating level of Sterling. Towards the end of the year the British Parliament passed the Brexit bill and the British Prime Minister Theresa May invoked Article 50 of the Treaty on European Union to begin the two-year exit process.

On the back of the result of the EU referendum in the UK, nationalist parties gained momentum across Europe in 2016. However, in the Dutch Elections held in March 2017, populism seemed to take a back seat as the centre-right candidate Mark Rutte won against the anti-EU party led by Geert Wilders. In addition terrorist attacks and the refugee crises divided the EU's 28 member states and there were concerns over European banks, particularly those of Italy and Portugal. The European Central Bank (ECB) decided in December 2016 to extend its monetary easing from

March 2017 to December 2017, or beyond if necessary, until it saw a sustainable increase in Eurozone inflation towards the target level.

The US economy showed signs of recovery over the year with consumer sentiment boosted by the pro-growth trade and tax reforms proposed by Donald Trump. During the last calendar quarter of 2016, the US economy grew at an annualized rate of +2.1%, culminating into a growth rate of +1.6% for the calendar year of 2016. Economic data in the US continued to be supportive with unemployment numbers falling to +4.7% in February. With the backdrop of improving economic conditions and the prospects of expansionary fiscal policy, the US Federal Reserve raised its interest rates twice during the year. In December 2016, the Federal Reserve raised its base rate by 0.25% to 0.50%-0.75%, followed by another 0.25% hike in March 2017, thereby increasing the base rate to 0.75%-1.0%. In March 2017, President Trump presented a draft budget for 2018 with the full budget to be announced in May. The beginning of the calendar year 2017 saw the US equity market start on a strong footing, reaching an all-time high. However, uncertainty around implementation of President Trump's economic and fiscal policies, further aggravated by the efforts to repeal Obamacare failing, has lead to markets focusing on the potential risks of new leadership which gave rise to subsequent volatility.

China gained increasing importance in the global market: with its currency joining the IMF's basket of reserve currencies and the possibility of Chinese stocks' inclusion in MSCI indices as the Shenzhen-Hong-Kong stock-connect was approved in August 2016.

In Japan, Prime Minister Shinzo Abe announced a stimulus program of ¥28.1 trillion to be spent over several years. After, adopting the negative interest rate policy early last year, the Bank of Japan introduced 'Yield Curve Control' in September 2016 to maintain the 10-year government bond yield at zero. The yen depreciated against the US Dollar in the first half of the year, however then weakened significantly post the US elections leading to exports rising for the first time in 15 months. Core inflation (which excludes fresh food prices) rose for the first time in a year by +0.1% year on year in January, followed by a +0.2% year on year rise in February 2017. In Q4 2016, its economy expanded at an annualized rate of +1.2%, primarily driven by capital expenditures which grew at the fastest pace in three years.

UK Government Fixed Income securities posted positive returns with the Over 15 Year Gilts Index returning +12.3%. In 2016/17 yields fell sharply following the EU referendum result which is a problem for pension funds as pension fund liabilities are generally measured with reference to a Government bond yield. However the Actuarial Valuation that was undertaken as at 31 March 2016 changed the methodology in the way the Fund's liabilities are valued. The methodology now references CPI inflation instead of a Government bond yield which will reduce the explicit impact on the funding level of any falls in Gilt yields.

Over the year, Brent crude prices rose by +33.4%, with most of its gains arising post September, when OPEC initially indicated a possibility of a cut in its oil production. This was the first agreement since 2008 where they agreed to limit their output to 32.5 million barrels per day. Non-OPEC members such as Russia had also extended support to OPEC's decision to cut their output, thus supporting the oil prices towards the end of the previous year. Meanwhile, gold prices rose marginally as concerns over Brexit and other European elections boosted demand for safe-haven assets. However, a stronger US dollar, on the back of expectations of economic-boosting policies in the US by its new president, capped the rise.

UK price inflation increased significantly over the year with the CPI increasing by +2.3% due to rising fuel and food prices and the impact of the depreciation of Sterling on import prices. The increase represented the first time in more than three years that UK inflation exceeded the Bank of England's +2.0% target. This is important for pension schemes with inflation linked liabilities such as the LGPS. It will, as noted earlier, impact on the funding level of the CPF as liabilities are now valued by reference to CPI.

Clwyd Pension Fund Investment Performance 2016/17

The Fund returned +21.5% in 2016/17 which is ahead of the expected return assumption of CPI +4.0% as quoted in the Investment Strategy Statement (ISS) (the requirement to produce an ISS replaces the previous requirement to produce a Statement of Investment Principles) and Funding Strategy Statement (FSS). The return of +21.5% compared with a composite benchmark (of the underlying manager benchmarks) of +16.2% and a composite outperformance target of +16.7%. However, despite this strong performance, this is only one year in isolation of a 15 year funding recovery plan.

The Equity portfolio that includes Global, Emerging and Frontier Equity exposures returned +32.9% with both the Developed Global Equity Fund and the Emerging Markets Funds producing exceptional absolute returns. However only the Wellington Emerging Markets (Core) Fund outperformed its individual benchmark. As part of the "light touch" strategic review approved by Committee in September 2016 it was agreed to remove Frontier Markets from the strategy. The Fund disinvested from the Aberdeen Frontier Markets Fund by January and so there is no annual return for this fund. The Multi Asset Credit portfolio produced a positive return of +6.6% outperforming its benchmark.

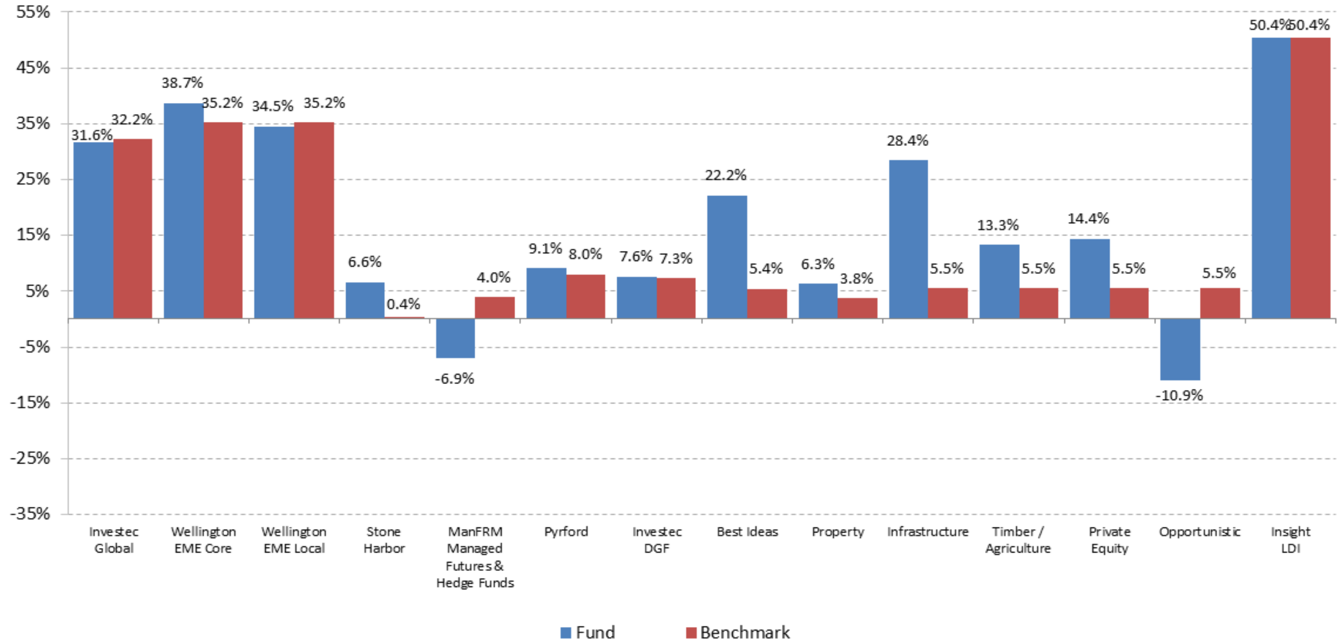
The Tactical Allocation Portfolio returned +15.0% outperforming its objective. This comprises a Diversified Growth Portfolio which returned +8.7% and a Best Ideas Portfolio that produced a return of +22.2%. Within the Diversified Growth Portfolio both the Diversified Growth managers outperformed their benchmarks and produced positive returns.

