

Pecyn Dogfen Gyhoeddus



Swyddog Cyswllt:
Janet Kelly 01352 702301
janet.kelly@flintshire.gov.uk

At: Cllr Dave Hughes (Cadeirydd)

Cynghorwyr: Haydn Bateman, Billy Mullin a Ralph Small

Aelodau Cyfetholedig

Steve Hibbert, Cllr. Andrew Rutherford, Nigel Williams and Cllr. Huw Llewelyn Jones

Dydd Iau, 23 Tachwedd 2017

Annwyl Gynghorydd

Fe'ch gwahoddir i fynychu cyfarfod Pwyllgor Cronfa Bensiwn Clwyd a gynhelir yn 10.00 am Dydd Mercher, 29ain Tachwedd, 2017 yn Ystafell Bwyllgor Delyn, Neuadd y Sir, Yr Wyddgrug CH7 6NA i ystyried yr eitemau canlynol

R H A G L E N

1 YMDDIHEURIADAU

I derbyn unrhyw ymddiheuriadau

2 COFNODION (Tudalennau 5 - 14)

I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 20 Medi 2017

3 DATGAN CYSYLLTIAD (GAN GYNNWYS GWRTHDARO O RAN CYSYLLTIAD)

I dderbyn unrhyw Datganiadau a chynghori'r Aeolodau yn unol a hynny

LLYWODRAETHU

4 DEDDF LLYWODRAETH LEOL (MYNEDIAD I WYBODAETH) 1985 - YSTYRIED GWAHARDD Y WASG A'R CYHOEDD

Mae'r eitem a ganlyn yn cael ei hystyried yn eitem eithriedig yn rhinwedd Paragraff(au) 14 Rhan 4 Atodiad 12A o Ddeddf Llywodraeth Leol 1972 (fel y cafodd ei diwygio)

Bydd rhaglen y cyfarfod yn cynnwys trafod manylion y contract arfaethedig. Bydd manylion y contract yn cael eu cyhoeddi maes o law ond, yn y cyfamser, mae lles y cyhoedd o ran cynnal yr eithriad yn bwysicach na lles y cyhoedd wrth ddatgelu'r wybodaeth hyd nes bydd y contract wedi ei lofnodi.

5 CYFUNO BUDDSODDIADAU YNG NGHYMRU (Tudalennau 15 - 44)

Darparu diweddariad i Aelodau'r Pwyllgor ar weithredu Cyfuno Buddsoddiadau yng Nghymru a gofyn am gymeradwyaeth i benodi gweithredwr yn dilyn ymarfer caffael.

BYDD GWEDDILL YR EITEMAU FOD MEWN SESIWN AGORED:

6 LWFANSAU AELODAU PWYLLGOR A BWRDD (Tudalennau 45 - 52)

Darparu adolygiad i Aelodau'r Pwyllgor o'r lwfansau a delir i aelodau pwyllgorau a byrddau, gydag argymhellion i'r Cyngor ddiweddar Atodlen Taliadau Aelodau.

7 DIWEDDARIAD LLYWODRAETHU (Tudalennau 53 - 78)

Darparu diweddariad i Aelodau'r Pwyllgor ar faterion perthnasol i lywodraethu, gan gynnwys modiwl hyfforddiant o'r pecyn gwaith Rheoleiddiwr Pensiynau.

GWEINYDDU A CHYFATHREBU

8 DIWEDDARIAD CYNLLUN PENSIWN LLYWODRAETH LEOL (Tudalennau 79 - 90)

Darparu gwybodaeth i Aelodau'r Pwyllgor ynghylch y materion sy'n effeithio ar reolaeth y CPLIL ar hyn o bryd.

9 DIWEDDARIAD AR WEINYDDU PENSIYNAU/CYFATHREBU (Tudalennau 91 - 110)

Darparu diweddariad i Aelodau'r Pwyllgor ar faterion gweinyddol a chyfathrebu Cronfa Bensiynau Clwyd, gan gynnwys, gwefan newydd Cronfa Bensiynau Clwyd.

BUDDSODDI AC ARIANNU

10 DIWEDDARIAD BUDDSODDI AC ARIANNOL (Tudalennau 111 - 124)

Darparu diweddariad i Aelodau'r Pwyllgor ar faterion buddsoddi ac ariannol Cronfa Bensiynau Clwyd.

11 DIWEDDARIAD AR YR ECONOMI A'R FARCHNAD (Tudalennau 125 - 142)

Darparu diweddariad i Aelodau'r Pwyllgor ar yr economi a'r farchnad.

12 **Y STRATEGAETH FUDDSODDI A CHRYNODEB GAN Y RHEOLWR**
(Tudalennau 143 - 160)

Darparu diweddariad i Aelodau'r Pwyllgor ar berfformiad strategaeth fuddsoddi'r gronfa a Rheolwyr y Gronfa.

13 **DIWEDDARIAD CYLLID A LLWYBRAU CYRRAEDD TARGED** (Tudalennau 161 - 176)

Darparu diweddariad i Aelodau'r Pwyllgor ar gynnydd y sefyllfa ariannol a gwarchod rhag atebolrwydd fel rhan o'r strategaeth llwybr cyrraedd targed ar gyfer rheoli risgiau atebolrwydd.

Yn gywir



Robert Robins
Rheolwr Gwasanaethau Democrataidd

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 2

Pwyllgor Cronfa Bensiwn Clwyd

20 Medi 2017

Cofnodion cyfarfod Pwyllgor Cronfa Bensiwn Clwyd Cyngor Sir y Fflint a gynhaliwyd yn Neuadd y Sir, Yr Wyddgrug, ddydd Mercher 20 Medi 2017.

Yn bresennol: Y Cynghorydd Dave Hughes (Cadeirydd)

Y Cynghorwyr: Billy Mullin, Ralph Small, Haydn Bateman

AELODAU CYFETHOLEDIG: Cynghorydd Huw Llewelyn Jones (Cyngor Sir Ddinbych), Nigel Williams (Cyngor Bwrdeistref Sirol Wreccsam), Steve Hibbert (Cynrychiolydd Aelod y Cynllun)

YMDDIHEURIADAU: Cynghorydd Andrew Rutherford (Cynrychiolydd Cyflogwr Cynllun Arall)

HEFYD YN BRESENNOL (FEL ARSYLWYR): Gaynor Brooks (Cynrychiolydd Aelod Bwrdd Cronfa Bensiwn Clwyd), Mark Owen (Cynrychiolydd Gweithiwr Bwrdd Cronfa Pensiwn Clwyd), Phil Pumford

A HEFYD YN BRESENNOL:

Panel Ymgynghorol yn cynnwys: Colin Everett (Prif Weithredwr), Gary Ferguson (Rheolwr Cyllid Corfforaethol), Philip Latham (Rheolwr Cronfa Bensiwn Clwyd), Karen McWilliam (Ymgynghorydd Annibynnol – Aon Hewitt), Kieran Harkin (Ymgynghorydd Buddsoddi Cronfa – Grŵp JLT Group) – (wedi gadael ar ôl eitem 77), Paul Middleman (Actwari Cronfa – Mercer).

Swyddogion/ Ymgynghorwyr yn cynnwys: Debbie Fielder (Rheolwr Cyllid Pensiynau), Alwyn Hughes (Rheolwr Cyllid Pensiynau), Kerry Robinson (Prif Swyddog Pensiynau, Tîm Cyswllt Gweithiwr), Anthony Kershaw (Ymgynghorydd Buddsoddi Cronfa – JLT Group), John Wright (Hymans Robertson), Sarah Spall (Ymgynghorydd Cynorthwyol – Mercer – yn cofnodi), Mike Whitely a Mary Owen (Swyddfa Archwilio Cymru) – (ar gyfer rhan o'r cyfarfod)

Cyn dechrau'r cyfarfod, croesawodd y Cadeirydd aelodau'r Bwrdd Cronfa Bensiynau Clwyd a chytunodd y Pwyllgor y gallent gyfrannu at y cyfarfod.

75. DATGANIADAU CYSYLLTIAD (gan gynnwys unrhyw wrthdaro cysylltiadau)

Mynegodd y Cynghorydd Huw Llewelyn Jones gysylltiad personol o bob un eitem gan ei fod yn aelod o Gronfa Bensiwn Clwyd. Hefyd mynegodd gysylltiad mewn perthynas ag Eitem 6 (Adroddiad Blynyddol Cronfa Bensiwn Clwyd) a oedd yn cynnwys gwybodaeth am fuddsoddiad ar brosiect lleol (Wholebake). Mynegodd y Cynghorydd Llewelyn Jones ei fod wedi bod yn barti mewn rhai materion sy'n berthnasol i'r Cwmni hwn o ganlyniad i'w rôl fel Cynghorydd yng Nghyngor Sir Ddinbych. Dywedodd Karen McWilliam (Ymgynghorydd Annibynnol – Aon Hewitt) nad oedd yn gweld dim ar yr agenda a oedd yn berthnasol i'r buddsoddiad hwn a fyddai'n arwain at sefyllfa o

wrthdaro, ond y gellir ychwanegu hyn i'r datganiadau fel gwrthdaro posibl a fyddai'n cael ei fonitro os byddai unrhyw faterion ynghylch Wholebake yn cael ei ystyried gan y Pwyllgor.

Bu i Karen McWilliam, Paul Middleman (Actwari Cronfa - Mercer) a Sarah Spall (Ymgynghorydd Cynorthwyol - Mercer) ar wahân ddatgan cysylltiad mewn perthynas ag Eitem 4 (Cyfuno Buddsoddiadau yng Nghymru) fel gweithwyr Aon Hewitt/Mercer, gyda'r cwmnïau wedi cyflwyno ymateb tendr i weithredwr Cronfa Cymru.

76. COFNODION

Cyflwynwyd cofnodion cyfarfod y Pwyllgor a gynhaliwyd ar 23 Mehefin 2017. Nododd Karen McWilliam y byddai cynllun hyfforddi yn cael ei ddatblygu a fyddai'n cynnwys unrhyw hyfforddiant y mae aelodau wedi eu methu.

PENDERFYNWYD:

Bod y cofnodion yn cael eu derbyn, eu cymeradwyo a'u llofnodi gan y Cadeirydd fel cofnod cywir.

Rhoddodd y Cadeirydd deyrnged i Gynghorydd Ron Hampson a fu farw yn ddiweddar. Dywedodd y Cadeirydd bod y Cynghorydd Hampson wedi cyfrannu'n helaeth at waith y Pwyllgor Cronfa Bensiwn a bydd colled ar ei ôl.

77. Cyfuno Buddsoddiadau yng Nghymru

Eglurodd Philip Latham (Rheolwr Cronfa Bensiynau Clwyd) bod y cyfarfod JGC diweddar wedi'i ganslo, ac eglurodd y byddai Cronfa Bensiwn Clwyd angen cynnal pwyllgor arbennig arall i gytuno i benodi'r gweithredwr. Hefyd, nid oedd angen trin yr eitem hon fel eitem eithriedig.

PENDERFYNWYD:

Cadarnhaodd y Cadeirydd mai dyma oedd y sefyllfa a phenderfynwyd yn groes i agenda'r cyfarfod, na fydd y cyfryngau a'r cyhoedd yn cael eu heithrio o'r eitem hon.

Cyn i John Wright (Hymans Robertson) roi cyflwyniad am Gronfa Cymru a'r broses gaffael, gofynnodd Colin Everett (Prif Weithredwr) gan ystyried y datganiadau o gysylltiad gan Mrs McWilliam, Mr Middleman a Mrs Spalling, roedd angen iddynt adael yr ystafell. Nododd Mr Latham nid oherwydd bod y cyflwyniad ond yn cynnwys gwybodaeth a oedd am fod yn gyhoeddus yn unig. Roedd Mr Everett yn fodlon â hyn, ond dywedodd bod rhaid i unrhyw drafodaethau aros yn gyffredinol, a byddai Mrs McWilliam, Mr Middleman a Mrs Spalling yn ymatal rhag rhoi sylw neu gymryd rhan mewn unrhyw drafodaeth. Cadarnhaodd Mr Wright mai dyma'r achos a byddai'n helpu i atgyfnerthu'r hyfforddiant yr oedd y Pwyllgor wedi'i gyflawni'r wythnos flaenorol.

Y pwyntiau allweddol y soniodd Mr Wright amdanynt oedd:

- comisiynwyd Hymans Robertson i weinyddu'r broses yn unig
- cadarnhau bod awdurdodau Cymru wedi bod o flaen cronfeydd eraill o ran gweithio gyda'i gilydd, gwneud hyn cyn cyhoeddiad y llywodraeth yn gofyn am gyfuno asedau.
- rhoi cefndir dros y rheswm bod y Llywodraeth wedi dewis y meini prawf hyn.

Hefyd ychwanegodd Mr Wright:

- roedd barn bod y Cynllun Pensiwn Llywodraeth Leol yn talu gormod i Reolwyr Buddsoddi, ond mae wedi dod i'r amlwg bod cronfeydd Cynllun Pensiwn Llywodraeth Leol wedi trafod bargeinion da gyda hwy, ar y cyd â chwmnïau sector preifat.
- mae rhagor o waith wedi ei wneud yn rheolaeth oddefol fel ffordd o leihau costau a nodwyd drwy weithio gyda'i gilydd, bod yr wyth Cronfeydd Cymru wedi gwneud arbedion sylweddol.
- Hefyd cafwyd yr argraff nad oedd rhai cronfeydd Cynllun Pensiwn Llywodraeth Leol yn cael eu rheoli'n dda, yn bennaf gan nad oes ganddynt y gyllideb lywodraethol nac arbenigedd i wneud hyn yn effeithiol.
- mae gan rai Gronfeydd dimau rheoli mewnol, felly pan roedd y Cronfeydd yn edrych ar gyfuno, roedd rhai eisiau cadw rheolaeth fewnol.
- mae rhai cronfeydd eraill yn sefydlu eu cwmnïau buddsoddi eu hunain, gyda chymysgedd o arbenigwyr buddsoddi sector breifat ac arbenigwyr presennol.

Eglurodd Mr Wright wedyn sut y byddai'r strwythur Cronfa yn gweithio. Er gwybodaeth, eglurodd y byddai'r awdurdodau gweinyddol yn caffael y gweithredwr. Byddent yn defnyddio strwythur ACS, sydd yn strwythur effeithlonrwydd treth fodern.

Cadarnhaodd Mr Wright bod y penderfyniadau strategaeth ased dal yn cael eu pennu ar bob lefel PFC, ond y gweithredwr a fyddai'n penodi'r rheolwyr buddsoddi fel y gellir gweithredu'r strategaethau hynny.

Mae cynigwyr wedi cyflwyno tendrau eisoes i'r gweithredwr, ac ar ôl eu gwerthuso byddant yn mynd i Gadeirydd y PFC, ac aelodau'r JGC, gydag argymhelliad. Bydd y JGC yn gwneud argymhellion i gymeradwyo, felly bydd yr wyth Cadeirydd yn adrodd yn ôl i bob Cronfa Bensiwn unigol o fewn y Gronfa i wneud y penderfyniad terfynol. O ganlyniad, bydd rhaid i gynigwyr aros am amser hir cyn bydd y canlyniad terfynol yn hysbys.

Soniodd y Cynghorydd Llewelyn Jones yr hoffai Llywodraeth y DU gronfeydd i fuddsoddi mewn seilwaith y DU, ond wedyn gofynnodd beth fyddai'n digwydd os byddai'r Gronfa eisiau buddsoddi mewn seilwaith nad yw yn y DU. Dywedodd Mr

Wright na fyddai'r Llywodraeth yn gallu dweud lle i fuddsoddi, felly byddai'r opsiwn hwn dal yn agored os byddai cyfleoedd deniadol.

Soniodd Mr Everett ar risg llywodraethol petai'r 8 cronfa yn methu â chytuno ar ddewis y gweithredwr. Felly, bydd angen gwerthuso anghenion ar wybodaeth ar sail tystiolaeth yn unig, a bod pob ymdrech yn cael ei wneud i ddatrys unrhyw ymholiadau neu bryderon os na fydd cytundeb.

Nododd y Cadeirydd y bydd cyfuno yn eitem sefydlog ar gyfer cyfarfodydd PFC i symud ymlaen.

Gofynnodd y Cynghorydd Bateman a fyddai Cronfeydd Pensiwn unigol yn cael eu gorfodi i dderbyn rheolwyr penodol. Dywedodd Mr Wright ei fod yn disgwyl y bydd elfen o ymgynghoriad gyda Chronfeydd Pensiwn, ond byddai'r Gweithredwr yn gyfrifol yn gyfreithiol am ddewis a phenodi Rheolwyr Buddsoddi.

Gofynnodd Steve (Cynrychiolydd Aelod o'r Cynllun) a fyddai rhaid i Reolwyr Buddsoddi gofrestru i'r Cod Tryloywder Costau. Dywedodd Mr Wright ei fod yn disgwyl y byddai hyn yn ofyniad.

Gofynnodd y Cadeirydd i'r Pwyllgor i gytuno i symud Eitem 6 a oedd yn berthnasol i'r Adroddiad a Chyfrifon Blynyddol i'r eitem nesaf. Cytunodd y Pwyllgor i'r newid o ran trefn yr agenda.

