CLWYD PENSION FUND COMMITTEE
20 FEBRUARY 2019

Minutes of the meeting of the Clwyd Pension Fund Committee of Flintshire County Council, held at County Hall, Mold at 9.30am on Wednesday, 20 February 2019.

PRESENT: Councillor Dave Hughes (Chairman)
Councillors: Haydn Bateman, Billy Mullin.

CO-OPTED MEMBERS: Councillor Huw Jones (Denbighshire County Council), Councillor Andrew Rutherford (Other Scheme Employer Representative), Mr Steve Hibbert (Scheme Member Representative) and Councillor Trevor Bates (Wrexham County Borough Council – substitute for Councillor Nigel Williams).

ALSO PRESENT (AS OBSERVERS): Mr Mark Owen (PFB Employer Representative), Mr Phil Pumford (PFB Scheme Member Representative).

APOLOGIES: Councillor Nigel Williams, Councillor Ted Palmer and Councillor Ralph Small.

IN ATTENDANCE:

Advisory Panel comprising: Colin Everett (Chief Executive), Philip Latham (Clwyd Pension Fund Manager), Gary Ferguson (Corporate Finance Manager), Karen McWilliam (Independent Advisor – Aon Hewitt), Kieran Harkin (Fund Investment Consultant – JLT Group), Paul Middleman (Fund Actuary – Mercer).

Officers/Advisers comprising: Debbie Fielder (Deputy Head of the Clwyd Fund), Kath Meacock (Principal Pensions Officer for Communications and Regulations), Kerry Robinson (Employer Liaison Team), Nick Buckland (Fund Investment Consultant – JLT Group), and Nikki Gemmell (Actuarial Consultant – Mercer - taking minutes).

The Chairman welcomed Kath Meacock to the Committee meeting. He also informed the Committee that Helen Burnham would not be returning to her role of Pensions Administration Manager but that Kath Meacock and Kerry Robinson would be available to cover the administration items.

42. **DECLARATIONS OF INTEREST (including conflicts of interest)**

The Chairman noted that all of the advisors will leave the room for item 14 due to their conflicting interests. No further declarations were made.

43. **MINUTES**

The minutes of the meeting of the Committee held on 28 November 2018 were submitted.

Mr Hibbert referred to pages 5 and 6 regarding the question he had asked about what would happen in the event of a lose-lose situation. He commented that he didn't believe that an answer was provided and felt that it was needed in order for the Committee to perform their duties. In particular, if the Committee is given a proposal that offers a lower return with a higher fee than under an existing Clwyd Pension Fund manager, what actions can the Committee take bearing in mind the statutory guidance and fiduciary responsibility?

Mr Latham highlighted that one of the main aims of pooling is to implement the Fund's investment strategy in a way that gives better risk adjusted returns with reduced fees compared to investing as a single Fund. However, the fees are not the most important part and there are no guarantees with investments. Mr Latham hoped that they do not get into the lose-lose situation.

Mr Everett confirmed that the decisions on whether to transfer assets would be agreed on a case by case basis, and that he would not support any cases where the balance of risks is not in the best interest of the Fund. He noted the need that if a situation is marginal then it would be appropriate to go with the pool solution.

Mrs Fielder referred to page 6 and confirmed that she had highlighted scheme representation on the JGC with the Officers' Working Group. Mrs Fielder confirmed that they will send a response to the SAB at some point in the future.

Mr Hibbert directed the Committee to item 37 on page 12 and confirmed his question had been whether the issue had affected other Funds not just employers in the Clwyd Fund. Mrs McWilliam said that any other Funds that use that software will probably have the same problem. Mr Everett confirmed that the problem had been escalated with the provider.

The Chairman thanked Miss Fellowes for the quality of the minutes provided.

RESOLVED:

(a) It was agreed the minutes could be received, approved and signed by the Chairman.

44. **BUSINESS PLAN 2019/20 TO 2021/22**

Mr Latham noted that the aim of the business plan is to demonstrate that the Fund is managing its risks (financial and operational) and how this will be resourced. He noted that the majority of the items within the business plan this time are ongoing and were therefore included in last year's plan with the exception of some bespoke projects.

Mr Latham noted that the business plan contains the Fund's mission statement for the Fund and the objectives from the key policies and strategies of the Fund.