The Managed Account Platform with ManFRM contains a Managed Futures & Hedge Funds portfolio which produced a negative absolute return of -6.9%. In addition the residual balances of the Fund's illiquid legacy Hedge Funds holdings are contained on the Platform which reduced the overall return of the Managed Account Platform to -8.6%. While this performance has been disappointing, and an improvement is expected in due course, the strategic position in the Fund's asset portfolio remains important and acts as an additional source of diversification and "overlay" relative to the other positions the Fund allocates to.

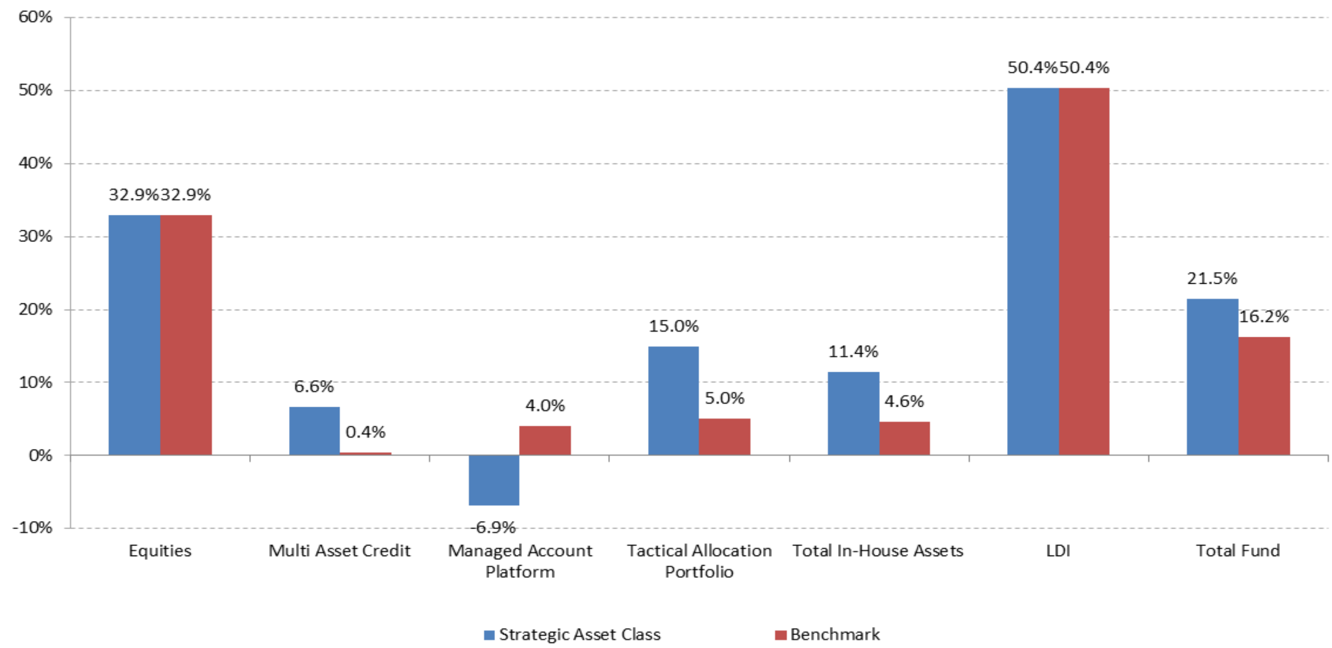
The Fund's In-House portfolio produced a positive overall return of +11.4%. Within this portfolio Infrastructure produced the greatest absolute return +28.4%, whilst Private Equity returned +14.4%, Timber and Agriculture +13.3% and Property +6.3% also produced positive absolute returns. However these were partially offset within the overall return by the Opportunistic assets that declined by -10.9% in the year. Within the context of the revised investment strategy the In-House assets are being divided into two sub categories; Real Assets (containing Property, Infrastructure and Timber/Agriculture) and Private Markets (containing Private Equity and Opportunistic).

The Liability Driven Investment portfolio (a key component of the Flightpath/De-Risking Framework) which consists of regional Global Equity, Gilt and inflation exposures returned +50.4% in 2016/17.

The following charts below summarise the 12 month performance against the benchmark for each of the Fund's asset classes and managers together with the total Fund. It should be noted we have only included those funds/asset classes that have a full 12 month return.



The chart below summarises the key strategic asset classes versus their benchmark.



Source: JLT Employee Benefits

Summary of Investment Performance

The market conditions experienced in 2016/17 were beneficial for the Fund with most of the major asset classes producing strong positive returns in particular Equity markets. Equity markets produced the strongest returns during the year however, despite this, the markets continued to experience significant volatility which was why the diversification and risk management characteristics inherent in the Fund's investment strategy were very important. This protected the Fund during the periods of volatility.

Whilst the Fund will not have produced a return as high as an investment strategy more heavily weighted to Equities it is important to bear in mind that the Fund is investing for the long term and has a diversified portfolio which aims to achieve a targeted balance between return and risk. However this is not to say that we are not cognisant of shorter term market conditions – as commented in last year's annual report the creation and implementation of the Fund's Best Ideas Portfolio (within the Tactical Allocation Portfolio) is evidence of this.

The section below details the rationale in respect of the Fund's investment strategy and highlights key developments that have taken place across 2016/17 which included a "light touch" review of the existing investment strategy.

Investment Strategy

In conjunction with the Actuarial Valuation as at 31 March 2016 JLT, as the Fund's Investment Consultant, undertook a review of the investment strategy in 2016 and the recommendations were accepted by Committee at their September 2016 meeting. The review was relatively "light touch" in nature although this did propose some changes to the previously existing strategic weightings.

The review showed that, based upon the JLT Market Forecast Group output for the Quarter 2 2016 the Fund could be expected to generate a return of 6.5% p.a.. This was equivalent to CPI inflation plus 4.3% p.a. taking the CPI assumed in the 31 March 2016 Actuarial Valuation i.e. the strategy was designed to provide an expected real return significantly above the assumed CPI inflation plus 2.0% p.a. return from which the Actuarial discount rate was derived. Due to the uncertainty in the medium term UK and Global macroeconomic outlook, JLT were comfortable that the revised investment strategy is targeting a higher return relative to what is required to adhere to the 2016 Actuarial Valuation assumptions.