78. Adroddiad, Cyfrifon ac Archwiliad Blynyddol Cronfa Bensiynau Clwyd

Cyflwynodd Debbie Fielder (Rheolwr Cyllid Pensiynau) yr adroddiad blynyddol a chyfrifon, ac eglurodd y nodiadau ynglŷn â'r cyfrifon oherwydd eu cymhlethdod.

Cadarnhaodd Mrs Fielder bod y dyddiad cau ar gyfer yr adroddiad blynyddol oedd mis Tachwedd, felly os oedd unrhyw ymholiadau neu newidiadau awgrymedig, yna gallent gael eu cynnwys hyd at ddyddiad ei lofnodi. Hefyd nododd bod yr adroddiad blynyddol a'r cyfrifon i gyd yn unol â Chanllaw Sefydliad Siartredig Cyllid Cyhoeddus a Chyfrifyddiaeth. Hefyd nododd Mrs Fielder bod ffioedd yn cael eu craffu'n sylweddol, ac er mai dim ond ffioedd penodol sydd angen eu datgelu yn y cyfrifon, ym marn tryloywder llawn, mae'r Gronfa yn datgelu'r ffioedd gan gynnwys ffioedd rheolwr o fewn yr adroddiad blynyddol.

Yna gwahoddodd y Cadeirydd Mr Whitely (Swyddfa Archwilio Cymru) i gyflwyno'r adroddiad ar archwiliad o'r cyfrifon.

Eglurodd Mr Whitely bod ychydig o broblemau cychwynnol gyda'r archwiliad o'r cyfrifon, ond cadarnhaodd nad oedd cyfriflenni heb eu cywiro. Amlygodd bod rhai pwyntiau wedi'u nodi nad oedd yn wallau gwirioneddol, ond roedd adolygiadau o brisiadau wedi'u diweddarau a oedd wedi dod i law ar ôl cyflwyno'r cyfrifon i'r Swyddfa Archwilio Cymru. Mewn perthynas â pharagraffau 13 a 14, roedd y Comisiwn Archwilio wedi cael sicrwydd cryf gan swyddogion y bydd y prosesau yn y dyfodol wedi cael eu rhoi mewn lle i sicrhau na fydd y problemau hyn yn codi eto.

Nodwyd nad oedd gwelliannau sylweddol ar argymhellion y flwyddyn flaenorol.

Gofynnodd y Cynghorydd Bateman os oedd cael gwybodaeth diweddar ynghylch prisiad o asedau yn bwysig. Dywedodd Mr Whitely bod y drafft cyntaf o gyfrifon wedi'u cyflwyno ym mis Mehefin, gan ein bod bellach ym mis Medi, penderfyniad y rheolwyr yw addasu i gael prisiadau mwy cywir, ond ni fyddai'n cael effaith sylweddol os yw'r rheolwyr yn dewis peidio diweddarau'r ffigurau.

Dywedodd Mr Owen (Cynrychiolwyr Aelod Bwrdd Pensiwn Clwyd) bod y cyfrifon yn faes cymhleth iawn ac roedd yn hapus bod y ddwy ochr wedi gweithio'n dda gyda'i gilydd. Nododd Mr Owen pa mor falch yr oedd gyda gwelliannau gweinyddol aelod y cynllun dros y 12 mis diwethaf.

Cadarnhaodd Gary Ferguson (Rheolwr Cyllid Corfforaethol) y bydd y cyfrifon yn cael eu cyflwyno i Bwyllgor Archwilio'r Cyngor dydd Mercher nesaf.

Dywedodd y Cynghorydd Llewelyn Jones bod dal swyddi gwag a gofynnodd a oedd y rhain am gael eu llenwi. Dywedodd y Cadeirydd ei fod wedi cael ei sicrhau bod gwaith yn cael ei gyflawni i lenwi'r swyddi gwag hyn.

PENDERFYNWYD

1. Nododd a rhoddodd yr Aelodau sylw ar yr Adroddiad Blynyddol drafft heb ei archwilio a chwblhad dirprwyedig i swyddogion.
2. Nododd yr aelodau'r ymateb rheoli i'r adroddiad archwilio allanol.

79. Cod Ymarfer Rheoleiddiwr Pensiwn

Alwyn Hughes (Rheolwr Cyllid Pensiynau) a Kerry Robinson (Prif Swyddog Pensiynau, Tîm Cyswllt Gweithwyr) a gyflwynodd Cod Ymarfer TPR. Roedd Mr Hughes yn ymwybodol y byddai hyn y tro cyntaf y byddai rhan fwyaf o'r PFC wedi gweld y rhestr wirio cydymffurfiaeth. Eglurodd, er ei fod yn defnyddio llawer o adnoddau, roedd yn fanteisiol gan ei fod yn amlygu meysydd y gall y Gronfa ei wella.

Amlygodd Mr Hughes bod rhai o'r eitemau yn y rhestr wirio yn arferion gorau yn hytrach na rheoleiddiol, ond bydd y rhestr wirio yn cael ei ddiwygio fel y gellir amlygu'r elfennau rheoleiddiol.

Amlygodd Mrs Robinson bod Adran 1.04 o'r adroddiad eglurhaol yn dangos trosolwg o ble'r oedd y Gronfa yn cydymffurfio gyda niferoedd mewn cromfachau yn dangos canlyniadau'r flwyddyn flaenorol.

Aeth Mr Hughes a Mrs Robinson drwy'r dangosfwrdd crynodeb yn rhoi sylw ar nifer o feysydd a oedd yn dangos eu bod yn cydymffurfio'n rhannol neu ddim yn cydymffurfio. Nodwyd mewn rhai meysydd y gallai'r Gronfa ddewis aros i beidio â chydymffurfio e.e. hyfforddi aelodau newydd y Bwrdd Pensiwn yn cael ei gyflawni ar ôl penodiad, yn hytrach chyn sef yr hyn a awgrymwyd gan y Cod Ymarfer. Roedd y syniad i symud i

gydymffurfiaeth llawn cyn gynted ag y bo'n ymarferol yn y meysydd a nodwyd angen eu gweithredu

Amlygodd Mrs McWilliam bod rôl statudol y Bwrdd Pensiwn i gynorthwyo i sicrhau cydymffurfiaeth â gofynion Rheoleiddiwr Pensiwn ac felly bydd hyn ar agenda nesaf Bwrdd Pensiwn i edrych mewn fwy o fanylder ac i ddatblygu cynllun gweithredu.

PENDERFYNWYD

1. Roedd y Pwyllgor yn ystyried canfyddiadau yr adolygiad.
2. Nododd y Pwyllgor y byddai swyddogion yn creu cynllun gweithredu ar wahân i feysydd sydd yn cydymffurfio a datblygu parhaus.
3. Nododd y Pwyllgor y bydd swyddogion yn cyflawni asesiad pellach yn ystod 2018 yn erbyn y rhestr wirio cydymffurfio hwn a fydd yn cael ei adrodd yn ôl i'r Pwyllgor a'r Bwrdd Pensiwn.

80. Diweddariad Llywodraethu

Nododd Mr Latham bod hwn yn adroddiad safonol. Dywedodd Mrs McWilliam a Mr Latham bod angen rhoi ystyriaeth pellach o'r toriadau hyn.

Gofynnodd y Cynghorydd Bateman a oedd hi'n bosibl cael adroddiadau copi caled pum niwrnod gwaith cyn y cyfarfod. Dywedodd Mr Latham y byddai'n edrych i mewn i hyn.

Roedd Mr Owen wedi darllen y toriadau a nododd bod typo bach a oedd angen ei gywiro.

Gofynnodd Mr Hibbert a oedd pecynnau pwyllgor yn cael eu hanfon i aelodau'r Bwrdd Pensiwn i'w darllen. Cadarnhaodd Mr Hughes bod y rhain yn cael eu hanfon drwy e-bost i aelodau'r Bwrdd.

PENDERFYNWYD

1. I'r Pwyllgor ystyried y diweddariad a rhoi sylwadau.

81. Diweddariad Cynllun Pensiwn Llywodraeth Leol (LGPS)

Cyflwynodd Mr Middleman yr adroddiad a oedd ar gyfer gwybodaeth ond croesawodd unrhyw gwestiynau iddo ef neu i weddill yr ymgynghorwyr.

Dywedodd y Cynghorydd Llewelyn Jones bod y LGPS yr Alban wedi ôl-ddyddio eu pensiynau o ran y dyfarniadau tirnod ar bensiynau goroeswr, a gofynnwyd a oedd unrhyw wybodaeth ynghylch Cymru a Lloegr. Hefyd gofynnodd ynghylch cau Cronfa Adneuo Prudential ac a oedd unrhyw gronfa arian arall ar gael.

Dywedodd Mr Middleman mewn perthynas â'r AVCs, bod y Cronfa Adneuo yn cau i aelodau newydd yn unig, a bod cronfa arian arall i aelodau fuddsoddi ynddo os ydynt

yn dewis gwneud hynny. Bydd yr opsiwn hwnnw dal ar gael i aelodau presennol sy'n cyfrannu i'r Gronfa Adneuo.

Mewn perthynas â rheoliadau goroeswr, cyn belled ag yr oedd Mr Middleman yn ymwybodol, roedd Cymru a Lloegr angen edrych i weld os oedd unrhyw un wedi cael eu heffeithio yn cyfnod perthnasol ac wedyn diwygio eu buddion yn unol â hynny. Dywedodd Mrs McWilliam bod DCLG wedi awgrymu y dylai awdurdodau gweinyddu LGPS nodi'r achosion ac yna thalu'r buddion, ac nid oedd angen am newid mewn rheoliadau LGPS. Fodd bynnag, mae'r LGA wedi ysgrifennu at yr awdurdodau gweinyddu LGPS yn dweud nad ydynt yn cytuno a bod awdurdod gweinyddu ar hyn o bryd yn mynd i'r Llys gydag achos tebyg. Hefyd, mae cyngor gan LGA i adnabod unrhyw achosion a all gael eu heffeithio ac wedyn dal yn ôl am gyfnod i weld sut y bydd hyn yn datblygu.

Gofynnodd Mr Hibbert (Cynrychiolydd Aelod Cynllun) ynghylch y Rheoliadau Bargen Deg i ddod. Dywedodd Mr Middleman bod hyn dal yn cael ei drafod a gallai fod erbyn diwedd y flwyddyn, ond nododd bod y Rheoliadau hyn wedi'u ei ddal yn ôl nifer o weithiau.

PENDERFYNWYD

1. Nododd aelodau PFC yr adroddiad hwn a gwneud eu hunain yn ymwybodol o'r gwahanol faterion cyfredol sydd yn effeithio'r LGPS.
2. Nododd yr aelodau'r rheol ar bensiynau goroeswr a thrafodwyd y camau gweithredu posibl.

82. Diweddariad Gweinyddu Pensiwn/ Cyfathrebu

Dywedodd Mr Robinson bod cynnydd da yn cael ei wneud ond cydnabu bod rhai heriau yn parhau ar y llif gwaith, a chadarnhaodd y byddai pethau yn ôl fel yr oeddynt maes o law.

Nododd Mr Hibbert bod ychydig o bryderon yn yr arolwg boddhad ynghylch cyfathrebu gwybodaeth. Dywedodd Mrs Robinson mewn perthynas â'r tîm gweinyddu, nad oedd unrhyw faterion sylweddol a bod ychydig o adborth negyddol ar un neu ddau o faterion ar eu pen eu hunain. Fodd bynnag, roedd yr holl adborth yn cael ei gymryd o ddifrif a'i weithredu.

Rhodddwyd gopi o'r adroddiad Dangosydd Perfformiad Allweddol i'r aelodau. Gofynnodd y Cadeirydd i aelodau ystyried a meddwl am gwestiynau erbyn y cyfarfod nesaf o'r Pwyllgor Pensiwn.

PENDERFYNWYD

1. I'r Pwyllgor ystyried y diweddariad a rhoi sylwadau.
2. Cytunodd y Pwyllgor i newid i'r Cynllun Busnes i gynnwys prosiect newydd ar "gydgasgliad" a Mercer sydd yn awyddus o bosibl i gynorthwyo.

83. Diweddariad ar Fuddsoddi ac Ariannu

Dywedodd Mrs Fielder bod y cynllun busnes o fewn y targed a dywedodd bod yr holl ddogfennaeth mewn perthynas â'r broses "dewis opsiwn" i MIFID II yn cael ei gyfathrebu i Reolwyr Buddsoddi ac Ymgynghorwyr erbyn diwedd mis Medi.

Hefyd dywedodd Mrs Fielder bod y trawsnewid heb ei orffen o ganlyniad i adolygiad buddsoddi "llai dwys" yn cael ei gyflawni erbyn diwedd mis Medi. Hefyd cadarnhaodd eu bod yn symud ymlaen i benodi Rheolwr Credyd Preifat Gogledd America, a bydd y canlyniad yn cael ei adrodd erbyn y cyfarfod PFC nesaf.

Mae gwaith yn dal i barhau o ran Tryloywder Cost, a dywedodd Mrs Fielder bod tri o'r rheolwyr ased traddodiadol y Cronfeydd wedi cofrestru a'u bod yn aros am gadarnhad gan y pedwerydd.

PENDERFYNWYD

1. Rhoddodd y Pwyllgor ystyriaeth a nodwyd y diweddariad.

84. Diweddariad ar Gyllid a Llwybr Cyrraedd Targed

Rhoddodd Mr Middleman drosolwg byr o'r Llwybr Cyrraedd Targed a nododd y byddai'n ehangu ymhellach ar y gwahanol elfennau o'r fframwaith yn y cyfarfodydd sy'n dod fel dilyniant o'r hyfforddiant diweddar. Prif amcan o'r Llwybr Cyrraedd Targed yw cyflawni sefyllfa a gyllidir yn llawn a gofynion cyfraniad mwy sefydlog i'r gweithwyr. Mae rheoli risg yn allweddol i hyn a'r lefel o mantoli yn bwysig gan bod y gwahanol "sbarduniadau" wedi'u bwriadu i ddarparu canlyniadau mwy sefydlog. Mae'r lefel o fantoli ar y blaen o'r lle y disgwylir iddo fod pan sefydlwyd yn 2014. Mae'r mantoli hyn i roi canlyniadau adennill mwy sefydlog.

Y prif neges yw bod y Gronfa yn bell o flaen y targed ar hyn o bryd, felly mae cynnal y sefyllfa hon wedi bod yn ffocws y gweithrediad diweddar o ddiogelu ecwiti yn y mandad Cipolwg.

Nododd y Cynghorydd Llewelyn Jones bod lleihad bach yn yr adenillion buddsoddi yn rhoi lleihad sylweddol yn y lefel cyllido. Cytunwyd y gellir ehangu hyn yn y cyfarfod nesaf o'r Pwyllgor.

PENDERFYNWYD

1. Nododd y Pwyllgor y cyllid wedi'i ddiweddarau a sefyllfa mantoli y CPF, a'r cynnydd sy'n cael ei wneud ar y gwahanol elfennau o'r Fframwaith Rheoli Risg.

85. Diweddariad economaidd a'r farchnad

Rhoddodd Mr Kershaw (Ymgynghorydd Buddsoddi Cronfa – JLT Group) ddiweddariad economaidd a marchnad ar gyfer y chwarter tan 30 Mehefin 2017. Eglurodd bod y mwyafrif o farchnadoedd ecwiti wedi cynhyrchu adenillion da er bod ecwiti US wedi cael trafferth yn debyg iawn i'r Cronfeydd Mantoli a Nwyddau.

PENDERFYNWYD

1. Nododd y Pwyllgor y Diweddariad Economaidd a Marchnad.
2. Nododd y Pwyllgor sut yr oedd gwybodaeth yn yr adroddiad yn "gosod y llwyfan" yn effeithiol o beth y dylai'r Pwyllgor ddisgwyl ei weld yn adroddiad cryno Strategaeth Fuddsoddi a Rheolwyr.

86. Crynodeb Strategaeth Fuddsoddi a Rheolwyr

Rhoddodd Mr Kershaw ddiweddariad ar strategaeth fuddsoddi'r Gronfa. O'r 30 Mehefin ymlaen, bydd gwerth y Gronfa yn cynyddu £66.3m gan roi gwerth ar y farchnad o £1.742 biliwn

Rhoddodd Mr Kershaw sylw mai'r portffolio Marchnadoedd Preifat oedd y cyflawnydd gorau dros y chwarter. Hefyd dywedodd bod un i'r rheolwyr Diversified Growth, Investec wedi perfformio'n dda dros y chwarter.

Dywedodd Mr Latham bod ffurflenni buddsoddi wedi gor-berfformio targedau actiwaiaid a meincnod dros y tair blynedd diwethaf, fodd bynnag, rhybuddiodd Mr Middleman ei bod hi'n annhebygol y bydd marchnadoedd buddsoddi yn parhau i gynyddu.

PENDERFYNWYD

1. Nododd a thrafododd y Pwyllgor y strategaeth fuddsoddi a pherfformiad rheolwyr dros y chwarter.
2. Rhoddodd y Pwyllgor ystyriaeth i'r wybodaeth yn yr adroddiad diweddariad Economaidd a Marchnad.