Mr Everett recommended that they should add an objective covering a specific risk relating to balancing the needs of the Fund and the pool, noting the positive and negative risks of being within the pool. Mr Latham agreed and commented that the Investment Strategy Statement would also require updating.

Mr Hibbert asked whether working with the Actuary on the valuation would be every four years rather than every three years. Mr Middleman said that this is being discussed and will be subject to a consultation and so can only be updated once the changes in Regulations come into force so it is correct that at the moment the plan refers to three years.

Mr Latham directed the Committee to the four bullet points at the bottom of page 30. He noted that the top and bottom bullet points (relating to transitioning assets to the pool and implementing benefit structure changes as a result of national changes) are external factors that affect the Fund. However, the Fund need to ensure that they still keep on top of the other key areas (e.g. continuing to promote our online facilities and finalising the roll out of improved systems to employers) as there is a risk that the external factors take the resources away from the other areas.

Mr Latham highlighted pages 31 and 32 which show that the Fund still has a positive cashflow but that more work will be done on this as part of the actuarial valuation.

Mr Hibbert asked about the fund manager fees and whether it would be worthwhile including a footnote to explain what proportion of the fees have increased due to manager cost transparency and which are due to additional costs. The footnote could include why the fees are increasing and what the Fund are doing about it, as he knows that there are reasons which are not explained here. Mrs Fielder agreed with this comment. Mrs Fielder confirmed that most of the fee increases are due to manager cost transparency where they declare all costs given that many are now signed up to the transparency code. Mrs Fielder noted that it is difficult to estimate performance fees and that transaction costs tend to be small.

A lot of work goes into these numbers and the figures reflect the increase in the asset size of the Fund. Mr Hibbert noted his view is that the estimates of the Clwyd Pension Fund fees are better than what he normally sees. Mrs McWilliam agreed that a short note would be useful as it would reduce the potential for criticism from third parties if it explained that a significant amount of the increase is due to greater cost transparency from managers.

Cllr Jones queried the budgeted outsourcing numbers on page 32, which have increased from £300,000 to £900,000. Mr Latham confirmed that it is not an increase in cost as such. The main reason is that Project Apple has delayed some work and so some costs will come through in 2019/20 rather than 2018/19. Therefore remainder of the unused 2018/19 budget has therefore been moved to 2019/20, which relates to the GMP reconciliation and backlog outsourced projects.

Mr Latham directed the Committee to page 37 which sets out training and conference dates for their diaries and it is suggested that they attend.

Mr Latham then highlighted some of the key tasks relating to governance. He noted one of which is to develop a business continuity plan on the back of the recent continuity testing carried out by the team. Mr Everett agreed that the pension fund should develop this as part of the Council's work on business continuity.

Mr Latham discussed G6 and noted that the SAB had appointed Hymans to consider effectiveness of governance in LGPS administering authorities, particularly around avoiding conflicts between the pension fund responsibilities and other administering authority responsibilities. It was noted that the project is no longer being referred to as separation. A questionnaire will be sent to funds to collect their views on whether separation is needed.

Mr Hibbert asked about the review of co-opted and local Board members, in particular the scheme member representative for the trade unions and whether they are able to reappoint the existing representative, subject to the usual democratic processes. Mrs McWilliam confirmed that the decision is up to the trade unions who will be asked to nominate an individual, and they can choose to re-nominate and existing representative if they wish.

Mrs Fielder discussed the funding and investment items within the business plan. The Fund are looking to review their responsible investment policy. It was noted that cashflow and liquidity will be considered as part of the valuation process when contributions are reviewed. The actuarial valuation and investment strategy review will take place this year and the asset pooling work is ongoing. Mrs Fielder will continue work on the employer risk management framework. Mrs Fielder summarised by saying it is expected to be another busy year for the Fund and advisors.

Ms Meacock discussed the key administration items; they are developing an under/overpayment policy which is also required as part of the GMP reconciliation and the review of the administration strategy which is planned for approval in June 2019.

Item A6 relates to the amendment regulations from MHCLG which change the entitlements to some partners benefits where a scheme member has died. This is a backdated change and so they need to revisit previous death benefit cases to see if their payment should increase or decrease. This project will be dealt with once Project Apple has been completed.

Item A7 relates to members where the Fund scheme members have moved and the Fund does not know the new address details. They may be reaching retirement and so need to be traced. In addition, the Regulations state that all refunds must be paid within 5 years of the member's leaving date. As the reform took place from 1 April 2014, the 5-year point of new scheme is coming up in April 2019 and so they need to try to trace those members before the period ends.