A key aspect of the review was to reduce the Fund's equity risk premium as a proportion of total risk by removing the allocation to Frontier Markets Equity (2.5%) and reducing the strategic allocation to Emerging Markets Equity by 0.5%. The allocation to Developed Global Equity is to be split between active Equity and Smart Beta (a form of passive Equity investing that targets specific factors within the equity market). Part of the proceeds from this reduction to Equity were reallocated to the Best Ideas Portfolio which increased its strategic allocation from 9% to 11% resulting in the Tactical Portfolio increasing its strategic allocation from 19% to 21%.

Another important aspect of the review was to increase the Fund's illiquidity premium (to increase the long term expected return) by introducing a 3% allocation to Private Credit within the Fund's Credit Portfolio. The manager search for Private Credit is progressing with the appointment of a European Private Credit manager made post the year end and the process to appoint a North American Private Credit manager ongoing. In addition there was a 1% increase in the strategic weighting to the Fund's Real Assets Portfolio. Within the Real Assets Portfolio there will be a reduction in the strategic weighting to Property and an increase to Infrastructure although these changes will be a medium to longer term "direction of travel" target due to the illiquid nature of these investments.

Although a number of JLT's recommendations are more medium term by way of implementation as at 31st March 2017 the more short term changes had been implemented. The "light touch" nature of the review has meant that the characteristics of the investment strategy have remained broadly similar to last year. The key features of the Fund's strategy are outlined below.

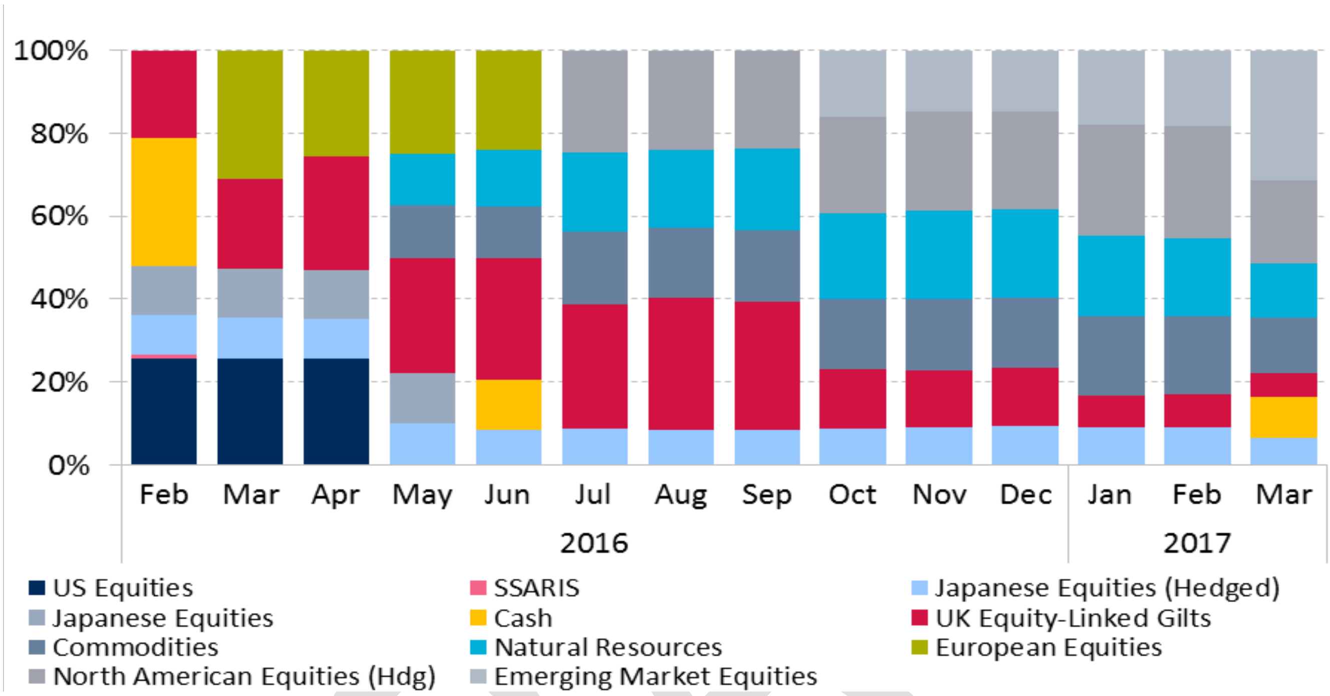
The Fund's investment strategy is more diversified than most LGPS Funds and incorporates a Flightpath/De-Risking Framework (which was not covered in the strategy review but the structure of which is being reviewed separately), which differentiates the Fund from many other LGPS Funds. The aim of the Fund's strategy is to reduce the 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. On average, LGPS Funds allocate 60% to Equities which is higher than the Clwyd Pension Fund exposure.

The Fund currently has a strategic allocation of 14% to Active Global Equities (this will reduce to 10% following the implementation of the Smart Beta mandate which has a target implementation date of 31 July 2017) and 19% exposure to Passive Developed Equities (through Equity Total Return Swaps within the LDI mandate) and other varying exposures through the Tactical Portfolio. Hence, in years where Equities perform well the investment performance of the Clwyd Fund may lag most of its peers in the LGPS. However, the Fund has already established material protection of its interest rate risk and inflation risk through the design and implementation of the Flightpath/De-Risking Framework. As a result of the hedging that has taken place until 31 March 2017 it is estimated that the impact has been to improve the funding position of the Fund by c.£170m. Further details are included in the Update from the Actuary.

The ManFRM Managed Account Platform (MAP) includes Managed Futures and Hedge Funds. In addition the legacy illiquid Hedge Fund holdings were incorporated onto the MAP pending their full redemption, given the illiquid nature of some of the underlying positions in these funds. During the year proceeds from the holdings redeemed were reallocated within the ManFRM MAP.

The Tactical Allocation Portfolio includes a Diversified Growth Portfolio comprising two DGF managers (Investec and Pyrford) and a Best Ideas Portfolio. The Best Ideas Portfolio is a short term (12 month horizon) tactical allocation based upon JLT's suggested "best ideas". Aside from the decisions being made on a tactical (short term) basis, the basic premise of the decisions within this portfolio is that any asset allocation implementation should be liquid (to enable speed of action should it be required) and cost efficient. Given the increase in the Fund's strategic allocation to the Best Ideas Portfolio, and the material size of this allocation (11% of total Fund assets) we provide further details as to the composition of this portfolio overleaf.

Throughout the year under review a number of positions have been taken within the underlying composition of the Best Ideas portfolio as demonstrated in the chart below. There is a monthly meeting of the Tactical Asset Allocation Group where JLT monitor and review the portfolio and make recommendations to Fund Officers. A robust process has been put in place with a transparent audit trail (including minutes of all meetings) documenting any changes and decisions together with their rationale.