Dechreuodd y cyfarfod am 14:00 a daeth i ben am 16:30.

.....

Cadeirydd

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 5

Yn rhinwedd paragraff(au) 14 of Part 4 of Schedule 12A
o Ddeddf Llywodraeth Leol 1972.

Dogfen Gyfyngedig - Ni ddylid ei chyhoeddi

Mae'r dudalen hon yn wag yn bwrpasol

Yn rhinwedd paragraff(au) 14 of Part 4 of Schedule 12A
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Dogfen Gyfyngedig - Ni ddylid ei chyhoeddi

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 6



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2017
Report Subject	Committee & Board Allowances
Report Author	Chief Executive

EXECUTIVE SUMMARY

Some members of the Clwyd Pension Fund Committee and Pension Fund Board receive allowances in respect of their roles on the Committee/Board. The Independent Remuneration Committee Panel for Wales (IRPW) has recently concluded the Clwyd Pension Fund is not within their remit. Accordingly, Flintshire County Council, as the administering authority for Clwyd Pension Fund, is responsible for determining any allowances that might be paid to Committee or Board members, which are recharged to the Pension Fund.

This report provides information relating to the allowance entitlements for representatives on the Committee and Board:

- Clwyd Pension Fund Board - the Protocol for the Board, which was approved by Council, includes remuneration of Board representatives. In practice only one of the four members of the Board actually claims an allowance.
- Clwyd Pension Fund Committee - Currently the only allowances paid are to the co-opted members on the Committee, which are the Councillors from Denbighshire and Wrexham Councils, the representative for other Scheme Employers and the Scheme Member Representative.

For reasons outlined in this report it is now proposed to recommend to Council an allowance of £8700 each municipal year to be paid from the Pension Fund to the Chair of the Committee.

RECOMMENDATIONS

1	That the Committee consider the allowances currently paid.
2	That the Committee recommend to Council an allowance of £8,700 each municipal year is paid to the Chair of the Clwyd Pension Fund Committee and this is included in the schedule of member remuneration.
3	That the Committee consider and recommend to Council when this additional payment will commence from i.e. backdated to beginning of the municipal year, start from now or start from next municipal year.

REPORT DETAILS

1.00	COMMITTEE & BOARD ALLOWANCES
1.01	To ensure full transparency and discussion, the current allowances paid to the representatives on the Committee and Board are shown in Appendix 1.
1.02	Committee and Board members should also recognise the potential conflicts of interest that arise for some or all members in relation to this agenda item. The Chief Executive will provide guidance on how to handle this potential conflict at the meeting when deciding the recommendation to Council in relation to the payment of allowances to the Chairman of the Committee and/or other members of the Committee and Board.
1.03	There are two key entities responsible for the management of the Clwyd Pension Fund; the Pension Fund Committee, which is the decision making entity, and the Pension Board which assists in the management of the Fund.
1.04	<p>The Council is legally required to have a Pension Board under the Public Service Pensions Act; the Board is not established under the Local Government Act and is therefore not a Section 101 Committee. Accordingly, on establishment of the Board, the Council had to agree full terms of reference and standing orders, which are included within a Protocol.</p> <p>The remuneration for Board representatives is also included in the Protocol for the Board which was agreed by Council and the relevant extract is included in the Appendix. As shown, for all but one of the representatives, who is a retired member, their employers provide appropriate capacity within their normal working day without any reduction in pay and hence, based on the provisions included within the current Protocol, no allowances are paid.</p> <p>However, in determining the amount of the allowance in the Board Protocol the principle applied was to use the allowance amount for co-opted members of the Council, which is determined by the Independent Remuneration Panel for Wales (IRPW).</p> <p>It should also be noted that the role of the Board is too 'assist' and 'ensure' but it is not a decision making body. The decision making body is the Clwyd Pension Fund Committee.</p>
1.05	The maintenance and management of the Clwyd Pension Fund is a legal responsibility of Flintshire County Council. The Council can delegate this responsibility to a Committee, Sub-Committee or officer. The Council decided to delegate the management of the Clwyd Pension Fund to this Committee in 2014 and it operates like any other of the Council's Section 101 Committees, with its terms of reference in the Council's Constitution. Pension matters, however, are non-executive.

1.06	<p>In discussing the specific issue about the Chair's allowance with the IRPW, it has been established that the Clwyd Pension Fund is not in the remit of the IRPW, and therefore any allowances which are recharged to the Pension Fund are a matter for the Council, as the administering authority for the Fund. However, given the Committee is still a Section 101 Committee of the Council, it seems sensible that the allowances for the Committee continue to follow the principles of the IRPW, both on eligibility and value.</p>
1.07	<p>There are some anomalies in the current arrangements that need to be recognised.</p> <ul style="list-style-type: none"> • The Council's Constitution states that "statutory co-optees" are paid allowances. Normally in Welsh Local Government these would not be councillors. However, the co-opted members from Denbighshire and Wrexham Councils (who are councillors) are paid an allowance from Clwyd Pension Fund in accordance with the Constitution. The Flintshire County Councillors are not paid an additional allowance for attending the Committee as they are not co-optees. • The scheme member representative on the Committee is entitled to an allowance (again, due to being a statutory co-optee on the committee) but equivalent representative on the Board is not, however the differing roles of the Committee and Board should be noted. • The 'other employer representative' is currently a Councillor but there is no requirement under the constitution for this position to be filled by an elected member. Again, as a statutory co-optee, this person receives an allowance from the Clwyd Pension Fund.
1.08	<p>There is also a difference between the role of an elected member on the Clwyd Pension Fund Committee and the responsibility as a Councillor for which a salary is paid. Although still representing tax payers, in their Pension fund role they additionally have a fiduciary duty as a quasi-trustee for all members and employers in the Fund. This must come ahead of any interest of the employer they represent and any potential conflict of interest between those roles must be recognised, documented and managed when carrying out Pension Fund Committee responsibilities.</p>
1.09	<p>The responsibilities and complexities of the roles are emphasised below but, although no recommendation is made here beyond the Chairman of the Committee, there is a logic that all representatives, irrespective of 'status', should receive the same allowance for attending Committee, Board or approved training in line with the Fund's Training Policy.</p>
1.10	<p>The role of the Chair of the Committee is now particularly complex. The Local Government Pension Scheme has increased in size and complexity with significant financial consequence for employers. Although all members of the Committee are voting it is ultimately the Chair's input into the strategic decisions that will impact on whether the Fund can achieve its objectives. This requires specialist training especially in investments and funding. This role has been further</p>

	enhanced as a member of the Wales Pension Partnership Joint Governance Committee, which involves additional responsibilities and meeting/training attendance, and whose decisions will impact on all funds in Wales, whose assets invested currently total £15bn.
1.11	The IRPW was asked whether an additional senior salary could be paid to the Chairman of the Pension Fund Committee as the Council had reached its 'cap' and the response outlined above was received. Following the principle of using IRPW rates, Flintshire County Council uses Level 1 senior salary level of £22,100. Hence the Fund could pay £8,700 per annum to the Chair, which is the amount above the basic salary as a Councillor of £13,400. An alternative would be to use level 2 (not currently used by Flintshire County Council) which is £20,100, and which would result in a recharge to the Pension Fund of £6,700 per annum.
1.12	Consideration should also be given to the effective date of the additional allowance, particularly given the Chairman has been carrying out these duties since the elections in May 2017.
1.13	The recommendation is for the Committee to ask Council, as administering authority, for approval of the payment of the senior salary to the Chairman of the Pension Fund Committee, with the additional costs being recharged to the Pension Fund, and for this to be added into the schedule of member remuneration. The Committee are also asked to consider from what date they wish to recommend the additional payment commences i.e. backdated to beginning of the municipal year, start from now or start from next municipal year.

2.00	RESOURCE IMPLICATIONS
2.01	The additional amount of £8,700, if approved, would be paid from the Clwyd Pension Fund to the Chair of the Clwyd Pension Fund Committee

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Monitoring Officer has consulted with the IRPW.

4.00	RISK MANAGEMENT
4.01	The role of the Chair is key part of the overall risk management of the Fund. There is a risk that the potential conflict for Committee and Board members that arises as a result of this paper is not properly managed, and that the outcome of the deliberations and the Council decision could impact on the individual members involved.

5.00	APPENDICES
5.01	Appendix 1 – Clwyd Pension Fund Committee & Board Allowances

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Clwyd Pension Fund Training Policy Clwyd Pension Fund Board Protocol Flintshire County Council Constitution</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) 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) The 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>

Mae'r dudalen hon yn wag yn bwrpasol

Clwyd Pension Fund Committee and Board Allowances

Clwyd Pension Fund Committee				
Representing	Name	Role	Paid Special Allowance?	Paid Co-optee Allowance?
Flintshire CC	Cllr Dave Hughes	Chair	No	N/A
Flintshire CC	Cllr Haydn Bateman	Vice-Chair	No	N/A
Flintshire CC	Cllr Billy Mullin	Member	No	N/A
Flintshire CC	Cllr Ralph Small	Member	No	N/A
Flintshire CC	Vacancy	Member	No	N/A
Denbighshire CC	Cllr Huw Llewelyn Jones	Co-opted Member	N/A	Yes
Wrexham CBC	Cllr Nigel Williams / Cllr Trevor Bates	Co-opted Member	N/A	Yes
Other Employers	Cllr Andrew Rutherford	Co-opted Member	N/A	Yes
Fund Members	Mr Steve Hibbert	Co-opted Member	N/A	Yes

Clwyd Pension Fund Board			
Role	Name	Entitled to allowance?	Paid Allowance?
Employer Representative	Mr Mark Owen	Yes	No
Employer Representative	Mr Steve Jackson	Yes	No
Member Representative	Mrs Gaynor Brooks	Yes	Yes
Member Representative	Mr Phil Pumford	Yes	No

Extract from Clwyd Pension Fund Board Protocol

6. Remuneration and Expenses

- a) Subject to b) below, an allowance will be made to both Employer and Scheme Member Representatives for attending meetings relating to Pension Board business (including attending training) at the rates contained in the Schedule of Member Remuneration in Flintshire County Council's Constitution for co-opted members of a Flintshire County Council Committee.
- b) It is hoped that employers of Representatives on the Pension Board will provide appropriate capacity to allow the Representative to perform this role within their normal working day without any reduction in pay. If that is the case, the Representative will not be entitled to any allowance.
- c) All Employer and Scheme Member Representatives will also be entitled to claim travel and subsistence allowances at the rates contained in the Schedule of Member Remuneration in Flintshire County Council's Constitution.
- d) The Independent Member and Alternate shall be paid remuneration and expenses as determined by the Chief Officer (People and Resources).

Extract from Flintshire County Council Constitution

11.9 The daily and half day fee for other statutory co-optees with voting rights, as determined by the Independent Remuneration Panel, is set out in Appendix 2.

Extract from Appendix 2:

Entitlement as Statutory Co-optees:

Chairperson of the Standards Committee £256 per day / £128 per half day

All other co-opted members are entitled to a fee of £198 per day / £99 per half day

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 7



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2017
Report Subject	Governance Update
Report Author	Pensions Finance Manager

EXECUTIVE SUMMARY

A governance update is on each quarterly Committee agenda and includes a number of governance related items for information or discussion. The items for this quarter are:

- (a) Business Plan 2017/18 update (Appendix 1) including consideration of the schedule of Committee meetings.
- (b) Current Developments including an update on the National Scheme Advisory Board and the Local Board.
- (c) Governance related policy/strategy implementation and monitoring including the details of future events that Committee members should consider (Appendix 2) and training undertaken (Appendix 5).
- (d) Calendar of future events (Appendix 3).

It also provides a summary of the key governance elements in the current risk register (Appendix 4), with some of the key areas of concern being associated with asset pooling and resourcing.

RECOMMENDATIONS

1	That the Committee considers the update and provide any comments.
2	That the Committee expresses a preference to continue with the meetings either in the morning or in the afternoon and that this preference is given to the Constitution and Democratic Services Committee.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p>Business Plan 2017/18 Update</p> <p>At the Annual Meeting of Council on 18th May 2017, the Schedule of Meetings for 2017/18 was approved. An undertaking was given to conduct a survey of members, to find out when meetings should be held, so that the 'new' Council would be able to make an informed decision for future meetings.</p> <p>At the meeting of the Constitution & Democratic Services Committee on 25th October it was resolved that each committee should be canvassed for views on meeting preference as part of their forward work programme item. The options are as follows:</p> <ul style="list-style-type: none">• Morning 9.30 or 10am• Afternoon 2pm• Late afternoon 4.30pm• Evening 6pm• Rotate AM/PM• Rotate AM/PM/evening• Stay with Current arrangements <p>The committee is asked to express a preference for its meeting pattern. This information will be reported back to the Constitution & Democratic Services Committee and then used to prepare the schedule of meetings.</p> <p>The recommendation is that the Committee expresses a preference to continue with the meetings either in the morning or in the afternoon.</p>
1.02	<p>Appendix 1 provides a summary of progress against the governance section of the Business Plan up to the end of quarter ending 30 September 2017. There is only one task for this quarter which is the induction and refresher training for the Committee and Board; this is now substantially completed. As a result of a new Board and Committee member further training will be organised which will also give the opportunity for any catch up for those members that were unable to attend all of the training days. A further training day will be organised for additional legislative requirements such as Freedom of Information and Data Protection.</p> <p>The Business Plan includes a task in quarter 3 to consider key person risk within the finance function of the Fund. The unexpected retirement of a Pension Finance Manager on 31st December 2017 has prompted an earlier and wider review on how this function is delivered. A task and finish group is considering various options on how this function is organised and delivered both in the interim and the longer term. Progress will be reported to Committee in line with delegation of functions to officers for urgent matters, to ensure a solution is in place especially for the closure of the Fund's accounts.</p>
1.03	<p>Appendix 1 also includes progress against the projected cash flows and budgeted operating costs for 2017/18. The Committee is asked to note the</p>

	<p>following:</p> <ul style="list-style-type: none"> • The cash flow now reflects additional commitments made to Permira Credit Solutions III and the BlackRock US Private Debt Fund. The current position reflects lower distributions and higher drawdowns than anticipated leaving a lower closing projected cash figure at year end. • Pooling (Additional Costs) shown against Investment Management Expenses relates to the Pool Operator Cost. The appointment should be made by the end of the calendar year but it is not known whether any costs will be incurred by the end of the financial year. • Investment Management Expenses - the majority of the fund manager fees are reflected in the net asset value of our investments and are only notified to the Fund at the end of the financial year, consequently, they will only be reflected in the financial ledger and the Fund's accounts at that time. • The Administration budget staffing underspend is mostly due to the difference between the budget being at the top of the scale and the actual scale points that individuals are on.
1.04	The Committee is asked to note the contents of the business plan update.
	<p>Current Developments and News</p>
1.05	<p><i>National Scheme Advisory Board Update:</i></p> <p>The SAB met on the 16th November 2017 and the agenda included the following items: SAB 2017/18 budget/levy, Academies (England) and 3rd tier employers, cost management committee update, Investment committee update, cost transparency/ procurement working group update. Further information can be found at:</p> <p>http://www.lgpsboard.org/index.php/about-the-board/prev-meetings</p>
1.06	<p><i>Local Pension Board Update:</i></p> <p>The minutes of the Board held on the 2nd November are being prepared and when finalised they will be circulated to Committee members. In the meantime, the key points discussed are summarised below:</p> <ul style="list-style-type: none"> • Disaster Recovery – An update was provided on the result of a disaster recovery test undertaken during September. Whilst successful the test highlighted the dependence on corporate systems such as creditor payments and payroll. This will be followed up corporately. • The Pension Regulator Code of Practice (Compliance Checklist) - The Board undertook a detailed review of the Checklist and were pleased with the overall very positive result. • Asset Pooling - An update was given by the Clwyd Pension Fund Manager on the procurement of a pool operator for the Wales Pension Partnership. • Administration - A presentation was given on the work undertaken regarding key performance indicators, GMP reconciliation project, progress regarding the annual benefit statement and the number of cases referred to the Employer Liaison Team. Further details are provided at item 8. • GDPR, IT Security and Cybercrime – An update was provided on the work undertaken and the progress achieved regarding these items.