Item A12 refers to the ongoing implementation of iConnect which now has several employers on it including two of the main Councils. Moving forward Mrs Robinson and the ELT team will be working with Wrexham CBC to go transition onto iConnect.

Mrs Robinson noted that half of the ELT team are currently working on Project Apple and the other half are pushing through the priority cases, for example death cases and retirements which will require a payment. They have also been working on iConnect for Wrexham CBC. Mrs Robinson noted a longer term objective is to consider if any other employers, in addition to Wrexham CBC and Flintshire CC, could benefit taking the services offered by the ELT team.

Mr Hibbert asked if there was a paragraph on stock lending to be included in the Investment Strategy Statement. Mr Latham confirmed that this is already included.

RESOLVED:

(a) That the Committee approved the business plan in Appendix 1 relating to the period 2019/20 to 2021/22 subject to the addition of an objective relating to asset pooling and a note clarifying the increase in investment manager fees.

45. **POOLING INVESTMENTS IN WALES**

Mr Latham presented this item of the agenda which covered four key areas; responsible investment, stock lending, statutory guidance and a general update on pooling:

- Responsible investment – currently the Fund has a sustainability policy within the ISS. There is a training session for the Committee on 20 March to discuss what the Fund currently does in terms of responsible investment and also what best practice was in this area. It will also include a session on what the WPP is doing in this area.

Mr Latham directed the Committee to page 117 and noted that at a national level, more guidance is expected from the SAB on responsible investment. The main purpose is to provide guidance on what the pool's should be doing as they should be able to deliver the responsible investment policies of all funds. This can be tricky as each fund may have its own policy and they could be quite different.

The WPP is developing a Pool responsible investment policy which is being drafted by Hymans as the advisor. Hymans have produced a questionnaire to gather the investment beliefs of the Funds within the pool on responsible investment. Hymans want two responses, one from an officer point of view and one from the Chair of the Committee based on the views of the Committee.

Cllr Jones commented that he would prefer the officers responding by the deadline as they better understand responsible investment, however he suggested that the Committee should respond after the training session on 20th March when they have more understanding. Mr Everett and the Committee agreed with this proposal.

- Stock lending – Mr Latham discussed the recommendation to allow the WPP to participate in stock lending. Either all eight funds within the WPP agree to it or it does not go ahead. Six of the funds have already been through their Committees and they agreed to allow it. The other funds have a lot of equity and stock lending will therefore have a bigger impact. This is low impact for Clwyd Pension Fund as they only have a 4% allocation to global equities, meaning the expected income will be £25,000 p.a from stock lending.

  Mr Latham informed the Committee that stock lending is when an investor lends out a stock to a third party so they have ownership over a period of time and in return they pay a fee to the lender. The lender receives collateral in the event of failure of the borrower. The WPP as a whole will get approximately £1m in terms of income. However, the investor loses their voting rights. To partly mitigate this the WPP can hold back 5% of shares in each stock to retain the vote.

  Cllr Mullin asked if there are any real risks for the Committee to worry about. Mr Latham noted that there are some risks in extreme circumstances. For example, during a financial crisis or extreme events because it is difficult to recover the stock quickly. However, those that chose not to call back the stocks did not see many losses. Mr Latham confirmed that he is not aware of many other real issues with stock lending.

  Cllr Bateman asked what the collateral would be. Mr Latham confirmed that this is usually cash assets or fixed income assets which are paid if they fail to give the stock back.

  Mr Hibbert questioned whether this would be low impact for the Fund. Mr Hibbert raised concerns regarding the potential short term fluctuations in assets due to the conscious movement of stocks by investors using stock lending, which could cost a lot more than the potential gain of £25,000 from participating in stock lending within the pool. He agreed that in the long term there could be a positive return but raised concerns about the short to medium term impact on the Fund. Mr Latham highlighted that there is no evidence that taking part will drive down the value of stocks.

  Mr Harkin agreed with both points and noted that the pool should have a written policy on how stock lending will work to minimise the chance of the scenario Mr Hibbert had raised.