The chart demonstrates the diversified nature of the holdings within the Best Ideas Portfolio which includes regional Equities, Commodities and UK Equity Linked Gilts. It also shows how the underlying holdings have changed following decisions that have been taken by the Tactical Asset Allocation Group since its inception. The relatively large holding in Cash as at 31 March 2017 was due to monies being received within the Best Ideas Portfolio to increase its allocation to the revised strategic weighting. It was a temporary position pending due diligence on a specialist US Mid Cap Equity Fund and was subsequently switched into this Fund in April 2017.

The Fund's current strategic asset allocation, strategic and conditional ranges (established following the 2016 "light touch" review), are shown below:

Strategic Asset Class	Strategic Allocation	Strategic Range (%)	Conditional Range (%)
Global Equity	8.0%	5.0 – 10.0	0 – 30
Emerging Markets Equity	6.0%	5.0 – 7.5	0 – 15
Credit Portfolio	15.0%	10.0 – 20.5	0 – 25
Multi Asset Credit	*12.0%*	*10.0 – 15.0*	*5 – 20*
Private Credit	*3.0%*	*2.0 – 5.0*	*0 – 10*
Managed Account Platform	9.0%	7.0 – 11.0	5 – 15
Tactical Allocation Portfolio	21.0%	15.0 – 25.0	10 – 30
Diversified Growth	*10.0%*	*8.0 – 12.0*	*5 – 15*
Best Ideas Portfolio	*11.0%*	*9.0 – 13.0*	*5 – 15*
Private Markets	10.0%	8.0 – 12.0	8 – 12
Real Assets	12.0%	10.0 – 15.0	5 – 20
Property	4.0%	*2.0 – 6.0*	*0 – 10*
*Infrastructure**	8.0%	*5.0 – 10.0*	*2 – 12*
Liability Hedging	19.0%	10.0 – 30.0	10 – 30
Cash	0.0%	0.0 – 5.0	0 – 30

* Infrastructure includes exposure to Agriculture and Timber

The following table shows the strategic ranges compared to the actual asset allocations as at 31 March 2017 and 31 March 2016.

Manager	Mandate	Strategic Allocation 15/16	Allocation 31/03/16	Strategic Allocation 16/17	Allocation 31/03/17
	Equities				
Investec Asset Management	Global Equity	8.0%[(1)]	7.1%	4.0%	7.8%
Wellington Management International Ltd	Emerging Markets Equity	6.5%	5.6%	6.0%	6.4%
Aberdeen Asset Management	Frontier Markets Equity	2.5%	1.9%	0.0%	0.0%
	Multi-Asset Credit				
Stone Harbor Investment Partners	Multi-Asset Credit	15.0%[(2)]	12.3%	12.0%	11.9%
	Managed Account Platform				
ManFRM	Managed Futures & Hedge Funds	9.0%	9.1%	9.0%	8.2%
ManFRM	*Hedge Funds (Legacy)*		1.0%		0.6%
	Tactical Allocation Portfolio				
Pyrford International	*Diversified Growth*	*5.0%*	4.4%	*5.0%*	4.9%
Investec Asset Management	*Diversified Growth*	*5.0%*	4.1%	*5.0%*	4.9%
Consultant	*Best Ideas Portfolio*	*9.0%*	7.9%	*11.0%*	10.9%
	In-House Assets				
Various	Private Markets / Opportunistic	10.0%	10.9%	10.0%	9.8%
Various	Property	7.0%	7.9%	4.0%	6.7%
Various	Infrastructure	2.0%	2.0%	6.0%	1.9%
Various	Timber/Agriculture	2.0%	1.9%	2.0%	1.7%
	Liability Hedging				
Insight	Liability Driven Investments	19.0%	22.8%	19.0%	23.5%
	Cash		1.1%		0.8%

1) The Global Developed Equity Portfolio will have a 4.0% allocation to Smart Beta that has not yet been implemented
2) The Credit Portfolio will have a 3.0% allocation to Private Credit that has not yet been implemented

Responsible Investment

The Fund's ISS includes its policy on Responsible Investment which is implemented through a Sustainability Policy. The ISS shows the Fund's compliance with the Financial Reporting Council's UK Stewardship Code and it is planned for the Fund to ask to become a member in 2017/18. The Fund continues to be a member of LAPFF and PLSA who both act on behalf of its members on stewardship matters.

Although the Fund is invested in pooled vehicles, and therefore does not own individual shares, the fund managers still report on how they voted the shares within the vehicle. In particular if corporate governance concerns are raised by LAPFF, these are reported to fund managers and an explanation is received from fund managers on how they voted and the engagement undertaken with the managers of the company.

A summary of the voting activities of the managers for 2016/17 is shown in the following table.

Manager	Annual/Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/Withheld
Investec	338	4,132	3,367	222	72	55
Pyrford	52	800	748	50	1	1
Wellington	334	2,636	2,195	245	56	83

The Fund invests in property, private equity, infrastructure, timber and agriculture. A list of these investments is attached with commitments to those with a particular environmental or social objective separately identified. The commitments made to date in these areas amount to £119m.

Investments regulations now allow for LGPS funds to consider social impact where some part of financial return is forgone in order to generate a social impact and there is no significant risk of financial detriment. The Fund's approach to Social Investments is included in the ISS but no investments have been made to date where financial return has been foregone, although many of the investments do have a social impact. The Fund is working on how this can be effectively measured and reported to stakeholders.

An examples from one of our current managers covering a specific investment within a Fund, where the non financial impacts are recorded, is highlighted at the end of this report.

Conclusion and Outlook

During the year the investment strategy was revisited in conjunction with the Actuarial Valuation as at 31 March 2016. Whilst the review was relatively "light touch" in nature a number of changes were proposed to the previously existing strategic weightings. The two main aspects of the review was a reduction in the Equity risk premium as a proportion of total risk through further diversification whilst also increasing the Fund's illiquidity premium to increase the long term expected return. The expected return from the strategy has been designed to provide a high certainty of real returns above the assumed CPI Inflation plus 2.0% p.a. return from which the Actuarial discount rate was derived.

The review of the Flightpath/De-risking Framework which included changes to triggers, a restructure of the existing LDI portfolio and the introduction of Equity options to protect from falls in the Equity markets was integrated into the strategy.

A significant proportion of the implementation of the Fund's revised investment strategy was completed by 31 March 2017. The planned allocations to Smart Beta and Private Credit are expected to be completed during the second half of 2017, although the planned changes to the Fund's Real Assets Portfolio will not be implemented until the medium to longer term.

Summary of the Longer Term

The market value of the Fund has increased from approximately £885m in 2007 to approximately £1,688m in 2017. This is detailed in the Management and Financial Performance section of this report.

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
1	+21.5	+16.2	+21.4
3	+11.4	+9.9	+11.2
5	+9.2	+8.3	+10.7
10	+5.7	+6.3	+7.0
20	+6.8	+6.6	+7.4

Source: JLT Employee Benefits, PIRC

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 weightings were reviewed and agreed in 2016/17 as part of the "light touch" investment strategy review.