1.07	<p><i>LGPS Funds: England and Wales 2016-17 Statistical Release</i></p> <p>The above document has been released by the DCLG based on the annual SF3 Return, completed by all Funds, for 2016/17. The following are some of the main statistics (the totals relate only to England and Wales):</p> <ul style="list-style-type: none"> >Total LGPS expenditure £11.8 billion a 3.6% increase on 2015/16 >Wales LGPS expenditure £0.7 billion a 4.9% decrease on 2015/16 >Total LGPS income £13.9 billion a 5.5% increase on 2015/16 >Wales LGPS income £0.8 billion a 3.3% decrease on 2015/16 >Total LGPS market value £259 billion a 21% increase on 2015/16. A split between England and Wales was not given. <p>The document can be found on the LGPS Scheme Advisory Board website: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/654575/LGPS_England_and_Wales_2016-17.pdf</p>
	<p>Policy and Strategy Implementation and Monitoring</p>
1.08	<p><i>Training Policy</i> – The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:</p> <ul style="list-style-type: none"> • have training on the key elements identified in the CIPFA Knowledge and Skills Framework; • attend training sessions relevant to forthcoming business; and • attend at least one day each year of general awareness training or events.
1.09	<p>Appendix 5 details progress made to date in relation to the CIPFA Knowledge and Skills Framework training.</p>
1.10	<p>Appendix 5 also includes training and various external events attended by Committee Members and Pension Board members during 2017/18 as well as The Pension Regulator modules undertaken. Appendix 3 includes details of planned training events including forthcoming events considered suitable for general awareness training. The LAPFF conference on the 6-8 December will be attended by the Chair and a Pension Finance Manager.</p>
1.11	<p><i>Recording and Reporting Breaches Procedure</i> – The Fund’s procedure requires that the Clwyd Pension Fund Manager maintains a record of all breaches of the law identified in relation to the management of the Fund.</p> <p>Appendix 6 details a number of current Breaches that have been discussed by the Clwyd Pension Fund Manager and the Fund’s Independent Advisor. At this point none will be reported to the Pension Regulator although this position will be reviewed in January 2018</p>
	<p>Delegated Responsibilities</p>
1.12	<p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegated responsibilities were used in the last quarter in relation to governance matters.</p>
	<p>Calendar of Future Events</p>
1.13	<p>Appendix 2 includes a summary of all future events for Committee and</p>

Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates.
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2.00	RESOURCE IMPLICATIONS
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2.01	None directly as a result of this report.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	None directly as a result of this report.
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4.00	RISK MANAGEMENT
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4.01	Appendix 4 provides the dashboard showing the current risks relating to the Fund as a whole, as well as the extract of governance risks. The key governance risks continue to relate to:
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- potentially insufficient resource, which puts a risk on us being able to deliver our legal and policy objectives
- the impact of externally led influence and scheme change (such as asset pooling) which could also restrict our ability to meet our objectives and/or legal responsibilities.

The actions relating to Risks 2 and 3 have been updated to reflect the training that has been undertaken with the Committee.

5.00	APPENDICES
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5.01	Appendix 1 - 2017/18 Business plan update Appendix 2 - Calendar of events Appendix 3 - Training Plan Appendix 4 - Risk register update Appendix 5 - Training undertaken Appendix 6 - Breaches
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	Report to Pension Fund Committee – Business Plan 2017/18 to 2019/20 – 21 March 2017
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Contact Officer:	Philip Latham, Clwyd Pension Fund Manager
Telephone:	01352 702264
E-mail:	philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
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7.01	<ul style="list-style-type: none"> (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 (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. (c) The 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 (d) LPB or PB - Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund. (e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of (f) AVC – Additional Voluntary Contributions made by pension fund members to enhance their retirement (investments value can rise or fall) to Prudential who are the Fund’s AVC provider. (g) Breaches – refers to the requirement for certain people involved with public service schemes to report breaches of law to the Pension Regulator where they are likely to be of material significance to them (h) GDPR – The General Data Protection Regulation was introduced to strengthen and unify data protection for all individuals within the European Union. (i) Cybercrime – criminal activities carried out by means of computers or the internet. (j) CIPFA – The Chartered Institute of Public Accountancy - accountancy body for public services. (k) iConnect – an interface between an employer’s payroll system and the pension administration system that facilitates the upload of data. (l) GMP – Guaranteed Minimum Pension – protects you and ensures that a person’s pension value is not below a certain value determined by the Directorate of Works and Pension. Applies only to those people contracted out between 6 April 1978 and 5 April 1997. (m) SF3 Return – Annual survey by the DCLG used to provide a benchmark on the administration and fund management of the LGPS. The data are also used in compiling the National Accounts and to show the role of pension funds in the economy. (n) 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. (o) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
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	(p) DCLG – Department of Communities and Local Government – the government department responsible for the LGPS legislation.
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Business Plan 2017/8 to 2019/20 – Q2 Update

Governance

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. Actual 2017/18 figures are to end of Quarter 2 (2017)

Cashflow projections for 2017/18

	2015/16 £000s	2016/17 £000s	2017/18 £000s			
	Actual	Actual	Budget	Actual	Projected for full year	Final under/over
Opening Cash	(43,735)	(13,640)	(13,623)	(13,623)		
Payments						
Pensions	52,932	54,684	55,860	28,927	56,857	997
Lump Sums & Death Grants	14,906	14,857	15,000	7,175	14,675	(325)
Transfers Out	5,889	5,473	3,200	3,995	5,595	2,395
Expenses	4,881	3,001	3,400	1,758	3,458	58
Support Services	167	300	120	0	120	0
Total Payments	78,775	78,315	77,580	41,855	80,705	3,125
Income						
Employer Contributions	(30,506)	(32,787)	(34,100)	(23,512)	(35,473)	(1,373)
Employee Contributions	(14,535)	(13,779)	(14,000)	(4,745)	(13,426)	574
Employer Deficit Payments	(27,872)	(28,474)	(51,784)	(52,075)	(52,531)	(747)
Transfers In	(1,791)	(2,540)	(2,000)	(2,994)	(3,994)	(1,994)
Pension Strain	(3,204)	(2,282)	(1,200)	(7)	(607)	593
Income	(74)	(146)	(100)	(5)	(32)	68
Total Income	(77,982)	(80,008)	(103,184)	(83,338)	(106,063)	(2,879)
Cashflow Net of Investment Income	793	(1,693)	(25,604)	(41,483)	(25,358)	246
Investment Income	(2,497)	(3,019)	(3,000)	(1,947)	(3,447)	(447)
Investment Expenses		2,991	3,000	1,522	3,022	22
Total Net of In House Investments	(1,704)	(1,721)	(25,604)	(41,908)	(25,783)	(179)
In House Investments						
Draw downs	34,021	45,146	47,008	35,069	71,717	24,709
Distributions	(64,836)	(56,614)	(77,834)	(22,440)	(63,722)	14,112
Net Expenditure /(Income)	(30,815)	(11,468)	(30,826)	12,629	7,995	38,821
Total Net Cash Flow	(32,519)	(13,189)	(56,430)	(29,279)	(17,788)	38,642
Rebalancing Portfolio	62,614	13,206	40,000	(481)	30,000	(10,000)
Total Cash Flow	30,095	17	(16,430)	(29,760)	12,212	
Closing Cash	(13,640)	(13,623)	(30,053)	(43,383)	(1,411)	

Operating Costs

	2015/16	2016/17	2017/18			
	Actual	Actual	Budget	Actual	Projected for full year	Projected under/over
	£000s	£000s	£000s	£000s	£000s	£000s
Governance Expenses						
Employee Costs (Direct)	225	236	238	122	237	(1)
Support & Services Costs (Internal Recharges)	12	17	8	0	8	0
Premises	8	5	7	0	7	0
IT (Support & Services)	11	4	9	5	9	0
Other Supplies & Services)	54	58	50	28	50	0
Miscellaneous Income	0	(11)	0	0	0	0
Audit Fees	39	39	40	(4)	40	0
Actuarial Fees	222	335	143	4	143	0
Consultant Fees	371	703	458	175	458	0
Advisor Fees	225	188	187	42	187	0
Legal Fees	35	59	40	0	40	0
Pooling (Additional Costs)				6	80	80
Total Governance Expenses	1,202	1,633	1,180	378	1,259	79
Investment Management Expenses						
Fund Manager Fees*	14,971	14,386	11,878	1,598	14,386	2,508
Custody Fees	28	31	34	10	34	0
Performance Monitoring Fees	30	57	58	14	58	0
Pooling (Additional Costs)				0	n/k	n/k
Total Investment Management Expenses	15,029	14,474	11,970	1,622	14,478	2,508
Administration Expenses						
Employee Costs (Direct)	603	648	776	317	645	(131)
Support & Services Costs (Internal Recharges)	46	94	42	0	42	0
Outsourcing	404	260	900	71	900	0
Premises	33	6	33	0	33	0
IT (Support & Services)	243	290	250	250	270	20
Member Self Service	0	0	75	15	75	0
Other Supplies & Services)	61	70	70	63	70	0
Miscellaneous Income	0	0	0	0	0	0
Total Administration Expenses	1,390	1,368	2,146	716	2,035	(111)
Employer Liaison Team						
Employee Costs (Direct)			144	69	136	(8)
Total Costs	17,621	17,475	15,440	2,785	17,908	2,468

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
x	Original item where the period has been moved or task deleted since original business plan

Governance Tasks

Ref	Key Action –Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	2018/19	2019/20
G1	Induction and refresher training for PFC	x	x				

Governance Task Descriptions

G1 – Induction Training for PC

What is it?

The Fund's Training Policy details how the Fund will ensure that training is delivered, and how the required training is identified for each member of both the Clwyd Pension Committee and the Pension Board. Ongoing training to meet the requirements of this policy will take place. Although there is expected change at a minimal level with the PFC, Pension Board and officers, the Council elections in May 2017 could result in significant changes to membership, in which case intensive induction training will be required.

Timescales and Stages

Source and ensure delivery of induction training

2017/18 Q1/2

Resource and Budget Implications

Training requirements to be determined by Pension Fund Manager with assistance from the Independent Adviser. Other advisers and external sources may be used for delivering training. There will be external adviser costs associated with this exercise which are incorporated into the 2017/18 budget.

CLWYD PENSION FUND - CALENDAR OF EVENTS APRIL 2017 ONWARDS

Month	Date	Day	Committee	Training	Pension Board	Location
2017						
May	15-17	Mon - Wed		PLSA Local Authority Conference		Gloucestershire
June	23 Jun	Fri	10AM - 1PM			County Hall
	27 Jun	Tue			1.30PM - 4.30PM	County Hall
	28 Jun	Wed		CIPFA and Barnett Waddingham: Local Pension Boards - Two Years On...		London
	29-30 Jun	Thur - Fri		LGA Trustee Conference		Bournemouth
July	19 Jul	Wed		Day 1 Induction/ Refresher		tba
	27 Jul	Thu			County Hall am	
September	05 Sep	Tue		Day 2 Induction/ Refresher Training - Administration		Northop College (Rm G22)
	6-8	Wed-Fri		LGC Investment Summit		Newport
	14 Sep	Thu		Day 3 Induction/ Refresher Training - Investments		Northop College (Rm G20)
October	03 Oct	Tue		CIPFA Pensions Workshop		Cardiff
November	02 Nov	Thu			9.30AM - 12.30PM	County Hall
	06,08,10/11 /2017	06,08,10/11/2017		CIPFA Local Board Event various locations Allenbridge - LGPS Investment Costs Measurement & Management		London, Cardiff, Liverpool
	16 Nov	Thu				London
	29 Nov	Wed	10AM - 1PM			County Hall
December	6-8	Wed-Fri		LAPFF		Bournemouth
2018						
February	21 Feb	Wed	Special Committee 10AM- 1PM			County Hall
	27 Feb	Tue			9.30AM - 12.30PM	County Hall
	26,28/02 + 02/03/17				CIPFA PB Seminar	London, Wolverhampton, Leeds
March	01-02 March	Thur - Fri		LGC Investment Summit		Carden Park
	21 Mar	Wed	2PM - 5PM			County Hall
June	13 Jun	Wed	AM			County Hall
	27 Jun	Wed			Annual Event	London
	28 Jun	Thu			9.30AM - 12.30PM	County Hall

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Clwyd Pension Fund
Training Plan 2017 & 2018 - as at 27 October 2017

Title of session	Training Content	Timescale	Training Length	Audience	Complete
PLSA Local Authority Conference, Gloucestershire	tbc	15-17/05/2017	2 days	Committee, Pensions Board and Officers	Y
CIPFA and Barnett Waddingham: Local Pension Boards - Two Years On...	Update by key players together with a focus on the Scheme's financial viability and the problem of managing data.	28/06/2017	1 day	Pensions Board	Y
Day 1 Induction/ Refresher training	DAY 1: Governance including Freedom of Information	19/07/2017	1 days	Committee, Pensions Board and Officers	Y
Day 2 Induction/ Refresher training	DAY 2: Actuarial , Funding and Risk Management	25/07/2017	1 days	Committee, Pensions Board and Officers	Y
LGA Annual Conference, Birmingham	Various topical presentations including pooling, cost control and the potential impact of European legislation.	04-06/07/2017	2 day	Committee, Pensions Board and Officers	Y
Day 2 Induction/ Refresher training	Administration and Communication Training	05/09/2017	1 day	Committee, Pensions Board and Officers	Y
LGC Investment Summit, Newport	Various topical presentations. Agenda not yet available.	6-8/09/2017	1.5 days	Committee, Pensions Board and Officers	Y
Day 3 Induction/ Refresher training	Investments	14/09/2017	1 day	Committee, Pensions Board and Officers	Y
Employer Risk Management	Employer Risk Management including the monitoring framework (employer covenant, funding and protections)	20/09/2017	Before Cttee	Committee, Pensions Board and Officers	Deferred
CIPFA Pensions Workshop - Governance in a Changing Environment	Updates on topical issues including Governance, Legal Issues (MiFID II and Data Protection), Pension Boards, National LGPS Framework	03/10/2017	1 day	Committee, Pensions Board and Officers	Y
CIPFA Local Pension Board Seminars	Autumn Seminar - various content	06/11/2017 London 08/11/2017 Cardiff 10/11/2017 Liverpool	13:00 - 16:30 each day	Pension Board	
CIPFA Local Pension Board Seminars	Autumn Seminar - various content	06/11/2017 London 10/11/2017 Liverpool	9:00 - 12.30 both days	Officers	
Allenbridge LGPS Investment Costs Seminar		16/11/2017	0.5 days	Committee and Officers	
Fund Employer/ Annual General Meeting	Various	14/11/2017	1 day	Committee, Pensions Board and Officers	
LAPFF, Bournemouth	Various topical presentations around the work of the LAPFF	6-8/12/2017	2	Committee, Officer	
CIPFA Local Pension Board Seminars	Spring Seminar - various content	26/02/2018 London 28/02/2018 Wolv'hampton 02/03/2018 Leeds	13:00 - 16:30 each day	Pension Board	
CIPFA Local Pension Board Seminars	Spring Seminar - various content	26/02/2018 London 28/02/2018 Wolv'hampton 02/03/2018 Leeds	9:00 - 12.30 both days	Officers	
LGC Investment Seminar, Carden Park	Various	01-02/03/2018	2 days	Committee, Pensions Board and Officers	
CIPFA Local Pension Board Seminars	Annual Event	27/06/2018 London	9.30 - 16.00	Pension Board	
TPR Toolkit - public sector modules	To be covered at a future committee meetings		Before Cttee	Committee, Pensions Board and Officers	
Day 4 - Induction / Refresher Training	TBC - review against CIPFA requirements (incl FOIA) to identify any further training	TBC		Committee, Pensions Board and Officers	
Days 1 to 4 - Induction / Refresher Training	Catch up training - for those unable to make initial days	TBC		Committee, Pensions Board and Officers	

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Appendix 3

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		Governance Risks					Impact	Funding & Investment Risks (includes accounting and audit)							
		4	3					Negligible					7		
		7	1	2				Marginal					5	8	
					6	5		Critical				3	4		
								Catastrophic			6				
Likelihood		Unlikely	Very Low	Low	Significant	Very High	Extremely High		Extremely High	Very High	Significant	Low	Very Low	Unlikely	Likelihood
								Catastrophic	<p>Key</p> <p>1 Each risk is represented in the chart by a number in a square. - The number denotes the risk number on the risk register. - The location of the square denotes the current risk exposure.</p> <p>1 The background colour within the square denotes the target risk exposure.</p> <p>1 New risks since the last reporting date are denoted with a blue and white border.</p> <p>-----> An arrow denotes a change in the risk exposure since the previous reporting date, with the arrow coming from the previous risk exposure.</p>						
						2		Critical							
				4	3	5	1	Marginal							
		6						Negligible							
		Administration & Communication Risks					Impact								

Clwyd Pension Fund - Control Risk Register

Governance Risks

Objectives extracted from Governance Policy (03/2017), Training Policy (11/2015) and Procedures for Reporting Breaches of the Law (11/2015)

- G1 Act in the best interests of the Fund's members and employers
- G2 Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- G3 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- G4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- G5 Understand and monitor risk
- G6 Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- G7 Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- T1 Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
- T2 Those persons responsible for governing the Clwyd Pension Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.
- B1 Ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report.
- B2 Assist in providing an early warning of possible malpractice and reduce risk.