- Informal consultation on statutory guidance – Mr Latham confirmed that a response was drafted to the consultation, taking on board views from the advisors and Mr Everett. The overall tone is that the Committee agree with pooling and would like to gain from the benefits but that pooling may not always be the answer. The consultation closes on 28th March 2019 but Mr Latham asked the Committee to agree to the consultation response at today's meeting.

- General update on the WPP – Mr Latham, confirmed that they have now transitioned the global assets into the pool and can now measure the cost or saving of this using figures from the transition manager. Mr Latham noted that the last JGC meeting was deferred due to bad weather and the next meeting will now be 27th March 2019. Therefore, the fixed income recommendation will not be included until the June committee now. The transition will now be post June 2019.

- Mrs McWilliam highlighted that the Fund will need to ensure that appropriate reporting is received from the pool in relation to any assets that are transitioned and it is important this provides the level of detail officers and the Committee need and are currently used to receiving from JLT.

RESOLVED:

(a) That the Committee noted the report and discuss progress being made by the Wales Pension Partnership.

(b) The Committee agreed that the WPP can participate in Stock Lending following a vote where five out of seven members agreed with the recommendation. It was further resolved that the concerns of the Committee are fed back to the WPP with the requirement that the stock lending should be closely monitored.

(c) The Committee discussed the informal consultation response and delegated agreed changes to be made by the Clwyd Pension Fund Manager.

46. **GOVERNANCE UPDATE**

Mr Latham confirmed that they are making progress on item 1.01 and that interviews for the Accountant and Governance Support Officer are tomorrow, they will be advertised through the graduate post shortly. Mr Everett commented that they have been working hard on the staffing restructure and posts.

Mr Latham highlighted page 117 and the work that the Scheme Advisory Board are undertaking and its importance as it impacts on the Fund.

Mr Middleman gave an update on Fair Deal, highlighting that there has been a consultation and that there is a draft response in the papers for agreement in principle. Mr Middleman gave an overview of the background on Fair Deal, noting that it is about protecting the rights of employees who are outsourced from a public sector to a private sector employer. Currently they remain in the LGPS or transfer to a scheme which offers benefits that are "broadly comparable" to the LGPS as certified by an actuary. Under New Fair Deal the broadly comparable route will disappear.

The questions asked and answered are set out from page 134. The second question discusses the definition of a Fair Deal employer, which is all public bodies with the exception of further and higher education employers. In the response, the Fund has commented that this seems reasonable but there is a potential inconsistency which needs to be clarified if it's the intention.

Question 3 relates to transitional arrangements, for example what happens to those that were in a broadly comparable scheme when the contract ends. Their pensions and rights will be compulsorily transferred back to the LGPS, which potentially increases risks and costs to employers as they will be transferred across on an individual transfer basis which can be generous for individuals due to the assumptions used versus the transfer offered. Previously they would be transferred on a "bulk basis" in a way that usually protected the employer but gave a fair outcome to the members also. Mr Middleman commented that there are not many broadly comparable schemes so in the overall scheme of things for the LGPS it may be something that can be lived with to make it simple to operate.

Mr Middleman noted that the key element of the consultation is on page 136 which discusses the introduction of "deemed employer status". If the Council outsourced services, then the Council could be the "deemed employer" and the outsourced employer would not require an admission agreement or bond.

Whilst the admitted body route would still be available, this would simplify the process in cases where the Council agrees to take all the risk. This would mean that an exit debt calculation is not required. However, Mr Middleman noted that the new employer's relationship with the Fund should be fully documented as they still need to pay contributions to the Fund. This makes it critical for employers in the Fund to have clear policies so that all parties understand their obligations and this should be part of the process for any contract between the employer and the contractor (or other entity admitted in this way).

Mr Middleman commented that the most effective route would be that employers need to compulsorily make pension considerations part of the procurement process to ensure it is dealt with immediately and fully understood. Whilst the ideal would be for the procurement Regulations to change to achieve this, it would be difficult to implement that route. Mr Everett agreed but noted that it can still be implemented through a Council's policy on transfer of services. Mr Middleman agreed whilst noting that it can be difficult to ensure this is the case.

Mr Middleman noted that the proposed consultation also includes some points about the process of merging employers. He highlighted that there should be some sort of consent for a receiving authority. For example if an employer transfers from another Fund to the Clwyd Pension Fund; if it fails then the risk has been transferred to the Clwyd taxpayers.