Investments	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2017 (%)	LGPS Average
Equities							
Global Unconstrained	-	-	5.0	5.0	8.0	4.0	
Global Developed (Smart Beta)	-	-	-	-	-	4.0	
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	6.5	6.0	
Frontier Markets Active	-	-	-	-	2.5	-	
Developed Passive	-	-	-	19.0	-	-	
	72.0	**66.0**	**55.0**	**43.0**	**17.0**	**14.0**	**62.0**
Fixed Interest							
Traditional Bonds	10.0	9.5	-	-	-	-	
High Yield/ Emerging	1.5	2.0	-	-	-	-	
Unconstrained	-	-	13.0	15.0	15.0	12.0	
Private Credit (illiquid)	-	-	-	-	-	3.0	
Cash/ Other	2.5	0.5	-	-	-	-	
	14.0	**12.0**	**13.0**	**15.0**	**15.0**	**15.0**	**17.0**
Liability Driven Investment	-	-	-	-	**19.0**	**19.0**	
Alternative Investments							
Property	5.0	7.0	6.5	7.0	7.0	4.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	6.0	
Timber/ Alternatives	-	-	1.5	2.0	2.0	2.0	
Commodities	-	-	2.0	4.0	-	-	
Private Equity & Opportunistic	4.5	4.5	6.5	10.0	10.0	10.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	
Currency Fund	-	4.0	4.0	-	-	-	
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	-	-	
Tactical Allocation (Diversified Growth)	-	-	-	-	10.0	10.0	
Tactical Allocation (Best Ideas)	-	-	-	-	9.0	11.0	
	14.0	**22.0**	**32.0**	**42.0**	**49.0**	**52.0**	**21.0**

IN HOUSE PORTFOLIO

REAL ASSETS

Property Open Ended Holdings	Number of Fund	Environmental/Social Impact	Number of Funds
Schroders	1		
Hermes	1		
LAMIT	1		
Legal & General	1		
BlackRock	1		
Property Closed Ended Holdings			
Aberdeen Property Asia Select	2	Bridges Property	2
BlackRock US Residential	1	Igloo Regeneration	1
Darwin Leisure Property	1	Threadneedle Low Carbon	1
Franklin Templeton	2		
InfraRed Active Property	3		
North Haven Global Real Estate	2		
Paloma Real Estate	1		
Partners Group Global Real Estate	2		
Schroders – Columbus UK Real Estate	1		
Timber			
		RMK Timberland	3
		Stafford Timberland	3
Agriculture			
		Insight Global Farmland	1
		GMO	1
Infrastructure			
Arcus European Infrastructure	1	InfraRed Environmental	1
Carlyle Global Infrastructure	1	Impax Infrastructure	2
GSAM West Street Infrastructure	1		
Harbour Vest Real Assets	1		
Hermes Infrastructure	1		
InfraRed	2		
Innisfree	1		
North Haven Global Infrastructure	2		
Partners Group Direct Infrastructure	1		
Total Funds	**31**		**15**

PRIVATE EQUITY

Direct Funds	Number of Funds	Environmental/Social Impact	Number of Funds
Access Capital	1	Bridges Ventures	2
Apax	5	Environmental Technologies	2
August Equity	2	Ludgate Environmental	1
Candover	2		
Capital Dynamics	3		
Carlyle	2		
Charterhouse	4		
ECI	3		
Granville Baird	2		
Parallel Ventures	3		
Partners Group Direct	2		
Unigestion	1		
Fund of Funds			
Access Capital	3	Harbour Vest Cleantech	1
Capital Dynamics	7	Hermes Environmental	1
Crossroads	2		
Harbour Vest	6		
Partners Group	10		
Standard Life	2		
Unigestion	2		
Opportunistic			
BlackRock European Property	1	Foresight Regional Investment	1
Carlyle	2		
Dyal	1		
JP Morgan Secondary's	1		
Marine Capital	1		
Marquee Brands	1		
NB Credit Opportunities	1		
Pinebridge Structured Capital	1		
Total Funds	**71**		**8**

Wholebake

Theme Sustainable Living

Challenge Around 1.5 million people in the UK are unemployed. While the rate of unemployment is slowly decreasing in other parts of the UK, it has remained largely static in Wales. The longer someone is unemployed, the less likely he or she is to ever return to work. Sustained employment offers people better heath, well-being and opportunities in the long run.

Investable Solution Wholebake manufactures and sells gluten-free energy bars from its factory and distribution facilities in North Wales. The company manufactures for third-party national brands and sells under its own brand, NINE. Its products use natural ingredients aimed at the healthier segment of the snack market.

Target Outcomes To promote economic dynamism and access to employment and skills training in one of the UK's most underserved communities while also promoting healthier snacking.

Investment Origination

The investment opportunity in Wholebake was identified by Bridges Fund Management Partner Oliver Wyncoll through his network and a successful track record in the consumer sector. The investment was secured due to the strong alignment of values between the management, shareholders and Bridges. Bridges and management agreed a plan to create new jobs and opportunities in an economically deprived part of North Wales and to proactively reduce sugar and fat content in its branded products where possible. We were attracted to the high-growth sector of healthier snacking which is being driven by consumers' and retailers' demands to replace high-sugar and highly processed snacking with more natural wholesome alternatives, such as fruits, nuts and seeds.

Impact Thesis

Activity: Through Wholebake's operations of manufacturing and distributing gluten-free snacks, create job opportunities in one of the most deprived parts of the UK.

Output: Employment of low skilled and previously unemployed individuals.

Outcomes: Long term career and development opportunities leading to an improvement in life outcomes for employees and for the wider local community.

Bridges
Fund Management

ESG Impact across the UN Sustainable Development Goals (year to 31 March 2017 data)

Employees

8 DECENT WORK AND ECONOMIC GROWTH

- 92% of new jobs created last year went to individuals who were previously unemployed
- All entry level staff are paid the national living wage
- Over 1,700 hours of training (>10 hours per employee) were provided in 2016/17.

Customers

3 GOOD HEALTH AND WELL-BEING

- NINE, Wholebake's own brand, is a seed-based energy bar that is a healthier snack
- In 2015 Bridges worked with Wholebake to make NINE healthier, reducing sugar content per bar by an average of 23% across the range. Wholebake also manufactures for other brands that are all related to healthier life styles (e.g. high protein bars, healthy fruit bars and diet)

Community

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Wholebake provides employment opportunities for individuals in the local area, a deprived part of North Wales
- 78% of the wage bill goes to individuals living in areas within the most deprived 20% of local authorities in the UK (as measured by the Index of Multiple Deprivation, of which employment deprivation is a key factor)

Environment

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

7 AFFORDABLE AND CLEAN ENERGY

Inevitably, Wholebake's manufacturing activities will impact on the environment, but the business seeks to minimise these impacts as far as possible.

- Wholebake limits the amount of waste sent to landfills, recycling or reusing 104 tonnes of waste materials in the year.
- It seeks to actively monitor its electricity consumption; its electricity consumption per tonne of product produced) decreased by 40% in the last year.

About Bridges Fund Management

Bridges Fund Management Ltd. is a specialist fund manager focused exclusively on sustainable and impact investment, with offices in London, New York and San Francisco. It invests in growth businesses, properties and social sector organisations that can generate superior returns for investors and positive social and environmental impact for society. Founded in 2002, it has since raised over £900 million across its platform of funds.