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated	Previous Impact	Previous Likelihood	Previous Risk Status	Risk removed (date)	
1	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately considered (recognising that many risks can be identified but not managed to any degree of certainty)	All	Marginal	Low	Orange	1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to each PFC 3 - Advisory panel meets at least quarterly discussing changing environment etc 4 - Fundamental review of risk register annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Marginal	Low	Orange	😊			None	CPFM	30/09/2017	13/04/2017	Marginal	Low	Orange		
2	Inappropriate or no decisions are made	Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	G1 / G2 / G3 / G4 / G5 / G6 / G7	Marginal	Significant	Orange	1 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Annual check against TPR Code 4 - Training Policy, Plan and monitoring in place for PC and PB members 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities 6 - Induction training programme in place for new Committee members which covers CIPFA Knowledge and Skills requirements and can be delivered quickly. 7 - Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed.	Negligible	Low	Yellow	😐	Current impact 1 too high Current likelihood 1 too high	01/07/2016	Jun 2018	1 - Complete Training Needs Analysis/consider engagement (PL) 2 - Mop up induction training for PC/PB (PL)	CPFM	28/02/2018	13/11/2017	Marginal	Significant	Orange	
3	Legal fiduciary responsibilities are not met	Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	G1 / G2 / G4 / G6 / T2	Negligible	Very Low	Green	1 - Conflicts of Interest policy focussed on fiduciary responsibility regularly discussed and reviewed 2 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 3 - All stakeholders to which fiduciary responsibility applies represented at PFC and PB 4 - Training Policy, Plan and monitoring in place for PC and PB members including section on responsibilities 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities 6 - Clear strategies and policies in place with Fund objectives which are aligned with fiduciary responsibility	Negligible	Very Low	Green	😊				CPFM	28/02/2018	13/11/2017	Negligible	Very Low	Green		
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Very Low	Green	1- Range of policies in place and all reviewed at least every three years 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually (work in progress) 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored	Negligible	Unlikely	Green	😐	Current likelihood 1 too high		Mar 2018	1- Ensure work relating to annual monitoring is completed (to be done as part of business planning day) (PL)	Pension Finance Managers	31/12/2017	13/11/2017	Negligible	Very Low	Green	
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as scheme change and asset pooling	G1 / G4 / G6 / G7	Critical	Very High	Red	1 - Continued discussions at AP, PFC and PB regarding this risk 2 - Involvement of CEO / links to WLGA and WG 3 - Fund's consultants involved at national level/regularly reporting back to AP/PFC 4 - Key areas of potential change identified as part of business plan (ensuring ongoing monitoring) 5 - Asset pooling IAA in place 6 - Officers on Wales Pool OWG	Marginal	Low	Orange	😐	Current impact 1 too high Current likelihood 2 too high		Dec 2018	1 - Regular ongoing monitoring by AP to consider if any action is necessary 2 - Ensure Board requests to JGC/OWG are responded to (PL)	CPFM	28/02/2018	13/11/2017	Critical	Very High	Red	
6	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	G3 / G6 / G7 / T1	Critical	Significant	Red	1 - 2017/18 business plan identifies key officer risk 2 - Review of admin structure in 2015/16 3 - Quarterly update reports consider resourcing matters 4 - Advisory Panel provide back up when required 5 - Additional resources, such as outsourcing, considered as part of business plan	Negligible	Very Low	Green	😐	Current impact 2 too high Current likelihood 2 too high		Sep 2018	1 - Finance team restructure (PL)	CPFM	31/12/2017	13/11/2017	Critical	Significant	Red	
7	Legal requirements and/or guidance are not complied with	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches)	G3 / G6 / T1 / T2 / B1 / B2	Marginal	Very Low	Yellow	1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliance areas (relevant individuals provided with a copy and training provided) 4 - Training policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures 7 - Strategies and policies often included statements or measures around legal requirements/guidance 8 - Wide range of advisers and AP in place 9 - Independent adviser in place including annual report which will highlight concerns	Negligible	Very Low	Green	😐	Current impact 1 too high		Dec 2017	1 - Ongoing work to ensure breaches are identified and the procedure used appropriately 2 - Further documented processes (as part of TPR compliance) e.g. contribution payment failure	CPFM	28/02/2018	13/11/2017	Marginal	Very Low	Yellow	

	Cllr D Hughes	Cllr H Bateman	Cllr Billy Mullin	Cllr R Small	Cllr N Williams/ Cllr T Bates	Cllr H LL Jones	A Rutherford		S Hibbert
Committees (3hrs)									
June 2017	✓	✓	✓	✓	✓	✓			
September 2017	✓	✓	✓	✓	✓	✓			✓
November 2017									
Special Committee February 2018									
March 2018									
CIPFA Framework Requirements 2017/18 – 2019/20									
Governance (1 day)	✓	✓	✓	✓	✓	✓			✓
Administration (1 day)	✓	✓	✓	✓	✓	✓			✓
Funding & Actuarial (1 day)	✓	✓		✓	✓	✓			✓
Investments (1 day)	✓	✓	✓	✓	✓	✓	✓		✓
Accounting									
Additional Training & Hot Topics									
Pooling (Sept Committee)	✓	✓	✓	✓	✓	✓			✓
TPR Checklist (Sept Committee)	✓	✓	✓	✓	✓	✓			✓
Statement of Accounts (Sept Cttee)	✓	✓	✓	✓	✓	✓			✓
CPF Annual Employer Administration Meeting (am)	✓	✓							✓
CPF Annual Joint Consultative Meeting (pm)						✓			✓

	Cllr D Hughes	Cllr H Bateman	Cllr Billy Mullin	Cllr R Small	Cllr N Williams/ Cllr T Bates	Cllr H LL Jones	A Rutherford		S Hibbert
Pensions Regulator Modules									
Conflicts of Interest							✓		✓
Managing Risk & Internal Controls									✓
Maintaining Accurate Member Data									✓
Maintaining Contributions									✓
Providing Information to Members & Others									✓
Resolving Disputes									✓
Reporting Breaches									✓
Conferences (Restricted spaces)									
PLSA 16-18 May 2017									
CIPFA Pensions Network October 2017 (1 day)	✓		✓						✓
LGC Investment Summit (1.5 days) Sept 2017	✓	✓							✓
Allenbridge – LGPS Investment Costs – November 2017 (0.5 day)									✓
LAPFF Annual Conference (1.5 days) Dec 2017									
LGC Seminar (1.5 days) March 2018									

CURRENT BREACHES OF THE LAW

Reference	09	Date recorded/ updated	27/10/17	Date breach resolved	Ongoing
Category	Administration (Joiner)	Owner	H Burnham	Reported to TPR	No
Description and cause of breach	To send a Notification of Joining the LGPS to a scheme member 2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled. Due to a combination of late notification from employers and untimely action by CPF the legal requirement was not met.				
Quantification	Q1 17/18	Completed cases	547		
		In breach	338	61%	
	Q2 17/18	Completed cases	408		
		In breach	292	72%	
Possible effect and wider implications	Late scheme information sent to member which may result in lack of understanding and/or complaint from member affecting scheme reputation.				
Reaction to breach	Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of new joiners (ongoing). Set up of Employer Liaison Team (ELT) to monitor and provide joiner details more timelessly. Training of new team members to raise awareness of importance of time restraint. Prioritising of task allocation. KPI's shared with team members to further raise awareness of importance of timely completion of task.				
Outstanding actions	I-connect and bedding in of new staff/training. Identifying which employers are causing delays.				

Reference	10	Date recorded/ updated	27/10/17	Date breach resolved	13/11/17
Category	Administration (Deferred)	Owner	H Burnham	Reported to TPR	No
Description and cause of breach	To inform members who leave the scheme of their leaver rights and options as soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member). Of 284 cases completed 1 case (< 1%) was late by 2 days.				
Quantification	Q1 17/18	Completed cases	284		
		In breach	1	<1%	
	Q2 17/18	Completed cases	323		
		In breach	3	<1%	
Possible effect and wider implications	Delayed understanding of options available to member				
Reaction to breach	None.				
Outstanding actions	None. No further action due to small numbers.				

Reference	11	Date recorded/ updated	27/10/17	Date breach resolved	Ongoing
Category	Administration (Transfer In)	Owner	H Burnham	Reported to TPR	No
Description and cause of breach	Obtain transfer details for transfer in, and calculate and provide quotation to member 2 months from the date of request. Breach due to late receipt of transfer information from previous scheme and late completion of calculation and notification by CPF. Currently only 2 members of team fully trained to provide transfer details due to new team structure and additional training requirements.				
Quantification	Q1 17/18	Completed cases	59		
		In breach	26	44%	
	Q2 17/18	Completed cases	77		
		In breach	22	29%	
Possible effect and wider implications	Information being provided to scheme members later than hoped. Could have some financial implications. Members may contact the section to enquire as to the progress of the transfer.				
Reaction to breach	Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with more timely.				
Outstanding actions	Completion of training of team members in transfer and aggregation processes.				

Reference	12	Date recorded/ updated	27/10/17	Date breach resolved	Ongoing
Category	Administration (Transfer out)	Owner	H Burnham	Reported to TPR	No
Description and cause of breach	Breach due to late completion of calculation and notification by CPF. Currently only 2 members of team fully trained to provide transfer details due to new team structure and additional training requirements.				
Quantification	Q1 17/18	Completed cases	77		
		In breach	21	27%	
	Q2 17/18	Completed cases	63		
		In breach	5	8%	
Possible effect and wider implications	Information being provided to scheme members/new scheme later than hoped. Could have some financial implications. Members and providers may contact the section to enquire as to the progress of the transfer.				
Reaction to breach	Continued training of team members to increase knowledge and expertise to ensure that transfers are dealt with more timely.				
Outstanding actions	Completion of training of team members in transfer and aggregation processes.				

Reference	13	Date recorded/ updated	27/10/17	Date breach resolved	Ongoing
Category	Administration (Retirement benefits)	Owner	H Burnham	Reported to TPR	No
Description and cause of breach	Notification of amount of retirement benefits 1 month from date of retirement if on or after Normal Pension Age (NPA) or 2 months from date of retirement if before NPA. Breach due to a combination of late notification by employer and late completion of calculation by CPF. Also, delay in receipt of AVC fund values from AVC provider.				
Quantification	Q1 17/18	Completed cases	284		
		In breach	86	30%	
	Q2 17/18	Completed cases	196		
		In breach	61	31%	
Possible effect and wider implications	Late payment of benefits which may miss payroll deadlines and result in accrual of interest on lump sums/pensions. Members upset about delays.				
Reaction to breach	Roll out of iConnect where possible to scheme employers including new admitted bodies to ensure monthly notification of retirees (ongoing). Set up of ELT to monitor and provide leaver details more timely. Prioritising of task allocation. Set up of new process with one AVC provider to access AVC fund information.				
Outstanding actions	Further training of newly promoted team member to deal with volume of work. Identifying which employers are causing delays.				

Reference	14	Date recorded/ updated	27/10/17	Date breach resolved	Ongoing
Category	Administration (Estimates)	Owner	H Burnham	Reported to TPR	No
Description and cause of breach	Providing quotations on request for retirements. As soon as practicable, but no more than 2 months from date of request unless there is a previous request in the last year. Late completion of calculation by CPF and increasing estimate requests being made by members.				
Quantification	Q1 17/18	Completed cases	140		
		In breach	47	34%	
	Q2 17/18	Completed cases	155		
		In breach	65	41%	
Possible effect and wider implications	Late notification of benefits/costs to member/employer resulting in complaints and poor understanding/missed opportunities. Section contacted to check on progress of estimate.				
Reaction to breach	Introduction of MSS should alleviate the volume of requests received as member will be able to calculate own estimate through database. Further training of team members has been recognised. Task allocation reviewed by team leaders. Estimates have been prioritised.				
Outstanding actions	Additional staff training.				

Reference	15	Date recorded/ updated	27/10/17	Date breach resolved	Ongoing
Category	Administration (Deaths)	Owner	H Burnham	Reported to TPR	No
Description and cause of breach	Calculate and notify dependant(s) of amount of death benefits as soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative). Due to late completion by CPF the legal requirement was not met.				
Possible effect and wider implications	Late payment of benefit to dependant, potential to cause further upset to relatives. Reputational damage.				
Quantification	Q1 17/18	Completed cases	41		
		In breach	24	58%	
	Q2 17/18	Completed cases	47		
		In breach	31	66%	
Possible effect and wider implications	Late payment of benefits which may miss payroll deadlines and result in accrual of interest on lump sums/pensions. Beneficiaries upset about delays.				
Reaction to breach	Due to complexity of calculations, currently only 2 members of team are fully trained and experienced to complete the task. Further training of team is required and review of process to improve outcome.				
Outstanding actions	Further staff training required and review of process and task management.				

Reference	7	Date recorded/ updated	19/09/17	Date breach resolved	Ongoing
Category	Contributions	Owner	D Fielder	Reported to TPR	No
Description and cause of breach	Late payments by a small number of employers.				
Possible effect and wider implications	Could expose employers to late payment interest charge. Assumptions regarding funding assume regular monthly payment, not adhering to this regulatory requirement could result in changed actuarial assumptions for the employer.				
Possible effect and wider implications					
Reaction to breach	Issues raised with the employers and determined to be mostly one-off in nature. One employer remains outstanding (July – October).				
Outstanding actions					

Reference	8	Date recorded/ updated	19/09/17	Date breach resolved	Open
Category	Remittance Advice	Owner	D Fielder	Reported to TPR	No
Description and cause of breach	Delays in the provision of remittance advice showing analysis of payments received such as split between employer and employee contributions and pensionable pay.				
Possible effect and wider implications	Reputational.				
Possible effect and wider implications					
Reaction to breach	Communication with the employers concerned has reduced the number outstanding as well as increasing the understanding of employers to the importance of the analysis.				
Outstanding actions	Most now received but continue to follow up with those employers with outstanding remittance advice.				

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	29 November 2017
Report Subject	LGPS Current Issues
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the key issues affecting the LGPS as at November 2017 and makes recommendations for Members to review the update document found at Appendix 1 from Mercer. This covers many of the current ongoing issues and the latest news since the last Committee update in September, in particular:

- The anticipated April 2018 pension increase of 3% and the decision to remove the public sector pay cap for police and prison officers.
- Updates on the progress of current Regulations and Consultations - the Section 13 exercise, the New Fair Deal consultation, Exit Payments and the Cost Management process.
- Concerns from ICAS (The Institute of Chartered Accountants in Scotland) about the treatment of charities when they exit an LGPS Fund and the possible impact on the English and Welsh Funds.
- Member pension taxation issues, including Annual Allowance and Voluntary Scheme Pays.

RECOMMENDATIONS

1	It is recommended that all Committee members note this report and make themselves aware of the various current issues affecting the LGPS, some of which are significant to the operation of the Fund.
2	In particular, members are asked to note: <ul style="list-style-type: none">• the April 2018 Pension Increase• the latest updates on current Regulations and Consultations• the taxation issues update which may have a significant impact on the Fund and lead to further action in the future.

REPORT DETAILS

1.00	LGPS Current Issues
1.01	<p>The purpose of this report is to provide a general update to Committee Members on various current issues affecting the LGPS.</p> <p>Appendix 1 sets out a brief update on a number of significant specific issues, and also wider issues affecting the whole of the pensions industry.</p>
1.02	<p>Key points to be aware of are:</p> <ul style="list-style-type: none">• April 2018 pension increase will be 3% based on the September CPI inflation rate. This will have a small detrimental effect on the funding position of the LGPS.• The removal of the public sector pay cap initially for police and prison officers. If this is then applied to Local Government then there will be an impact on pensionable salaries and ultimately on the liabilities for the Fund (given an allowance for the current cap was made as part of the 2016 valuation).• The impact of any announcements made in the Autumn Budget.• Response to the New Fair Deal consultation is now not expected until the New Year.• The Government is planning to issue consultations on exit payments and claw back provisions around Christmas time.• Concerns from ICAS (The Institute of Chartered Accountants in Scotland) about the treatment of charities when they exit an LGPS Fund and the possible impact on the English and Wales Funds.• Cost Management - These calculations may lead to compensatory benefit or member contribution changes from the date of change which would be 2019 at the earliest.• For Voluntary (as opposed to Mandatory) Scheme Pays, the deadline for the Fund to pay tax charges on behalf of members to HMRC is by 31 January 2018.

2.00	RESOURCE IMPLICATIONS
2.01	<p>Some of the actions arising out of the issues identified will take significant input from Fund officers, including but not limited to responding enquiries regarding pension tax implications.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>None directly as a result of this report but noting the developments in the highlighted areas.</p>

4.00	RISK MANAGEMENT
4.01	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): <ul style="list-style-type: none"> • Governance risks: G2 & G7.
4.02	Some key risks need to be considered. In particular the outcome of the Cost Management process and the consultation on Indexation and Equalisation of GMPs, the findings of the Government Actuary's Department on the Section 13 exercise and the outcome of the Autumn Budget. Matters arising will need to be dealt with under the overall Governance objectives. This report also is intended to support the Knowledge & Understanding of the Committee and officers thereby reducing risk around decision making as per the Risk Register noted in 4.01.

5.00	APPENDICES
5.01	Appendix 1 – LGPS Current Issues - November 2017 edition

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Earlier editions of the LGPS Current Issues document, tabled at previous Committee meetings. 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	(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 (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. (c) The 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 (d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration

of the Fund.