Mr Hibbert asked for the definition of a broadly comparable scheme and whether it could mean a defined contribution scheme with small contributions (e.g. 1%) paid by the employer and employee. Mr Middleman explained that broadly comparable could be a private sector scheme that provides benefits that replicate completely the LGPS benefit structure but not backed by taxpayers. It could also be a Defined Benefit scheme with benefits of equivalent actuarial value to ensure that the benefits are "broadly equivalent". It required actuarial certification of broad comparability. This could not be a DC scheme.

Mr Latham noted that the introduction on page 149 mentions accounting requirements. Employers have to include pension debts in their accounts which can cause them issues bidding for contracts. The deemed employer route could mean that they don't have to show this liability on their balance sheet so it is right to ask this question. However, he expects that the answer will be that they do need to include them.

Miss Gemmell talked the Committee through the cost management slides. It was noted that the cost management process is now on hold due to the McCloud judgement which is a case brought against the Government on age discrimination grounds in relation to protections given to members when public sector schemes changed their benefit structures in 2014 or 2015. The challenge was in relation to the Judges and Firefighters Schemes. The outcome was that the protections were found to be discriminatory. The Government are considering an appeal which could take more than 12 months to resolve. If Government accept the judgement or are unsuccessful in the appeal it would mean additional costs for the LGPS, backdated to 1 April 2014 at least, and a reassessment of the cost management outcomes. If Government win an appeal the cost management process would recommence and any changes could be backdated to 1 April 2019 which is far from ideal from an administration viewpoint.

Administering Authorities have been asked how it should be dealt with in the 2019 valuation. In particular, whether they would prefer to make their own judgements about how to allow for the McCloud judgement (for example, in the actuarial valuation, in exit calculations etc.) or whether they would prefer central guidance that all funds should follow consistently. A response should be sent from Funds by 1 March 2019. Mr Middleman's view is that the guidance approach would be better to give consistency across the Funds but that he does not want the guidance to be too prescriptive as each Fund needs to take into account local circumstances. Mr Middleman also noted that the costs of the McCloud judgement could well be higher than the initial cost management impact for employers and that the benefit is more valuable to the younger members.

Mrs McWilliam commented that this will be confusing for members and employers, especially if the benefits are backdated. The impact on the administration team will also be large. Mr Middleman agreed and noted that implementing the backdated employee contribution changes will be complicated. He commented that the cost management process is less of a burden than the implications of the McCloud case, if they are deemed to be unlawful.

Mr Jones asked whether this was included in the risk register. Mrs McWilliam confirmed that whilst the risk register has been intentionally kept high level, one of the sections relates to national risks and so this is therefore covered.

RESOLVED:

(a) That the Committee considered the update and provided comments.

(b) That the Committee agreed to the extension of the existing Custodian contract until it is no longer required due to asset pooling.

(c) The Committee considered the proposed response to the Fair Deal consultation, highlighting any changes they would like to make and agreed to the response being submitted to MHCLG, subject to delegating incorporating any further changes agreed to the Clwyd Pension Fund Manager.

47. **LGPS UPDATE**

Miss Gemmell noted that as the key points within the update were covered within the Governance items under the previous agenda item, it was not necessary to discuss the remainder of the updates within the meeting.

RESOLVED:

(a) That all Committee members noted this report and made themselves aware of the various current issues affecting the LGPS, some of which are significant to the operation of the Fund.

48. **PENSION ADMINISTRATION/COMMUNICATIONS UPDATE**

Ms Meacock introduced herself to the Committee and explained that she now is the Principal Pensions Officer for regulations and communications. Ms Meacock gave an update on the main points in this item of the agenda. The aggregation project has been extended due to Project Apple and the movement of resources. The technical team have been working on 980 queries from Mercer intended to improve data quality in advance of the 2019 actuarial valuation. The work on iConnect is ongoing. Mrs Williams is on the CIPFA benchmarking group and the reporting on KPIs has been discussed and over time, the KPIs will evolve in line with discussions in the group.

Ms Meacock noted that the communications officer post has now been filled and an internal candidate has been appointed, resulting in a further vacancy within the team. One of the part-time payroll officers has retired and so there is now also a vacancy in the technical team to fill. The Principal Pension Officers will concentrate on filling these vacancies in the coming weeks.

