

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 21 st February 2018
Report Subject	Clwyd Pension Fund Update
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

This monitoring report provides a high level summary of the main priorities and issues across the Fund and LGPS, complies with any specific reporting requirements and records delegations undertaken by officers since the last Committee. It also asks the Committee to agree to changes to the Delegations of Functions to Officer documents.

The Business Plan and Risk Register will be updated for the next Committee on 21st March 2018.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee agrees the proposed changes to the Delegations of Functions to Officer document in Appendix 6.

REPORT DETAILS

1.00	CLWYD PENSION FUND SUMMARY
	Clwyd Pension Fund Governance
1.01	The Fund's Training Policy requires Committee Members to undertake training needs analysis to comply with best practice guidance. A self-assessment training needs analysis was completed by all members of the Committee and Board in December and January and these have now been analysed to understand the priorities in relation to training. It should be noted that the 100% completion rate is a very positive reflection of members'

	<p>commitment.</p> <p>The analysis of the self-assessments highlights the need for some degree of training in all areas of the CIPFA competencies. This is the result that was expected given the majority of the Committee members were new appointees in May 2018. Some of the high priority areas are being covered as part of the previous agenda item on pooling. The majority of the other areas are planned to be covered through, initially, a further two days' training as follows:</p> <ul style="list-style-type: none"> • one day on investment matters • half day on administration and governance matters • half day on funding matters. <p>This will also provide initial induction training for the new Committee member and new Board member, but further training will be provided as required for those members.</p> <p>It is hoped that the training days can be scheduled for March and members will be asked for availability during the meeting.</p>
1.02	<p>The Clwyd Pension Fund Board met on 2nd November 2017. As previously agreed, to keep Committee informed of the work of the Board, the minutes are attached as Appendix 1.</p> <p>Members will see from the "Any Other Business" item that Mrs Brookes has confirmed she will not be standing for a further term when her term of appointment ends in the summer of 2018. At the meeting Pension Board members noted that they would be extremely sad to have Mrs Brookes leave the Board as she had been such a valuable contributor. A replacement for Mrs Brookes will shortly be advertised via the Fund's website and various scheme member newsletters.</p>
1.03	<p>Following the retirement of a Pension Finance Manager work on the resourcing of the pension finance function continues. As an interim solution, Worth Technical Accounting Solutions Limited has been appointed to assist with the closure and audit of the 2017/18 pension fund accounts.</p>
1.04	<p>LGPS Governance</p> <p>As a result of recent Government changes, the Department of Communities and Local Government (DCLG) has been changed to the Ministry of Housing, Communities and Local Government (MHCLG). This is the department that is responsible for making legislation relating to the LGPS. This change also involves the appointment of a new Minister (Rishi Sunak MP). This change is on the back of an almost 100% change in senior officials within the pensions division of DCLG in the last two years which has resulted in delays to legislative changes. Although there is not expected to be any move to change the Government's priorities as a result of the change in Minister, such as the need to pool assets, the impact of this change is as yet unknown. The Clwyd Pension Fund Manager in his position on the PLSA Local Authority Committee will be meeting with MHCLG officials.</p>
1.05	<p>The national LGPS Scheme Advisory Board (SAB) sub-committees - Investment, Governance and Engagement Sub Committee and Cost Management, Benefit Design and Administration Sub Committee - have each</p>