- (e) **GAD** - The Government Actuary's Department.
- (f) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (g) **DCLG - Department for Communities and Local Government** - Central Government department responsible for the LGPS
- (h) **LGA - The Local Government Association** - a politically-led, cross-party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. Performs various Secretariat and support roles for the LGPS.
- (i) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- (j) **GMP – Guaranteed Minimum Pension** – This is the minimum level of pension which occupational pension schemes in the UK have to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997.
- (k) **CARE – Career Average Revalued Earnings** – With effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.
- (l) **Annual Allowance** – the annual allowance is a limit on the capital amount that individuals can contribute to their pension each year, while still receiving tax relief. The standard Annual Allowance is £40,000 in any year. For members who taxable earnings are over £110,000 they can fall into the Tapered Annual Allowance which falls between £10,000 and £40,000 depending on their level of earnings.
- (m) **Fair Deal** - guidance issued by the Government which applies to compulsory transfers of employment out of the public sector. Updated guidance was issued in October 2013, referred to as “New Fair Deal”, which amends some of the previous guidance.
- (n) **Scheme Pays** – the option for a member to ask the Fund to pay any tax associated with breaching the Annual Allowance. The Mandatory Scheme Pays option applied where a members exceeds the statutory Annual Allowance limit of £40,000. The Voluntary Scheme Pays option applies when a member falls into Tapered Annual Allowance or their tax charge is less than £2,000. Voluntary Scheme Pays can be used at the discretion of the Administering Authority.

LGPS CURRENT ISSUES

NEWS IN BRIEF

APRIL 2018 PENSION INCREASE

On 17 October 2017, the Office for National Statistics (ONS) announced that the Consumer Price Index (CPI) rate of inflation for the year to September 2017 was 3%. This increase will be applied to LGPS pensions with effect from 1 April 2018.

PUBLIC SECTOR PAY CAP

The Government confirmed that it would be lifting the public sector pay cap for both police and prison officers. The Cabinet agreed a 1.7% rise for prison officers and a 2% rise for police officers in 2017/18. There's still no word on the other public sector areas, however, the autumn budget may give further information on the plans for the cap in the future.

AUTUMN BUDGET

The Autumn Budget will be published on 22 November 2017. We will update you with the outcomes in due course.

NATIONAL INITIATIVES

- **Section 13** – Initial indications are that the results of the Section 13 exercise may not be available until mid 2018. In advance of this we will be providing Funds with our own interactive comparison database that compares the results of the 2016 actuarial valuations on 'like for like' assumptions for all England and Wales LGPS Funds. It will provide an initial indication of where each Fund may sit in the Section 13 Report once it is published.
- **Cost Management 2016** – Discussions are still taking place within the subcommittee relating to the assumptions to adopt and whilst it had been hoped that material progress would be made in time for discussions in early 2018, this now looks unlikely. Whilst it was initially hoped that Regulation would be in place by April 2019 in time for the 2019 valuation, this now looks like it may be put back to April 2020. Although hopefully it will become clear before then what any impact will be so that this can be factored into the 2019 valuation.

IN THIS ISSUE

- News in Brief
- Other Developments on Regulations and Consultation
- Taxation Round Up
- Dates to Remember
- Meet the Team
- Contacts



DATA QUALITY

We will shortly be requesting data extracts from Funds to perform data quality analysis in our updated tool. The current tool will include trend analysis to enable Funds to monitor how data quality improves. Given TPR's increasing interest in the LGPS, this will be a useful exercise for Funds to demonstrate their focus on data quality.

Note that on part of the annual scheme return process, TPR are intending to ask more detailed questions in relation to the data held by LGPS Funds.

ICAS CONCERNS OVER THE TREATMENT OF CHARITIES IN THE LGPS WITHIN SCOTLAND

Concerns have been raised by ICAS (The Institute of Chartered Accountants in Scotland) about charities that are effectively trapped building up unaffordable pension liabilities within the LGPS as leaving would potentially incur a significant exit charge. They have urged the Government to rethink the treatment of charities and have asked them to consider some recommendations including changes to the Regulations to prevent automatic exit, allowing more flexibility in the payment terms and reconsidering the assumptions that should be used in the calculation of the termination payment. This is a concern for many Funds and it will be interesting to see if the Scottish Government takes notice of the concerns from ICAS and whether there will be any knock on impact for England and Wales Funds.

MIFID II

It was initially feared that MIFID II would lead to Funds being unable to access more sophisticated investment strategies and asset classes. However, the FCA has softened its interpretation of the directive to allow LGPS funds to more easily opt up to become sophisticated investors. MIFID II will be implemented with effect from 3 January 2018 and LGPS Funds that wish to "opt-up" will need to complete the process well in advance of this date.

ASSET POOLING

LGPS Funds must begin transitioning assets to the new investment pools from April next year. DCLG have said that individual schemes should look to move any assets, regardless of liquidity, into the pools "as soon as possible". All new investments made by LGPS Funds should be made through an asset pool "unless there is a clear case that can be made" for investing through a different route.

Looking further ahead, Funds will have to justify any assets they hold outside of new pools once the vehicles are up and running, according to the government department overseeing the Local Government Pension Scheme (LGPS).

INDEXATION AND EQUALISATION OF GMPS

It is expected that the government response to the GMP indexation and equalisation for public sector schemes consultation will be published by the end of this year, to give the schemes time to put the solution in place before April 2018.



OTHER DEVELOPMENTS ON REGULATIONS AND CONSULTATION

NEW FAIR DEAL

Following the consultation carried out last year, further details and clarifications needed have been identified. We believe that a further consultation may be needed on an updated set of provisions to apply the principles of New Fair Deal to the LGPS, and expect to hear more in the new year.

EXIT PAYMENTS AND CLAW BACK PROVISIONS

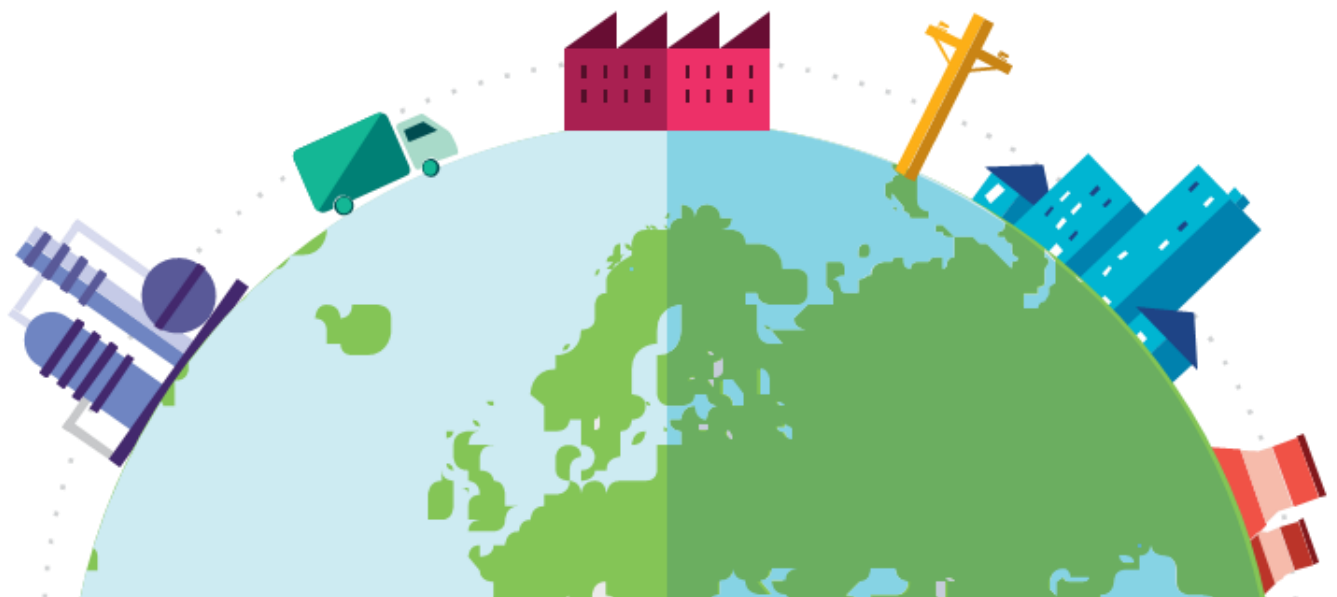
The Government is planning to issue consultations on these around Christmas time. The exit payment cap consultation will relate to the new draft Regulations required to allow for the cap and which organisations are affected. The claw back provisions consultations will only relate to which organisations are affected by the claw back provisions for employees returning to a public sector post within 12 months. In addition, DCLG is considering the overall framework for exit payment reform that was issued by the Government last year but it is not expected to take any action until the consultations have been issued.

THE LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) REGULATIONS 2018

The Scottish Public Pensions Agency (SPPA) is currently consulting on a set of draft regulations for the Local Government Pension Scheme (Scotland). Following the implementation of the reforms from 1 April 2015, work has continued to identify areas in the regulations that require further clarification and correction. The consolidated 2018 Regulations have been designed to clarify these existing provisions and to make some suggested changes from stakeholders that have been agreed by SPPA.

In particular, it has been proposed to amend the Regulations to be more flexible when employers leave the Scheme (for example removing the 3 year maximum timeframe to suspend the debt payable and to provide a refund of surplus where applicable). It has also been proposed that the administering authority calculates the pension earned via a transfer in, in accordance with provisions in the guidance issued by Scottish Ministers.

The deadline for the consultation is 1 January 2018. Further information can be found [here](#):



TAXATION ROUND UP

ANNUAL ALLOWANCE

By now, Funds should have already provided members with Pension Savings Statements in cases where the standard annual allowance of £40,000 was breached in 2016/17, in order that they can consider how they will meet any charges emerging. However, 2016/17 is the first tax year where some members will be subject to a tapered annual allowance of between £10,000 and £40,000 depending on their “Threshold” and “Adjusted” income levels and it’s likely that Funds may not have issued Pension Saving Statements to these members as standard (given Funds won’t be aware of what other income members are in receipt of).

Although the responsibility for pension taxation lies ultimately with the individuals, we would still suggest Funds consider issuing a reminder to members to consider whether they are impacted by the tapered annual allowance as if they are, and they have breached their allowance, the process for meeting the tax charges arising potentially differs i.e. the member would have to opt for Voluntary Scheme Pays rather than Mandatory Scheme Pays should they wish the Fund to meet the tax charge (see comment below).

VOLUNTARY SCHEME PAYS DEADLINE

Where a tapered annual allowance is breached, unless member’s will meet the tax charge directly, they will have to ask the Funds to use Voluntary Scheme Pays for any excess pension accrual in excess of the tapered annual allowance but below the standard allowance of £40,000. Mandatory Scheme pays can still be used for any excess accrual above £40,000 (where the tax charge is greater than £2,000).

As set out in the September version of our Current Issues, the key difference between Voluntary and Mandatory Scheme pays are the deadlines. For Voluntary Scheme Pays, the deadline for Funds to pay tax charges, on behalf of members to HMRC is by **31 January 2018**. This will typically mean that Funds will need to include the payment as part of their quarterly return to HMRC i.e. by **31 December 2017**. For any members wishing to use Voluntary Scheme Pays, we would expect they will need to have notified their Fund in the coming weeks of the amounts due in order that the payments can be processed in time.

As referred to above, if Funds haven't done so already, we would suggest Funds look to issue a general communication to members making them aware of the deadlines for Voluntary Scheme Pays so they can consider if they are affected by the tapered annual allowance in 2016/17.

Assistance

Given the complexities around Pension Taxation and in particular, the annual allowance, we have hosted a number of tax training seminars and guidance sessions recently for employers and individuals highlighting the key areas. The response from delegates to these sessions (after the initial shock in some cases that they might be affected by the tapered annual allowance and that they have to act now!) has been positive. Our tax specialists are also in the position of being able to provide individual financial advice to members (at the member's expense) where requested. Should you require further information about what we can offer here then please contact your usual Mercer consultant for further details.

DATES TO REMEMBER

DATE	ISSUE	THE LATEST
22 November 2017	Autumn Statement	The Chancellor is set to give the Autumn Budget 2017 on 22 November, as the update on country's finances is switched from the Spring
31 December 2017	VAT on pension scheme costs	For DB schemes, the transitional period during which employers can recover VAT under existing arrangements has been extended to this date.
1 January 2018	Scottish Regulations 2018	Deadline for response to the Consultation
3 January 2018	MiFID II	MiFID II becomes effective from this date.
31 January 2018	Tax	Voluntary Scheme Pays Deadline
31 March 2018	Actuarial Valuation	Deadline for the 2017 Scottish actuarial valuation exercises to have been formally signed off by the fund actuary.
25 May 2018	Data protection	Date by which EU member states must comply with the new General Data Protection Regulation.
March 2019	Brexit	It is expected that the UK will formally leave the EU by the end of this month.



MEET SOME OF THE TEAM -

THINGS YOU MAYBE DIDN'T KNOW



NAME: Jonathan Perera
ROLE: Actuarial and Benefits Consultant
JOINED MERCER: 2001
PLACE OF BIRTH: Hull, East Yorkshire
FAVOURITE FILM: Platoon
DREAM HOLIDAY DESTINATION: Maldives
X FACTOR OR STRICTLY: Neither!
CHRISTMAS WISH LIST: Call of Duty: WW2



NAME: Nikki Gemmell
ROLE: Actuarial Consultant
JOINED MERCER: 2007
PLACE OF BIRTH: Bellshill, Lanarkshire, Scotland
FAVOURITE FILM: Uncle Buck, Independence Day, Pretty Woman, Bridget Jones's Baby, too many to choose!
DREAM HOLIDAY DESTINATION: Hawaii
X FACTOR OR STRICTLY: X Factor but I miss it most weeks!
CHRISTMAS WISH LIST: A trip to Hawaii (or a weekend away if not!)



NAME: Nigel Thomas
ROLE: Benefits & Governance Consultant
JOINED MERCER: 1998
PLACE OF BIRTH: Whiston, Merseyside
FAVOURITE FILM: The Godfather
DREAM HOLIDAY DESTINATION: Australia - been once, but need to go back!
X FACTOR OR STRICTLY: Strictly, of course!
CHRISTMAS WISH LIST: A telescope

CONTACTS



Paul Middleman
paul.middleman@mercer.com
0151 242 7402



Leanne Johnston
leanne.johnston@mercer.com
0161 837 6649



Ian Kirk
ian.kirk@mercer.com
0151 242 7141



Nigel Thomas
nigel.thomas@mercer.com
0151 242 7309



John Livesey
john.livesey@mercer.com
0151 242 7324



Clive Lewis
clive.lewis@mercer.com
0151 242 7297



Charlotte Dalton
charlotte.dalton@mercer.com
0161 837 6660

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2017
Report Subject	Administration and Communications Update
Report Author	Pensions Administration Manager

EXECUTIVE SUMMARY

An update is on each quarterly Committee agenda and includes a number of administration and communications related items for information or discussion. The items for this quarter are:

- (a) A Business Plan 2017/18 Quarter 2 update for Administration and Communications (Appendix 1) and the Employer Liaison Team (Appendix 2)
- (b) Current Developments and News
- (c) Administration and communications related policy/strategy implementation and monitoring

There has been slight slippage in the Administration and Communications Business Plan, due to the Website and MSS being delayed, however these have now been launched and noted within the Business Plan.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
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REPORT DETAILS

1.00	ADMINISTRATION AND COMMUNICATIONS RELATED MATTERS
1.01	<p>Business Plan 2017/18 Update</p> <p>Appendices 1 and 2 provides a summary of progress against the Administration and Communications Section and Employer Liaison Team sections of the Business Plan up to the end of quarter 2 (July to September 2017). The majority of items are as originally planned but the Committee is asked to note the following:</p> <ul style="list-style-type: none">• The website was launched in October and Member Self Service earlier this month (November).• Workforce planning is complete for all areas within Pensions Administration. In particular, both the Operational Team and Employer Liaison Team have had additional resource and/or change of roles albeit some are on a temporary basis which will need to be reviewed in the next 12 months.• Whilst additional resource has been secured, an extensive training plan has commenced to ensure all staff have the required knowledge and understanding to perform their relevant duties. Due to the complexity of the LGPS and the need for this ongoing training, the benefit of the additional resource will take time to reflect in the performance of the section.• The Employer Liaison Team continues to have a positive impact however no other employers are being actively approached at this stage, nevertheless, if an employer is requiring our assistance we would discuss a solution with them.• Ongoing discussions are being undertaken with Mercers in relation to the aggregation project and, as such, the additional budget requirements have not yet been determined.
1.02	<p>The Committee is asked to note the contents of the business plan.</p>
1.03	<p>Current Developments and News</p> <p>A separate LGPS Update report has been provided by Mercer and included with the Committee papers. Particular points to note in relation to the impact on Clwyd Pension Fund are as follows:</p> <ul style="list-style-type: none">• Whilst Mercers will be requesting data extracts to perform data quality analysis in their new updated tool, we are hopeful that the continued implementation of iConnect will result in significant improvement in our data.• Pension Saving Statements have been issued to all those that have exceeded their Annual Allowance within the Clwyd Pension Fund. The statements encourage those individuals to seek tax advice.