Mr Hibbert queried the pink line in the KPIs and whether this relates to the number of jobs coming in. Mrs McWilliam confirmed that the pink line relates to the number of cases completed within the month rather than the number of new cases. For example, 340 leaver cases were completed and 63% were within the legal timescales.

Cllr Jones asked what the 24.92% relates to on page 223 as it does not tie in with the number of records in the Fund. Ms Meacock confirmed that as there are multiple records for some members, for example where they have multiple jobs, but this measure relates to the number of actual members, rather than records, that have signed up for the member self-service.

The Chairman thanked all of the officers for continuing to step into the Manager's role and keeping things moving during challenging times.

RESOLVED:

(a) That the Committee considered the update and provided any comments.

49. **INVESTMENTS AND FUNDING UPDATE**

Mrs Fielder highlighted the main areas which are the delegated responsibilities and the transition of assets into the pool. There were cashflow requirements in December 2018 and so the Fund have redeemed £10m back from the collateral within the Insight mandate. Cashflow continues to be monitored.

Mrs Fielder also noted the Committee to the 2019 actuarial valuation plan and timescales.

The Chairman thanked Mrs Fielder and her team for continuing to manage the section whilst they have ongoing vacancies.

RESOLVED:

(a) That the Committee considered and noted the update for delegated responsibilities and provided any comments.

(b) The Committee noted the timescales for the 2019 valuation plan and understand the areas that will require Committee approval.

50. **ECONOMIC AND MARKET UPDATE**

Mr Harkin gave a brief update on this item of the agenda. He commented on page 257 which showed the level of volatility seen in Q4 of 2018, particularly in October and December. The US markets have been affected by contagion and some fears surrounding the end of quantitative easing plus the markets have been affected by ongoing Brexit concerns. Since 31 December, the markets have nearly recovered to the position before December. Gilt yields have fallen in this current quarter which is an issue for the UK. Mr Harkin noted that volatility is likely to continue for some time.

Cllr Jones commented on page 262 with regard to Japan becoming a target for the Trump Administration in 2019 due to the imbalance in the Autos sector. He noted the recent news regarding the Honda plant in Swindon which aligned with this.

Mr Everett noted that the growth rate for the UK has been downgraded by the Bank of England for the three years to 2022.

Mr Harkin commented that the delay on Brexit has meant that decisions have already been taken by companies on how to deal with it, despite not knowing the outcome. This itself is creating uncertainty in the economy and therefore the markets.

RESOLVED:

(a) To note and discuss the Economic and Market Update 31 December 2018.

(b) To note how the information in the report effectively "sets the scene" for what the Committee should expect to see in the Investment Strategy and Manager Summary report in terms of the performance of the Fund's asset portfolio.

51. **INVESTMENT STRATEGY AND MANAGER SUMMARY**

Mr Buckland gave a brief update on this item of the agenda before taking questions. The first thing he highlighted was that it was a poor quarter to 31 December 2018. However, the year to 31 December was reasonably flat which shows the continued volatility in the markets. He talked through page 277, noting that private credit is a new investment which will take time to be fully committed and that the Fund Risk Management Group, made up of JLT, Mercers and Fund officers, are currently looking at the management of the collateral of the LDI portfolio managed by Insight. In-house private markets are performing ahead of target whereas hedge funds and diversified growth are underperforming versus benchmark. Mr Buckland noted that the quarterly returns over 2018 had been particularly volatile but highlighted that the Fund is a long term investor and the three-year performance was positive at 8.8% p.a. He also noted that the returns since 31 December have been positive and that assets increased from £1,784m to £1,821m at the end of January 2019.

Mr Everett commented on the volatility in the run up to the actuarial valuation which could be a concern given the difficulties for employers' budgets, although he noted that discussions on this have assisted in the planning. He reminded the Committee that they should remember their pension fund role when making decisions at this Committee relating to this.

RESOLVED:

(a) To note and discuss the investment strategy and manager performance in the Investment Strategy and Manager Summary 31 December 2018.

(b) That the Committee considered the information in the Economic and Market Update report to provide context in addition to the information contained in this report.

52. **FUNDING AND FLIGHTPATH UPDATE**

Mr Middleman noted the level of volatility in the markets recently and how it had affected funding positions. The funding level was 86% at the end of December 2018, increased to 89% at the end of January 2019 and is currently up to 91%. Whilst the funding level is volatile, he noted that the key thing is the future outlook and what Brexit will do to the economy and returns above inflation. It is important to note that the flightpath framework is working and that equity protection contributed positively when markets fell.