Bridges Fund Management

Bridges Fund Management Ltd.
38 Seymour Street,
London, W1H 7BP
+44 (0) 20 3780 8000
info@bridgesfundmanagement.com
www.bridgesfundmanagement.com

MERCER
MAKE TOMORROW, TODAY

AN UPDATE FROM THE ACTUARY

I am delighted to provide my update from an actuarial perspective on the activities of the Clwyd Pension Fund (CPF) during 2016/17. As the Fund's Actuary, I provide advice to the Fund and its employers in relation to managing and monitoring the many financial and demographic risks they face. I also have a specific role in guiding the overall direction of the Fund via my seat on both the CPF Advisory Panel and the Funding and Risk Management Group (FRMG) (established to specifically manage the “Flightpath” strategy). The Advisory Panel provides an opportunity for all of the Fund's professional advisors to collaborate, in conjunction with the Fund Officers, to help the CPF achieve its long term objectives. I feel that, as a group, we have continued to make excellent progress over the year with a number of important enhancements made to the Flightpath framework. It has also been a really important year as the 2016 actuarial valuation - a key financial governance process - was completed.

ACTUARIAL VALUATION

The Fund's triennial actuarial valuation took place with an effective date of 31 March 2016. This gave us the opportunity to review the financial health of the Fund and refresh the objectives. These objectives are set out in the Funding Strategy Statement. The outcome of the valuation is to set employer contribution levels for the period 1 April 2017 to 31 March 2020 and these contributions are set out in my formal actuarial valuation report.

In assessing these contribution levels, I considered the experience of the Fund since the previous valuation (including demographic factors such as changes in life expectancy and changes in the membership profile). In addition, the updated approach that I adopted focused on the link between overall investment return expectations from the CPF asset portfolio versus the expected level of Consumer Price Inflation (CPI). This is important because the benefits paid by the Fund (which are the liabilities of the Fund) are linked to CPI when in payment, and so this ultimately drives my liability assessment to compare with the assets held, and ultimately the long-term cost to employers.

The results of the valuation showed an improvement in the funding position from 68% to 76%. This improvement allowed us to reduce the average period over which deficit contributions are paid into the Fund from 18 years to 15 years. I am also pleased to report that since the valuation, there has been further improvement in the funding position (this is reported on a monthly basis to the FRMG).

Overall, positive feedback was received from employers on the process and the eventual outcomes in terms of the balance between the affordability of contributions and the long term financial health of the Fund.

RISK MANAGEMENT

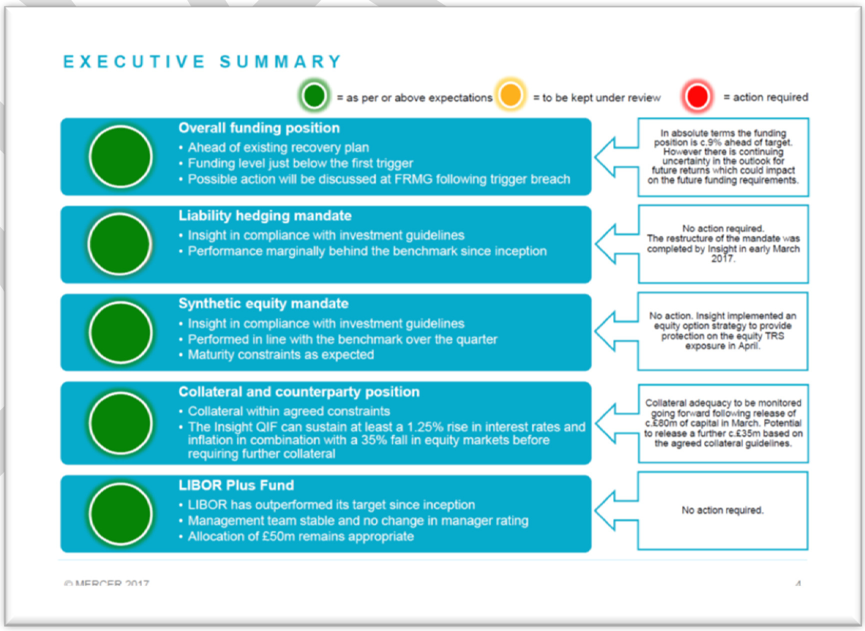
FLIGHTPATH STRATEGY

A critical aspect of managing risk relates to the flightpath strategy which is central to providing stability of funding and employer contribution rates in the long term. This strategy was originally put in place from 1 April 2014 to support the overall objective to be fully funded (a solvency level of 100%) in 10 to 12 years. The various triggers built into the flightpath strategy were reviewed alongside the actuarial valuation and the updated triggers are now incorporated into the operation of the strategy.

Over 2016/17, the level of risk hedging (the "hedge ratio") within the framework did not change (remaining at approximately 20% for interest rates and 40% for inflation rates) as the market yields and the funding level remained below the relevant trigger points.

For the LGPS generally over 2016/17, asset returns have been strong due to the impact of sterling currency depreciation and also strong equity market performance. For the CPF, the funding plan was ahead of the target set as part of the 2016 valuation as at 31 March 2017. Overall the funding position was estimated to be 86% as at 31 March 2017 which was 10% ahead of target. Whilst this was a favourable position, there was concern that due to market volatility this improvement may be lost or much reduced hence the implementation of the Equity Protection element of the strategy (see comments below).

The CPF is also in a relatively unique position as the flightpath strategy has provided protection given the level of risk hedging in place.



As a consequence of the flightpath strategy, the disclosed deficit was actually £170million lower than it would otherwise have been, had the current strategy not been implemented.

Whilst monitoring the funding position is central to my role, it is also important that we ensure other operational aspects of the mandate run by Insight are working correctly as this is vital to the success of the flightpath strategy. Therefore we monitor on a monthly basis using a red/amber/green ("RAG") rating system and the summary at March 2017 is shown. It can be seen that all aspects were at least in line with expectations.

RESTRUCTURE OF THE HEDGING MANDATE

Whilst the main objective of the Flightpath strategy is to manage risk, it is important to identify opportunities to maximise the operational performance of the mandates.

Insight and Mercer identified an opportunity to restructure the mandate to provide a higher yield on the assets for the same level of risk control. This involved buying assets with a higher yield/return and selling an equivalent asset with a lower yield/return. It was agreed by the Pension Fund Committee that the restructure should proceed subject to a net gain of at least £25m being realised. I am pleased to say that the trade was completed over the period 20th February to 3rd March 2017 and that an expected long-term gain of £36.5m (net of costs) was achieved from this restructure, which was a very positive outcome. Given this value will accrue over a very long time-frame, the position will be monitored by the FRMG. Depending on market conditions a significant proportion or all of the gain (subject to the minimum gain of £25m) could be realised much earlier.

IMPLEMENTATION OF EQUITY OPTION PROTECTION

In order to protect the Fund's current strong position, the CPF sought to protect itself against potential falls in the equity markets, via the use of an "Equity insurance contract". The aim is to provide further certainty in employer contributions (all other things equal) in the event of a significant equity market fall. The insurance contract was implemented for one year with effect from 24th April 2017 and will be monitored monthly alongside the Flightpath (above).