Policy and Strategy Implementation and Monitoring																																																												
1.04	<p><i>Administration Strategy</i></p> <p>As reported at the last Committee (September 2017) in relation to staffing and resources matters, the 3.7 vacant Pension Assistant posts have been through the recruitment process and have all been filled. Two members commenced on 1 November and the other two are will commence their positions shortly.</p>																																																											
1.05	<p>The latest monitoring information (to 31 October 2017) in relation to Administration is outlined below:</p> <ul style="list-style-type: none"> • Current Cases – Appendix 3 provides the analysis of the numbers of cases received and completed on a monthly basis since April 2017 as well as how this is split in relation to our three unitary authorities and all other employers. As can be seen, a large increase in cases received occurred in July, due to the year-end process, and another big increase arose in September, due to outsourcing of staff from Flintshire County Council. • Key performance indicators (KPIs) – Appendix 4 shows our performance against the key performance indicators that are measured on a monthly basis. As can be seen there has been fluctuation in the numbers and percentages of cases not meeting the KPIs. This has in the main been due to staff movement/turnaround and training. Plans have been implemented to address the low performance in achieving the KPI of deaths cases. 																																																											
1.06	<p>Below is a summary of the internal dispute resolution cases that have been received in the last 12 months. Of the appeals received against employers at Stage 1 in the current year 2017/18, 6 are based on the non-payment of ill health benefits or the level of benefits awarded, 1 is based on the non-payment of deferred benefits on compassionate grounds. There has been 1 appeal received against the Administering Authority which is in relation to a late payment of deferred benefits. 3 cases were progressed to Stage 2, 2 in respect of the employer and non-payment of ill health benefits and 1 against the administering authority for late payment of deferred benefits. All appeals at Stage 2 were rejected at Stage 1 and 2 were subsequently rejected at Stage 2. 1 was referred back to the employer for review.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="4" style="text-align: center;">2017/18</th> </tr> <tr> <th style="text-align: center;">Received</th> <th style="text-align: center;">Upheld</th> <th style="text-align: center;">Rejected</th> <th style="text-align: center;">Ongoing</th> </tr> </thead> <tbody> <tr> <td>Stage 1 - Against Employers</td> <td style="text-align: center;">7</td> <td style="text-align: center;">1</td> <td style="text-align: center;">4</td> <td style="text-align: center;">2</td> </tr> <tr> <td>Stage 1 - Against Administering Authority</td> <td style="text-align: center;">1</td> <td></td> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <td>Stage 2 - Against Employers</td> <td style="text-align: center;">2</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <td>Stage 2 - Against Administering Authority</td> <td style="text-align: center;">1</td> <td></td> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <th></th> <th colspan="4" style="text-align: center;">2016/17</th> </tr> <tr> <th></th> <th style="text-align: center;">Received</th> <th style="text-align: center;">Upheld</th> <th style="text-align: center;">Rejected</th> <th style="text-align: center;">Ongoing</th> </tr> <tr> <td>Stage 1 - Against Employers</td> <td style="text-align: center;">7</td> <td></td> <td style="text-align: center;">7</td> <td></td> </tr> <tr> <td>Stage 1 - Against Administering Authority</td> <td style="text-align: center;">1</td> <td></td> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <td>Stage 2 - Against Employers</td> <td style="text-align: center;">3</td> <td></td> <td style="text-align: center;">3</td> <td></td> </tr> <tr> <td>Stage 2 - Against Administering Authority</td> <td style="text-align: center;">1</td> <td></td> <td style="text-align: center;">1</td> <td></td> </tr> </tbody> </table>		2017/18				Received	Upheld	Rejected	Ongoing	Stage 1 - Against Employers	7	1	4	2	Stage 1 - Against Administering Authority	1		1		Stage 2 - Against Employers	2	1	1		Stage 2 - Against Administering Authority	1		1			2016/17					Received	Upheld	Rejected	Ongoing	Stage 1 - Against Employers	7		7		Stage 1 - Against Administering Authority	1		1		Stage 2 - Against Employers	3		3		Stage 2 - Against Administering Authority	1		1	
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1.07	<p><i>Communications Strategy</i></p> <p>Both the revised Website and the new Member Self Service have been launched in the last month. The Communications Officer who has led on the</p>																																																											

	<p>implementation of these projects will be providing a demonstration of both at the Committee.</p> <p>The website has separate areas for a number of different audiences as follows:</p> <ul style="list-style-type: none"> • Active Members • Deferred Members • Pensioner Members • Employers • Councillors <p>There are also specific areas for Funding, Investments and Governance, links to our external partners e.g. Local Government Association and a comprehensive suite of reports, papers and strategies.</p> <p>Member Self Service allows all members of the Clwyd Pension Fund with the facility to view their pension records on line and to be able to update certain aspects of their records e.g. their nominated beneficiaries of their death grant.</p>
1.08	The main communication that has been distributed since the last Committee has been the Activation Keys allowing members to gain access to their records via MSS.
1.09	Following the review of the CPF AVC portfolio, all current members contributing to a Prudential AVC have been corresponded with. This communication sets out the options available to those members should they wish to alter their investments choices following the changes. All responses are being directed back to Prudential.
1.10	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegated responsibilities were used in the last quarter in relation to administration and communication matters.</p>

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	Appendix 5 provides the dashboard showing the current risks relating to administration and communications. Since the last update, it has been necessary to review the actions relating to the following risks:

	<ul style="list-style-type: none"> • Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues (risk reference 1) - Changes are due to the establishment of an Aggregation team and that recruitment to outstanding vacancies have been filled. • Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues (risk reference 2) - Changes made due to vacancies having been filled within the Employer Liaison Team. • Service Provision is interrupted (risk reference 6) - Updated due to a full disaster recovery being completed on Wednesday 6 September with a number of ongoing follow up points.
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5.00	APPENDICES
5.01	Appendix 1 - 2017/18 Business plan update (Administration and Communications) Appendix 2 - 2017/18 Business plan update (Employer Liaison Team) Appendix 3 - Current Cases Appendix 4 - Key Performance indicators Appendix 5 - Risk Register

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – Business Plan 2017/8 to 2019/20 – 21 March 2017 Contact Officer: Helen Burnham, Pensions Administration Manager Telephone: 01352 702872 E-mail: helen.burnham@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) The 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</p>

requirements and efficient and effective governance and administration of the Fund.


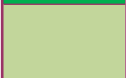



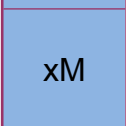
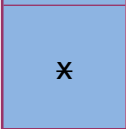
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (f) **SIP – Statement of Investment Principles** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund
- (g) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (h) **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.
- (i) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DCLG.
- (j) **DCLG – Department of Communities and Local Government** – the government department responsible for the LGPS legislation.
- (k) **AVC – Additional Voluntary Contributions** – provided by Prudential

Business Plan 2017/8 to 2019/20 – Q2 Update

Administration and Communications

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
	Item added since original business plan
	Period moved since original business plan due to change of plan /circumstances
	Original item where the period has been moved or task deleted since original business plan

Administration (including Communications) Tasks

Ref	Key Action –Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	2018/19	2019/20
A1	Development of Workflow Management including Data improvements	x					
A2	Website Launch	x					
A3	Member Self Service	x	x				
A4	Workforce Planning	x					
A5	Backlog to 31 March 2013 (Mercers)	x					
A6	Electronic and Centralised internal procedures	x	x	x	x		
A7	Move to Electronic Annual Benefit Statements	x		x		x	
A8	GMP Reconciliation	x	x	x	x	x	x
A9	i-Connect		x	x	x	x	x

Administration and Communication Task Descriptions

A1 – Development of Workflow Management including Data Improvements

What is it?

Following the requirement to provide Key Performance Indicators, to improve the quality of data and to identify/record Breaches, a full review is being undertaken of our workflow systems and data quality to enable identification of issues and plans to resolve these issues.

Timescales and Stages

Develop workflow management
Identify data improvement requirements

2017/18 Q1
2017/18 Q1

Resource and Budget Implications

To be completed by the Pensions Administration Team. Internal costs are being met from the existing budget.

A2 – Website Launch

What is it?

Following a review of the Pension Fund Website in 2016/17, a new look website on the Member Self Service platform is to be launched.

Timescales and Stages

Launch alongside Member Self Service 2017/18 Q1

Resource and Budget Implications

All internal costs to be met from the existing budget.

A3 – Member Self Service

What is it?

Member Self-Service (MSS) will provide members with an easy-to-use interface which will enable them to access information, undertake data amendments, view their documents and carry out benefit projections online without taking up valuable administration staff time.

Timescales and Stages

Implement System	2017/18 Q1
Advise all scheme members of MSS availability	2017/18 Q1
Presentations and on-going promotions	2017/18 Q1/Q2

Resource and Budget Implications

To be led by the Pensions Administration Manager and implemented by the Technical Team with assistance from the Operational Team. The cost of the MSS system is included within the budget figures.

A4 Workforce Planning

What is it?

To ensure that a plan is in place to review the Pensions Administration workforce due to the age profile of staff, to have appropriate succession planning, and to provide all training requirements.

Timescales and Stages

Develop workforce plan 2017/18 Q1

Resource and Budget Implications

All internal costs to be met from the existing budget.

A5 – Backlog to 31 March 2013 (Mercers)

What is it?

A backlog of tasks prior to 31 March 2013 amounting to approximately 2,500 member cases was identified. This has now been reduced to approximately 200 but further interpretation of data relating to those cases is taking longer to resolve than expected.

Timescales and Stages

Clear cases externally and eliminate backlog

2017/18 Q1

Resource and Budget Implications

A proportion of the budget has been transferred into 2017/18 from 2016/17.

A6 – Electronic and Centralised internal procedures

What is it?

Developing an on-line procedures manual for use by the Pensions Administration staff. This will amalgamate, expand and update current procedure documents ensure consistency, easy access and efficient working as well as providing a useful training tool.

Timescales and Stages

This is a lower priority project and will be completed as and when resource allows.

Develop, collate, update and maintain

2017/18

Resource and Budget Implications

To be carried out by the full Pensions Administration team. All internal costs to be met from the existing budget.

A7 Move to Electronic Annual Benefit Statements

What is it?

Following the implementation of Member Self Service, the move from paper based Annual Benefit Statements to Electronic is being planned for the 2018 statements. In order to comply with disclosure requirements the Clwyd Pension Fund will be writing out to the home address of all categories of membership within the Clwyd Pension Fund on at least two occasions to notify them on this change.

Timescales and Stages

First communication to all members

2017/18 Q1

Second communication to all members

2017/18 Q3

Resource and Budget Implications

All internal costs to be met from the existing budget.

A8– GMP Reconciliation

What is it?

The government's announcement that contracting out will cease and that HMRC will no longer be responsible for maintaining GMP and other contracting out member records. This means that the onus will be on individual funds to ensure that the contracting out and GMP data they hold on their systems matches up to the data held by HMRC before they cease holding these records. Unfortunately this has shown significant discrepancies between the two sets of data, and a significant amount of work will be required to determine the correct benefits, ensure all systems are updated and to process a potentially significant number of over/underpayment calculations.

After the records are reconciled for former pensionable employees, the Fund must also ensure the accuracy of national insurance information held for active members. All GMP's and national insurance information must be reconciled by December 2018, the date the HMRC will cease to provide their services. The timescales below are subject to change depending on the magnitude of the work.

Timescales and Stages

GMP data reconciliation and investigation	2017/18 & 2018/19
Reconciliation of national insurance information (Active Members)	2017/18 & 2018/19
Benefit correction and system updates:	2018/19 & 2019/20

Resource and Budget Implications

Due to the magnitude of this project it is being outsourced. A tender process has resulted in this work being awarded to Equiniti and the estimated cost has been included in the budget for 2017/18.

A9 – iConnect

What is it?

On-line computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. It involves employers uploading data directly into iConnect from their payroll systems. iConnect will be available to all employers of the Fund. The first stage will be ensuring that the correct member records are held on the administration system before entering into testing and live roll out of the system. This will be done on a phased basis by employer. Denbighshire County Council, Bodelwyddan Castle Trust and Prestatyn Town Council have been successfully implemented.

Timescales and Stages

Coleg Cambria/North Wales Fire/Glyndwr	2017/18
FCC, WCBC and all other relevant Employers	2018/19 & 2019/20

Resource and Budget Implications

There will be a time and resource commitment required from employers. All internal costs are being met from existing budget. The system cost is also incorporated into the budget.

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Business Plan 2017/8 to 2019/20 – Q2 Update

Employer Liaison Team

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
*	Original item where the period has been moved or task deleted since original business plan

Employer Liaison Team Tasks

Ref	Key Action –Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	2018/19	2019/20
E3	Design reporting information and procedures	x	x				
E4	Staff training for WCBC data extraction	x	x				
E6	Liaise with new employers for potential agreements	x	x	x	x	x	

Employer Liaison Team Task Descriptions

E3 – Design financial reporting and recharge procedures

What is it?

Consider the staff time spent and tasks completed in order to break down charges to be applied to each employer.

Timescales and Stages

Formulate reporting and recharge procedures:

2017/18 Q1/2

E4 – Staff training for WCBC payroll systems

What is it?

Arrange for staff training at Wrexham to be carried out for all ELT staff in order to navigate, run reports and collate data from each of the systems used.

Timescales and Stages

Complete training and update procedures:

2017/18 Q1/2

E6 – Liaise with other employers for potential agreements

What is it?

Consider capacity of the Employer Liaison Team and review the service standards being recorded against other Fund employers with a view to offering the ELT service to a wider range of employers.

Timescales and Stages

Consider current and potential staffing levels:

2017/18

Review service standards and open contact with employers:

2017/18-18/19

	Current Cases											
Cases 17/18	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
DCC Start Total	1783	1573	1633	1574	1589	1555	1713					
DCC Completed	301	255	430	339	302	248	316					
DCC Added	168	318	371	360	277	418	690					
DCC Remaining	1650	1636	1574	1595	1564	1725	1970					
FCC Start Total	2505	2515	2491	2530	2897	3307	3785					
FCC Completed	577	492	748	809	485	856	566					
FCC Added	590	471	807	1179	909	1430	995					
FCC Remaining	2518	2494	2550	2900	3321	3881	3864					
WCBC Start Total	1769	1647	1794	1633	1699	1791	1949					
WCBC Completed	358	361	324	200	156	283	182					
WCBC Added	264	521	219	267	251	454	571					
WCBC Remaining	1675	1807	1635	1700	1794	1962	2218					
Other Start Total	754	743	761	750	755	875	829					
Other Completed	203	217	273	186	222	209	175					
Other Added	187	243	207	202	333	167	322					
Other Remaining	738	751	749	766	866	833	892					
All Start Total	6811	6478	6679	6487	6940	7528	8276					
All Completed	1439	1325	1775	1534	1165	1596	1239					
All Added	1209	1553	1604	2008	1770	2469	2578					
All Remaining	6581	6688	6508	6961	7545	8401	8944					

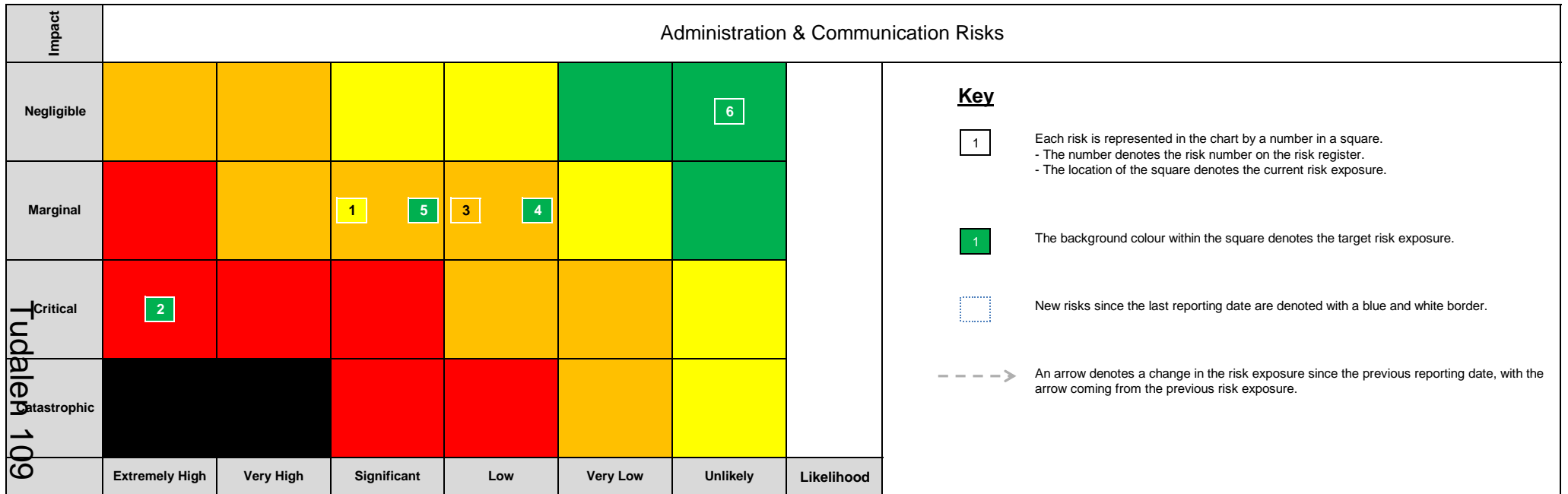
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Clwyd Pension Fund - Administration Strategy Key Performance Indicators