	<p>met since the last Committee meeting. The agendas, actions and agreements can be found at www.lgpsboard.org. Some of the items currently on the agendas are:</p> <ul style="list-style-type: none"> • March 27th Cross Pool Forum – SAB are staging a one day forum on the scheme’s asset pools for the Chairs of LGPS pension committees and local pension boards. The intention is to give the Chairs of pension committees and local pension boards an update on progress and to give them the opportunity to discuss issues and concerns with a range of expert speakers. The attendees from Clwyd Pension Fund will be confirmed at the Committee. • Cross Pool Forum - there is also going to be a regular forum for a limited number of pension committee representatives from each pool area. The details are still to be confirmed but this is likely to meet at least twice a year, will probably involve two or three representatives from each asset pool's Joint Governance Committee (or equivalent) and some scheme member representation. • 50:50 Scheme – the take up of the 50:50 Scheme has been much lower than originally anticipated. SAB wish to consider ways to increase the use of the 50:50 Scheme for those who would otherwise opt out of the LGPS. • Tier 3 Employers – A project is underway identifying the potential funding, legal and administrative issues and liabilities relating to admitted and scheduled bodies that do not benefit from local or national tax payer backing (Tier 3 employers). Aon has been appointed to carry out this work and then a range of options will be developed and considered by SAB in relation to the issues identified. • Pension Boards – SAB carried out a survey on the effectiveness of pension boards last year. Recommendations are due to be put to the SAB shortly as a result of the findings. • Cost Transparency – ongoing work is being carried out to extend the reach and robustness of the cost transparency framework to provide greater transparency on investment fund manager costs and fees. <p>Updates on any outcomes will be provided but Members are also encouraged to visit the web-site.</p>
1.06	<p>The Welsh Assembly Government has very recently changed legislation to enable Councils in Wales who are also administering authorities to exclude the pension fund accounts from their Council Statement of Accounts. We understand the intention of this change is to separate the Pension Fund accounts from the main Council's accounts, but the implications of this decision, which applies to the 2017/18 accounts, is being considered.</p>
	<p>Funding and Investments</p>
1.07	<p>The estimated funding position as at 31st December 2017 was 92% which is 13% ahead of the expected position at this point based on the assumptions set at the 2016 Actuarial Valuation. The report from the advisor is attached as Appendix 2.</p>
1.08	<p>The investment returns for the Fund as at 31st December 2017 are shown in the table below and compared with various benchmarks and targets. Global financial markets have been favourable over recent years which are reflected in the strong returns and the improvement in the funding position. Further</p>

details are provided in the investment consultant’s quarterly reports on the Economic and Market update (Appendix 3) and the Investment Strategy and Manager Summary (Appendix 4). At the time of writing there is significant market volatility which is having a negative impact on investment returns and funding position. The Investment Consultant will provide a verbal update at Committee.

	3 months %		12 months %		3 years % p.a.	
	Fund	B'mk	Fund	B'mk	Fund	B'mk
TOTAL CLWYD PENSION FUND	3.9	2.9	9.9	8.4	10.0	8.9
Strategic Target (CPI +4.1%)	1.6		6.2		6.2	
Actuarial Target (CPI +2.0%)	1.0		4.1		4.1	

1.09 The Funding & Risk Management Group, Tactical Asset Allocation Group and Private Equity and Real Asset Group continue to actively manage the implementation of the Investment Strategy Statement. Appendix 5 updates the Committee on the areas of delegation used since the last meeting.

To summarise:

- There is sufficient liquidity to meet short term requirements
- Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG).
- Within the “In House” portfolio, 3 further commitments have been made in the Real Asset portfolio each totalling a sterling equivalent of £8 million. These commitments follows the strategy agreed by the AP for these asset classes.

The Fund is continuing due diligence in two specific areas.

- Development Bank of Wales Management Succession Fund
- GLIL, an Infrastructure vehicle currently investing in UK Infrastructure and managed be several Local Authority Pension Funds.

1.10 In undertaking the MiFID II “Opt Up” process, the Fund provided supporting documentation to 60 organisations comprising current managers, consultants and platform operator who have all confirmed the status of the Fund as “professional “investors.

In addition, since the January 3rd deadline, the Fund continues to provide documentation to other interested parties including the newly appointed platform operator Link Fund Solutions and the sub contracted discretionary manager, Russell Investments.

1.11 The project to pool investments across the eight LGPS funds in Wales continues. It is planned for the Joint Governance Committee to approve the first sub fund in March which leaves a current expectation, after the necessary Financial Conduct Authority (FCA) approvals for assets to be able to be transferred into this sub fund during August or September 2018. The actual transfer of assets is a reserved matter for administering authorities in the Inter-Authority Agreement so a recommendation will be made to this Committee later in the year. From a Clwyd Fund point of view this sub fund potentially relates to 4% (circa £80m) of the Fund’s assets. The presentation from the WPP operator on this agenda will provide more detail.