LOOKING FORWARD

Of course, the political and economic landscape remains uncertain due to the UK and EU BREXIT negotiations. This could have a material effect on the level of UK inflation and also the expected asset returns, both of which are crucial to the financial health of the Fund and the contributions required from the employers. It should be highlighted that the flightpath strategy will continue to provide protection to the funding position against these potential challenges relative to other LGPS Funds. It is therefore my belief that the strong governance structure within which the Fund operates, means we are well placed to navigate any uncertainty and volatility that arises.

Paul Middleman FIA

Pensions Administration Update 2016/17

Introduction

The Fund's day to day administration service is provided by the Pension Administration Section which consists of a total of 27.2 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager. It is split between an Operational Team, a Technical Team and an Employer Liaison Team, and is separate from the Finance Team.

The Operational Team of 13.8 FTEs delivers a pensions service for over 42,000 scheme members. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team of 6.4 FTEs implements and maintains the pension software systems, reconciles employer records and a pensioner payroll service for 12,000 pensioners and dependents. Whilst the Employer Liaison Team of 6 FTEs will provide assistance to Fund Employers in providing accurate and complete notifications to the Fund and provides a communication service for members and employers.

Challenges

Task Management review

In order to record more accurate and relevant workflow data the task management system continues to be reviewed and updated.

Introduction of iConnect

In November 2016 iConnect was launched for two smaller employers (Bodelwyddan Castle Trust and Prestatyn Town Council) whilst it was fully implemented for Denbighshire County Council from February 2017 meaning that data could now be transferred directly from the employers payroll records to the Clwyd Pension Funds administration system. The introduction of this software has enabled data to be transferred in a timelier manner for starters, leavers or changes to employment. Whilst it has reduced the amount of resource and time required to identify missing information during the year-end procedure.

Employer Liaison Team

From December 2016, the Clwyd Pension Fund introduced the Employer Liaison Team to the Administration Section. Understanding the continuing pressure on resources and budgets for Employers and the Administering Authority, the Clwyd Pension Fund have made provision to step in and provide assistance to Fund Employers in providing accurate and complete notifications to the Fund (and other Employer duties) in a timely manner. The Employer Liaison Team (ELT) will mainly assist in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It will also undertake outstanding requests for information in order to cleanse the pension records. The ELT will be monitored and progress reported on a regular basis. All costs will be met by Employers through their employer contribution rate, following the task reporting process. As a new team, depending on the Employer uptake, resources will need to match demand.

Pensions help desk

The operations team launched a pension's help desk process providing a centralised hub for members to communicate with the team regarding any pension related issues. By alternating responsibilities for the help desk, the introduction of this process allows individuals on the operations team the opportunity to commence with their work without interruptions on the days which they are not fulfilling their telephone duties.

GMP reconciliation

After a successful tender process, Clwyd Pension Fund appointed Equiniti to complete the GMP reconciliation exercise. Robust timescales and deadlines have been put in place with regular update meetings to report on progress. This exercise is due for completion December 2018.

Communications

During 2016/17, the Clwyd Pension Fund has published or provided the following communications:-

Clwyd Catch Up

- Distributed issue 12 of the pensioner newsletter to our pensioner members along with their pensions increase notification in Spring 2016. Issue 13 was subsequently sent in Spring 2017 including their first notification that pay slips and P60's will be sent electronically from April 2018 with the introduction of Member Self Service.

Penpal

- Circulated issue 20 of the active members newsletter notifying members of changes to the new flat rate State Pension and the LGPS national insurance database. Issue 21 has since been sent to active members in Spring 2017 providing their first notification of electronic Annual Benefit Statements, details of Member Self Service and upcoming seminars. In order to provide all active members with their second notification of electronic statements, issue 21b was sent alongside the active Annual Benefit Statements in August 2017.

Deferred Diaries

- Deferred Benefit Statements were sent to deferred members in Spring 2016. Whilst Deferred Diaries (a newsletter for deferred members) was sent alongside all members Deferred Benefit Statements in Spring 2017 to notify them of the upcoming changes to electronic benefit statements and Member Self Service.

Drop in surgeries and pre-retirement seminars

- Between April 2016 and March 2017, 27 drop-in surgeries took place for scheme members at their workplace with 380 members attending. Whilst 3 pre-retirement seminars were presented with 42 attendees.

With the aim of developing our communications, the Clwyd Pension Fund is currently undergoing major developments surrounding our website and Member Self Service. By updating our website and incorporating a Member Self Service facility, these developments will only enhance the accessibility to our current and previous members, whilst also providing a centralised hub for aspects surrounding the investments and governance of the Fund, Employers, Councillors and potential members.

A review of the website is currently ongoing in association with Aquila Heywood who provide the pension software for the Fund, with the view of launching in Autumn 2017. Together with Member Self Service and the Funds bilingual Twitter accounts, all three elements hope to provide transparency and information upon the Fund and all LGPS matters.

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 keen to enhance the service it provides to all members past and present at every opportunity, with continuous developments also being made to enhance the scheme employers experience being paramount. The following points have been actioned over the last 12 months to assure that the service provided is improving:

- Maintaining an effective Business Continuity Plan
- Adhering to the Administration Strategy
- Attending manager meetings to discuss LGPS administration and current regulation issues
- Attending LGPS training courses to ensure staff skills and LGPS knowledge are up-to-date
- Rolling out 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 documents and post to maintain a paperless office
- Developing Member Self Service software, enabling members to view their individual details online

In 2016/17 progress continued to be made with the new operational model for the Fund. Each Team Leader looks after set scheme employers, giving a direct point of contact and reinforcing the Fund/Employer relationship. There is on-going work with our larger employers on data quality and correcting a backlog of historic records in line with the Pension Regulator’s new Code of Practice.

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.

Cases completed 2016/17:

Case Type	Cases
New Starters	2,171
Address changes	1,794
Defers	1,370
Retirements (all types)	696
Estimates (all types)	535
Deaths (deferred, active and pensioners)	416
Transfers In	128
Transfers Out	214

Staff Turnover 2016/17

Description	Number
Total Staff as at 31/03/2017	27.2
Staff leaving up to 31/03/2017	1
Staff joining up to 31/03/2017	3.5

Ratio of Pensions Staff to LGPS Members 2016/17:

Although there are 27.2 full time equivalent members of staff, 13.8 full time equivalent staff deal with administration. The remaining 13.4 staff deal with I.T., pension payroll, employer liaison and communications.

As at 31/03/2017, there were 42,235 members of the Clwyd Pension Fund, meaning that there are 1,552 members per pension's staff member.

Period from – to	Contributors	Deferred Members	Pensioners	Dependant Pensioners
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
01/04/2014 – 31/03/2015	15,941	9,026	9,272	1,591
01/04/2015 – 31/03/2016	15,989	10,271	9,862	1,616
01/04/2016 – 31/03/2017	15,748	14,502	10,314	1,671

Member Trends: 5 Years

Pensioners who were awarded enhanced retirement benefits:

Period from – to	No. of Enhanced Benefits
01/04/2012 – 31/03/2013	15 Members (tier 1 & 2 ill health only)
01/04/2013 – 31/03/2014	26 Members (tier 1 & 2 ill health only)
01/04/2014 – 31/03/2015	11 Members (tier 1 only)
01/04/2015 – 31/03/2016	18 Members (tier 1 only)
01/04/2016 – 31/03/2017	27 Members (tier 1 only)

Internal Dispute Resolution Procedure

The Clwyd Pension Fund operates a two stage Internal Dispute Resolution Procedures (IDRP) if a member feels that they are dissatisfied with a decision made by their employer or the Administration Authority (Flintshire County Council). Where a disagreement is raised by a member, the Pensions Administration Manager or Principal Pension Officers will attempt to action and resolve the problem and confirm this in writing where possible.