Mr Middleman talked through the collateral waterfall which is about making the framework operate as efficiently as possible. They identified £100m of collateral that could be released and used more efficiently to increase expected returns. All documents were signed and it is expected that the waterfall will be implemented by the end of the month. Page 288 sets out the reasons why the Fund are doing this, which is to maintain the same level of risk control in the LDI mandate but restructure it to maximise returns. The approach is expected to generate an additional yield of £3m per year.

The report does not cover the impact of Brexit and how resilient the Fund is when thinking about what could happen. The Fund is well diversified and has protections in place which deals as well as possible with most risks except currency. However, this has been discussed at the FRMG and Steering Group and it has been provisionally agreed to implement currency hedging at a level of 50%. This will “bank” some of the gains already made. The outcome of this will be reported in more detail at future meetings.

Mr Everett asked where the term collateral waterfall comes from. Mr Middleman confirmed that the waterfall relates to holding different types of assets (the three tiers referred to in the report) which are used at different points so the highest returning assets are used last thereby increasing the overall returns.

Mr Everett asked for further information regarding what this actually is and Mr Middleman confirmed that more information will be included in future reports.

It has also been agreed that c. £30m will be removed from the Insight QIAIF to be invested in infrastructure as directed by JLT in due course.

RESOLVED:

(a) That the Committee noted the updated funding and hedging position for the Fund and the progress being made on the various elements of the Risk Management Framework.

(b) That the Committee noted that the Officers have been working with their advisers in order to implement a collateral waterfall process at Insight to better manage collateral requirements. Insight are in the process of implementing the collateral waterfall which will be in place by end February 2019. It has also been agreed that c. £30m will be removed from the Insight QIAIF to be invested in infrastructure as directed by JLT in due course.

53. **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED:

That the press and public be excluded for the remainder of the meeting for the following item by virtue of exempt information under paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

54. **EMPLOYER CARE PAY ISSUE**

Mr Latham presented this item of the agenda but noted that Ms Robinson is leading the project. There has been good progress on the calculations and a significant number of letters have already been sent to members. They have not received any formal complaints which is a positive sign and have only received five queries from scheme members.

Mr Latham highlighted that low overall financial impact but stressed the key objective is to ensure that the scheme members are dealt with as positively as possible given the sensitivity of the issue. Mr Latham confirmed the project group have had ongoing contact with the Pensions Regulator who seems satisfied with the resolution. Mr Latham expects it to take until the end of February to complete the majority of the calculations and communications, with a small number of complex cases probably taking to the end of March. They have a call with the Pensions Regulator on 6th March and are hoping to close off the case with the TPR at that point.

Mr Latham noted a fix has been added to the payroll software which is currently being tested and they are continuing to work with the Council's payroll team on this.

Mr Everett commented that he appreciates all the work that has been completed so far and noted that the unions have been very helpful in helping the process and communication with the members.

Mrs McWilliam highlighted the latest information to the Committee. She confirmed that there are only 52 cases left to be calculated and that approximately 1,200 cases have been completed so far. They are now at the checking phase so that communications can be issued where required. She confirmed that the largest gross reduction to an annual pension was £99 per annum .

The Chairman thanked the team involved in this major project as it is on top of their day to day job. The Chairman noted the clear excellent progress has been made since the last update and that he was comforted by the fact that no complaints have been received.

RESOLVED:

(a) That the Committee noted this report.

55. **APPOINTMENT OF AN ACTUARIAL AND BENEFITS PROVIDER**

Mr Middleman, Mr Harkin, Mr Buckland, Mrs McWilliam and Miss Gemmell left the Committee room on this item of the agenda.

Mrs Fielder presented the report and discussed the process followed for the procurement of an Actuarial and Benefits provider for the Pension Fund. This included the scoring criteria and final scores for the tenders received.

RESOLVED:

(a) Based on the scoring set out in the report, the Committee agreed to reappoint Mercer to undertake the role of actuary and benefit consultant to the Clwyd Pension Fund for the period 1 April 2019 to 31 March 2025 (with the option to extend for a further 12 months to 31 March 2026).

The Chairman thanked everyone for their attendance and updates at the Committee meeting and noted that the next Committee meeting is on 20th March. The meeting finished at 12:45pm.

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Chairman