	<p>The Clwyd Fund's officers and advisors have met with the Operator to discuss how the Fund's investment strategy can be delivered through the pool.</p> <p>The Clwyd Fund Pension Finance Manager continues to represent the WPP on the cross pool infrastructure and responsible investment groups. The MHCLG (formerly DCLG) continue to monitor progress of all the pooling projects</p> <p>The next WPP Joint Governance Committee is 28th March at County Hall, Mold. It is a Council meeting, and therefore open to the public, and so everyone is welcome to attend.</p>
1.12	<p>Administration & Communication</p> <p>One of the functions that is currently delegated to officers, is the approval of the Fund's discretionary policies, which in the main relate to technical and detailed aspects involving day to day management of the fund (e.g. whether to charge interest on the late payment of employer contributions, or who decides the recipient of a death grant). Due to recent changes, it is now beneficial for the Fund to also have two further policies that are closely related to these discretionary provisions:</p> <ul style="list-style-type: none"> • a Voluntary Scheme Pays Policy – this relates to whether the administering authority will permit scheme members who become liable to annual allowance and/or lifetime allowance tax charges to repay this via a reduction in their pension paid from the Fund, and • Under and Overpayments Policy – this outlines the treatment of situations where a scheme member's benefits are found to be underpaid or overpaid. This might include situations such as where the pension has been overpaid and that has only been highlighted due to the ongoing Scheme/GMP reconciliation exercise, or where a pensioner dies near the end of a calendar month, and the full month's pension has already been paid (resulting in an overpayment). For a number of reasons, including administrative ease and potential distress to scheme members, it may be reasonable to write off overpayments or claim them back over an extended period of time. <p>Given the detailed and technical nature of these policies, the Committee are asked to confirm that they are in agreement that the approval of these two policies is also delegated to officers, as part of the agreement of the administering authority discretionary policies. As a result, these would be agreed by the Chief Executive and Corporate Finance Manager, having regard to the advice of the Advisory Panel. Copies of the agreed policies would be circulated to all Committee members once approved. The Delegation of Functions to Officers is attached in Appendix 6, within which the proposed amendments are highlighted.</p>
1.13	<p>The Pensions Administration Team continue to progress a number of areas to improve services in line with the Administration and Communication Strategies. An update of the performance statistics membership numbers, Internal Dispute Resolution Procedures (IDRP) and communications issued will be included in March 2018 Committee reports.</p>
1.14	<p>The number of employing bodies in the Fund has increased to 42. The new employing body admitted to the Fund under delegated powers since the last</p>

	Committee is HFT (consisting of approximately 60 members) which has been established and therefore admitted to the Fund as a result of an alternative delivery model by Flintshire County Council for day care services.
--	--

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report

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

4.00	RISK MANAGEMENT
4.01	The risk register covers risks across the Fund and will be updated for the 21 st March Committee.

5.00	APPENDICES
5.01	Appendix 1 – Pension Board Minutes Appendix 2 - Risk Management Framework Monthly Monitoring Report Appendix 3 – Economic and Market Update Appendix 4 – Investment Strategy and Internal Audit Report Appendix 5 – Delegations Appendix 6 – Officer Delegations

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

7.00	GLOSSARY OF TERMS
-------------	--------------------------

7.01	<p>(a) The Fund - Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) Committee – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) TPR – The Pensions Regulator – a government organisation with legal responsibility for oversight of some matters relating to the delivery of public service pensions including the LGPS and CPF.</p> <p>(g) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.</p> <p>(h) MHCLG – Ministry of Housing, Communities and Local Government – the government department responsible for the LGPS legislation.</p> <p>(i) MiFID II- Markets in Financial Instruments Directive II - the EU legislation that regulates firms who provide services to clients linked to “financial instruments” (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.</p>