Examples of what Employer appeals are about, could be following the termination of employment upon medical grounds or the calculation of a members final salary pensionable pay. Whilst appeals against the Administration Authority could surround the awarding of spouse or children's benefits, death grant nominations or previous pensionable service. Written appeal applications must be made within six months.

Stage One of the appeals process requires the Funds 'nominated person' to investigate the written complaint concerning the pension benefit, who must review the dispute and make a determination as to whether the decision reached was made in line with the scheme regulations. For Stage One, this nominated person is Mr Yunus Gajra, who works for West Yorkshire Pension Fund. Should the member remain dissatisfied with the outcome they can make an application under Stage Two which can be forwarded to the Clwyd Pension Fund. The Chief Executive has appointed a suitably qualified officer to hear Stage Two appeals, this individual is Mr Robert Robins (Flintshire County Council).

If still dissatisfied, members may then take their dispute to the Pension Advisory Service and then onto the Pension Ombudsman. During 2016-17, the Fund received 7 applications under the Stage 1 process, 4 of these cases moved to Stage 2.

2016/17	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	6	1	5	0
Stage 1 - Against Administering Authority	1	0	1	0
Stage 2 - Against Employers	3	0	3	0
Stage 2 - Against Administering	1	0	1	0

Appeal Contact details:	Mrs Helen Burnham Pensions Administration Manager Clwyd Pension Fund, County Hall, Mold, CH7 6NA
Stage One decision maker:	Mr Yunus Gajra West Yorkshire Pension Fund, P O Box 67, Bradford, BD1 1UP
Stage Two decision maker:	Mr Robert Robins, Flintshire County Council, Democratic Services, County Hall, Mold, CH7 6NA

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 Chief Executive.

	2016/17	2015/16	2014/15	2013/14	2012/13
Amounts under £100	4,694	6,062	4,228	5,975	3,443
Number of cases	109	146	108	129	97
Overpayments Recovered	30,095	28,126	21,612	19,518	39,625
Number of cases	81	77	40	57	51
Overpayments Written Off	1,741	1,284	5,647	402	0
Number of cases	5	5	10	2	0

Participating Employers of the Fund at 31 March 2017

The Fund had 40 bodies who contributed to the Fund during 2016/17, 28 scheduled and 12 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 2016/17 is shown below.

There have been twelve additional bodies admitted to the Fund during 2016/17, eight scheduled and four admitted. No bonds or any other secured funding arrangements have been facilitated. One employer left the Fund during the year and a termination payment has been received during the year for a further employer (Grosvenor Facilities Management) who left in the previous year.

The Pensions Regulator allows the Fund the option to levy interest on overdue contributions during the financial year. During the year the Fund encountered some issues with some of the new employers joining the Fund. These were monitored for timeliness of contributions and the Fund liaised with employers to overcome any problems they were experiencing. The analysis below shows the number of late contributions made to the Fund, along with the amounts and occasions concerned. The Fund did not exercise its option to levy interest against any of the employers during the year but the occurrences were registered in the Fund’s breaches register and reported to the Pension Fund Committee. Five of the ten employers were new to the Fund, a meeting was held with employer D to rectify the issues. The payments totaled £1,156,989.22 (1.5% of the total contributions)

Scheduled Bodies	Employer Contribution (£)	Employee Contribution (£)
Flintshire County Council	21,396,634.18	5,037,821.29
Wrexham County Borough Council	18,836,217.36	3,941,748.01
Denbighshire County Council	14,656,310.16	3,573,675.09
Glyndwr University	1,834,708.36	509,148.14
Coleg Cambria	1,484,280.15	662,132.45
North Wales Fire Service	1,287,330.40	319,723.15
North Wales Valuation Tribunal	50,896.51	11,904.39
Rhyl Town Council	35,706.52	8,040.24
Hawarden Community Council	32,077.61	7,928.11
Prestatyn Town Council	24,251.58	9,174.67
Coedpoeth Community Council	24,210.08	4,357.96
Caia Park Community Council	23,920.18	5,548.82
Buckley Town Council	19,702.10	4,625.55
Mold Town Council	13,309.14	4,407.04
Rhos Community Council	12,844..23	3,531.14
Connah's Quay Town Council	11,210.38	6.460.43
Shotton Town Council	6,939.82	1,714.03
Cefn Mawr Community Council	5,720.64	1,202.34
Argoed Community Council	5,076.89	1,120.41
Acton Community Council	3,622.72	1,050.61
Denbigh Town Council	3,308.66	1,282.27
Offa Community Council	2,242.83	1,412.87
Penyffordd Community Council	1,563.85	420.07
Marchwiel Community Council	1,011.82	294.43
Bagillt Community Council	823.40	365.20
Hope Community Council	806.03	385.20
Llanasa Town Council	221.00	0.00
Gwernymynydd Community Council	115.39	20.88

Admitted Bodies	Employer Contribution (£)	Employee Contribution (£)
Careers Wales	329,860.51	87,070.09
Civica UK	229,876.41	80,044.06
Wrexham Commercial Services	184,577.84	57,151.06
Freedom Leisure	170,993.98	57,490.48
Cartref y Dyffryn Ceiriog	58,740.69	3,361.26
Bodelwyddan Castle Trust	36,337.37	11,688.57
Grosvenor Facilities Management	10,400.00	0.00
Compass Group UK	7,392.85	2,153.42
Glyndwr Students Union	6,832.36	6,220.02
Denbigh Youth Group	5,781.13	1,715.84
Embrace	2,315.99	633.73
Cymryd Rhan	1,077.61	1,789.23

Employer	Late Occasions	Contributions (£)
A	1	1,065,823.99
B (New Employer)	3	52,064.43
C (Payroll provided by Employer A)	1	20,929.13
D	10	13,572.79
E (New Employer)	5	1,890.75
F	2	1,249.48
G (New Employer)	6	573.05
H (New Employer)	3	544.32
I (New Employer)	1	341.28

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	28	8	36
Admitted body	12	8	20
Total	40	16	56

Analysis of Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2017.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	106,336	131,149	202,826
Alternatives	125,727	210,153	486,461	676,601
Bonds & LDI	393,858	0	198,621	592,479
Property (Direct)	0	0	0	0
Cash	33,623	0	0	33,623
Total	553,208	316,489	816,231	1,655,928

The alternatives portfolio comprises pooled investments in the following asset classes:

Hedge Fund Managed Account, Diversified Growth Funds, Property, Private Equity & Opportunistic, Infrastructure, Timber and Agriculture.

Analysis of Investment Income

The table below provides an analysis of the Fund's investment income accrued as at 31 March 2017.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	0	0	0
Alternatives	1,353	5,968	0	7,321

Bonds & LDI	0	0	0	0
Property (Direct)	0	0	0	0
Cash	111	0	0	111
Total	1,464	5,968	0	7,432