	Process	Legal Requirement	A						B						C								
			% ¹	No. ²	% ¹	No. ²	% ¹	No. ²	Overall	% ³	No. ²	% ³	No. ²	% ³	No. ²	CPF Administration element target	% ³	No. ²	% ³	No. ²	% ³	No. ²	
			Oct-17	Nov-17	Dec-17	Oct-17	Nov-17	Dec-17	Oct-17	Nov-17	Dec-17	Oct-17	Nov-17	Dec-17	Oct-17	Nov-17	Dec-17						
1	To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining (assuming notification received from the employer), or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled	72%	355					46 working days from date of joining (ie 2 months)	72%	355					15 working days from receipt of all information	97%	355					
2	To inform members who leave the scheme of their leaver rights and options	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member)	98%	165					46 working days from date of leaving	46%	165					15 working days from receipt of all information	48%	165					
3	Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request	48%	21					46 working days from date of request	48%	21					20 working days from receipt of all information	95%	21					
4	Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate)	96%	53					46 working days from date of request	92%	53					20 working days from receipt of all information	92%	53					
5	Notification of amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age or 2 months from date of retirement if before Normal Pension Age ⁴	79%	84					23 working days from date of retirement	85%	84					10 working days from receipt of all information	93%	84					
6	Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	71%	59					46 working days from date of request	71%	59					15 working days from receipt of all information	54%	59					
7	Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative)	50%	10					25 working days from date of death	10%	10					15 working days from receipt of all information	10%	10					

Mae'r dudalen hon yn wag yn bwrpasol

Administration and Communication Risks Heat Map and Summary



Clwyd Pension Fund - Control Risk Register

Administration & Communication Risks

Objectives extracted from Administration Strategy (03/2017) and Communications Strategy (04/2016):

- A1 Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- A2 Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- A3 Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- A4 Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- A5 Maintain accurate records and ensure data is protected and has authorised use only
- C1 Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- C2 Communicate in a clear, concise manner
- C3 Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- C4 Look for efficiencies in delivering communications through greater use of technology and partnership working
- C5 Regularly evaluate the effectiveness of communications and shape future communications appropriately

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades	All	Marginal	Significant	Orange	1 - Training Policy, Plan and monitoring in place 2 - BP 2017/18 improvements assist with staff engagement 3 - Benefit consultants available to assist if required 4 - Ongoing task/SLA reporting to management/AP/PC/LPB to quickly identify issues 5 - Recent restructuring of team 6 - Data protection training, policies and processes in place 7 - System security and independent review/sign off requirements 8 - ELT established	Negligible	Low	Yellow	☹️ Current impact 1 too high Current likelihood 1 too high	01/07/2016	Mar 2019	1 - Ongoing training (HB) 2 - Establishment of aggregation team and use of Mercors with backlogs (HB) 3 - Ongoing monitoring of ELT and Ops resource/workload for backlogs (HB)	Pensions Administration Manager	31/03/2018	13/11/2017
2	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters	A1 / A4 / A5 / C2 / C3 / C4 / C5	Critical	Extremely High	Red	1 - Administration strategy updated 2 - Employer steering group established 3 - Greater engagement through Pension Board 4 - Backlog project in place 5 - Establishment of ELT	Negligible	Very Low	Green	☹️ Current impact 2 too high Current likelihood 4 too high	01/07/2016	Mar 2019	1 - Roll out I-connect (HB) 2 - Ongoing monitoring of ELT resource/workload (HB)	Pensions Administration Manager	31/03/2018	13/11/2017
3	Unable to meet legal and performance expectations due to external factors	Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Marginal	Low	Orange	1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues 2 - Benefit consultants available to assist if required	Marginal	Low	Orange	☺️				Pensions Administration Manager	31/03/2018	21/03/2017
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted or insufficient	C1 / C2 / C3	Marginal	Low	Orange	1 - Communications Strategy in place 2 - Annual communications survey for employees and employers 3 - Specialist communication officer employed	Negligible	Very Low	Green	☹️ Current impact 1 too high Current likelihood 1 too high	01/07/2016	Jun 2018	1 - Continue with website development (HB) 2 - Ongoing roll out member self service (HB)	Pensions Administration Manager	31/03/2018	13/11/2017
5	High administration costs and/or errors	Systems are not kept up to date or not utilised appropriately, or other processes inefficient	A2 / A4 / C4	Marginal	Significant	Orange	1 - Business plan has number of improvements (I-connect/MSS etc)	Negligible	Very Low	Green	☹️ Current impact 1 too high Current likelihood 2 too high	01/07/2016	Mar 2020	1 - Various improvements in 2017/18 business plan (e.g. I-connect and MSS) - (HB)	Pensions Administration Manager	31/03/2018	13/11/2017
6	Service provision is interrupted	System failure or unavailability	A1 / A4 / C2	Negligible	Unlikely	Green	1 - Disaster recover plan in place and regularly checked 2 - Hosting implemented	Negligible	Unlikely	Green	☺️			1 - Ongoing checks relating to interface of recovery plan with non-pensions functions (HB) 2 - Resolve other areas identified by last disaster recovery test (HB)	Pensions Administration Manager	31/03/2018	13/11/2007

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2017
Report Subject	Investment and Funding Update
Report Author	Pension Finance Manager

EXECUTIVE SUMMARY

An investment and funding update is on each quarterly Committee agenda and includes a number of investment and funding items for information or discussion. The items for this quarter are:

- (a) The Business Plan 2017/18 update for quarter 2 (July to September 2017) is attached as Appendix 1. There are two tasks relating to this quarter, Asset Pooling and MiFID II, both of which are progressing on target.
- (b) Current Developments and News – News and development continues to be dominated by the Pooling across the LGPS which has been covered in agenda item 4, MiFID II which is updated in paragraph 1.02 and Cost Transparency, updated in paragraph 1.03
- (c) Delegated responsibilities (Appendix 2). This details the responsibilities which have been delegated to officers since the last Committee meeting. These can include, cash management, short term tactical decisions, investments in new opportunities and monitoring of fund managers. There are no items of exception to report.

RECOMMENDATIONS

1	That the Committee consider and note the update including the delegated responsibilities and provide any comments.
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REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Business Plan Update</p> <p>Appendix 1 provides a summary of progress against the Investment and Funding section of the Business Plan up to the end of quarter 2 to 30 September 2017.</p> <p>Work in relation to Asset Pooling is continuing and the approval for the appointment for an Operator for the Wales Pension Partnership has been detailed in Agenda item 4.</p>
1.02	<p>Current Developments and News</p> <p>MiFID II.</p> <p>As discussed at the September Committee the Fund was required to contact all its managers to inform them we wish to be considered as Professional Investors. This involved completion of quantitative and qualitative questionnaires including the provision of all supporting documentation. In order to ensure all the managers had sufficient time to satisfy themselves with the documentation provided to them by the 3rd January 2018 deadline, the documents were provided by 30th September 2017.</p> <p>The Fund contacted 52 Investment Managers, 3 Consultants and the Fund Custodian. To date we have received 18 confirmations of our classification as a “professional” investor along with indications from others that this will also be the case for them.</p> <p>This will continue to be an on-going process as the Fund will also need to provide all the “opt up” documentation to the successful bidder of the Wales Pension Partnership Operator as well as any non-current managers who wish to discuss investments with us.</p> <p>The Fund also has a duty to inform and provide revised documentation to all its managers if there are any changes to the information previously provided such as key personnel movements and changes with Committee membership</p>
1.03	<p>Cost Transparency</p> <p>Work is ongoing with the Financial Conduct Authority and the Local Government Association on finding ways to ensure consistent reporting of manager costs across the LGPS. A full list of the managers who have signed up so far is available on the Scheme Advisory Board web-site. Of the 23 signed up to date, the following Clwyd Pension Fund Equity, Fixed Income and Diversified Growth managers are included:</p> <ul style="list-style-type: none">• BlackRock• Investec• Pyrford• Stone Harbour

	<ul style="list-style-type: none"> Wellington <p>Insight, another of the Fund's investment managers is also working towards signing up to the code.</p> <p>Currently, the template is applicable to traditional managers investing in equities and fixed income and should be finalised by the end of 2017. Work is also on-going to create a template suitable for alternative and private market managers. It is anticipated that this should be complete within the next 6 months.</p>
1.04	<p>Policy and Strategy Implementation and Monitoring</p> <p>The Advisory Panel receive a detailed investment report from the Funds Investment Consultants, JLT which shows compliance with the approved Investment Strategy Statement and reports on fund manager performance. A summary of this performance is shown in the JLT report included in agenda item 11.</p> <p>The Advisory Panel also receive reports from the following groups:</p> <ul style="list-style-type: none"> Tactical Asset Allocation Group (TAAG) Funding and Risk Management Group (FRMG) Private Equity and Real Assets Group (PERAG) <p>There were previously 3 outstanding items from the investment review undertaken in August 2016 reported to the September Committee:</p> <ul style="list-style-type: none"> Appointment of a US Private Credit Manager Allocation to Smart Beta mandate Reduction of Property (3%) and increase to Infrastructure exposures (3%) <p>The first two have now been actioned and more detail is provided in the delegated responsibilities in Appendix 2. The move between Property and Infrastructure has a longer term objective although we are actively looking for suitable infrastructure investments.</p>
1.05	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting.</p> <p>To summarise:</p> <ul style="list-style-type: none"> 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, 1 further commitment has been made in the Real Asset portfolio totalling a sterling equivalent of £8 million. This commitment follows the strategy agreed by the AP for these asset classes. The search for a North American Private Debt manager has now been completed and BlackRock have been appointed to a \$27m mandate. The redemption of £70m from Investec Global Equities and

	subscription of £70m to BlackRock ACS World Multifactor Equity Tracker Fund was transitioned between the two Fund Managers on November 15 th 2017.
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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	Appendix 3 provides the dashboard and risk register showing the current risks relating to Investments and Funding matters.
4.02	Five of the eight risks are currently at their overall target risk albeit the individual current impact or likelihood risk may be slightly higher than target. Of the remaining three risks in Investments and Funding, one is substantially different to the target risk with the other two being just one step away from their targets. Risk F6 remains the only risk with a significant likelihood and this relates to matters related to Pooling, Brexit and MiFID II.

5.00	APPENDICES
5.01	Appendix 1 - 2017/18 Business plan update Appendix 2 – Delegated Responsibilities Appendix 3 – Risk dashboard and register – Investments and Funding

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – Business Plan 2017/18 to 2019/20 – 21 March 2017. Contact Officer: Debbie Fielder, Pension Finance Manager Telephone: 01352 702259 E-mail: debbie.a.fielder@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	(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

- (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.
- (c) **The 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
- (d) **TAAG – Tactical Asset Allocation Group** – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.
- (e) **AP – Advisory Panel** – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.
- (f) **PERAG – Private Equity and Real Asset Group** – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund's Investment Consultant and monitored by AP.
- (g) **In House Investments** – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.
- (h) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (i) **SIP – Statement of Investment Principles** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund. This will be replaced by the **Investment Strategy Statement (ISS)**
- (j) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (k) **MiFID II** – this and the Regulation on Markets in Financial Instruments and Amending Regulation (“MiFIR”) are both European Commission legislation and are commonly referred to as "MiFID II". Together they seek to provide a European-wide legislative framework for regulating the operation of financial markets in the EU.
- (l) A full glossary of Investments terms can be accessed via the following link.
<http://www.fandc.com/uk/private-investors/tools/glossary/>

Mae'r dudalen hon yn wag yn bwrpasol

Business Plan 2017/8 to 2019/20 – Q2 Update

Funding and Investments

Key Tasks

Key:

	Complete
	On target or ahead of schedule
	Commenced but behind schedule
	Not commenced
xN	Item added since original business plan
xM	Period moved since original business plan due to change of plan /circumstances
x	Original item where the period has been moved or task deleted since original business plan

Funding and Investments (including accounting and audit) Tasks

Ref	Key Action –Task	2017/18 Period				Later Years	
		Q1	Q2	Q3	Q4	2018/19	2019/20
F1	Asset Pooling	x	x	x	x	x	x
F2	Implications of MIFIDII		x	x	x		

Funding and Investments (including accounting and audit) Task Descriptions

F1 –Asset Pooling

What is it?

To enable the Wales funds to pool assets an operator will be appointed to provide the investment infrastructure and advice. Once the Operator has been appointed and registers the appropriate vehicles with the Financial Conduct Authority then asset transfers can begin.

Timescales and Stages

Appointment of Operator and registration
Asset transition

2017/18
2018/19 & 2019/20

Resource and Budget Implications

The Clwyd Pension Fund Manager and Pension Finance Manager will be involved in the procurement of the operator and agreeing asset transitions. Initially this this be within existing budget although the implications on internal resources will be kept under review.

F2 – MiFID II

What is it?

MiFID II is a proposal by the European Commission to amend and expand on the original MiFID directive which came into force on 1st November 2007. The directive has two core aims; to improve transparency in financial markets, and to further strengthen investor protection. The most significant impact for LGPS Funds will be that they are classified by default as “retail clients”, which has potential implications for ongoing dealings in matters of institutional investment, though there will be an option to “opt up” from retail status and retain existing professional classification. However, while the current focus is on investment management, there could be wider implications as it is understood that this will also impact on whether certain investment consultants can advise retail investors.

Timescales and Stages

From an initial deadline of January 2017, the European Commission has extended the deadline for the new rules to come into force until 3 January 2018.

Resource and Budget Implications

The majority of work will be carried out by the Pension Fund Manager and Finance Manager(s) (working in response to what is likely to be national LGPS policy direction guidance) and JLT as Investment Adviser.

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.051	Rebalancing and cash management	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Rebalancing Asset Allocation**Background**

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation as a result of market movements. In addition there is a conditional medium term asset allocation range (Conditional range) to manage major risks to the long term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers) which meets each month consider whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Clwyd Pension Manager who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

Action Taken

In the quarter to September 2017, there were no rebalancing or transition of assets.

Cash Management**Background**

The Pension Finance Manager forecasts the Fund's 3 year cash flows in the Business Plan and this is monitored and revised quarterly. The bank account balance is monitored daily. The main payments are pension related, expenses and investment drawdowns. New monies come from employer and employee contributions and investment income or distributions. This cash flow management ensures the availability of funds to meet payments and investment drawdowns. The LGPS investment regulation only allow a very limited ability to borrow. There is no strategic asset allocation for cash, although there is a strategic range of +5% and a conditional range of +30% which could be used during times of major market stress.

Action Taken

The cash balance as at 30th September 2017 was £43.4m (£56.7m at 30th June 2017). Cash balance as at October 31st 2017 was £34.0m. The higher than normal movement between September and October included a drawdown of £6.5m to our European Private Debt manager which has been included in our cash flow projections. The cash flow has been monitored to ensure there is sufficient monies to pay benefits and capital calls for investments.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.052	Short term tactical decisions relating to the 'best ideas' portfolio	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to consider how to invest assets within the 'Best Ideas' portfolio given the shorter term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund (increased from 9% at the last strategic review). The investment performance target is CPI +3 %, although the aim is to also add value to the total pension fund investment performance.

Action Taken

Since the previous Committee the following transactions were agreed within the portfolio:

- Part redemption of BlackRock Emerging Market Equities - £7.0m (crystallised +12.9%)
- Part redemption of Investec Global Natural Resources Fund - £5.0m (crystallised +40.5%)
- Additional investment of £7.0m in BlackRock European Equity (Hedged)
- Additional investment of £2.5m in LGIM Global Real Estate Equity
- Additional invest £2.5m in LGIM Infrastructure MFG (Hedged)

The current allocations within the portfolio following the transactions are:

- US Equities (2.7%)
- Equity Linked Bonds (0.6%)
- Emerging Market Equities (2.7%)
- European Equities (1.2%)
- Emerging Market Debt (1.1%)
- Commodities (1.1%)
- Real Estate (0.8%)
- Infrastructure (0.8%)

Detailed minutes of the Group identifying the rationale behind the recommendations made to the Clwyd Pension Fund Manager and decisions made under this delegation have been circulated to the Advisory Panel.

As at the end of September 2017, the Best Ideas portfolio has both outperformed its target since inception by 3.6% and added value to the investment return at total Fund level.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.053	Investment into new mandates / emerging opportunities	PFM and either the CFM or CEO (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Fund's investment strategy includes a 22% asset allocation to private equity (10%), property (4%), infrastructure (7%) and agriculture (1%). The last strategic investment review reduced the property allocation by 3% and increased the infrastructure allocation by 3%. Given the illiquid nature of these investments this transition will take a number of years to implement. These are higher risk investments, usually in limited partnerships, hence small commitments are made of £8m in each. Across these asset categories there are currently 50 investment managers, investing in 115 limited partnerships or other vehicles.

The Private Equity & Real Estate Group (PERAG) of officers and advisor meet quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. The investments in total are referred to as the 'In-House portfolio'. There is particular focus on Environmental, Social and Governance (ESG) aspects on the investments made.

A review was undertaken of the existing portfolio and future cash flows and the results were incorporated into the forward work plan. As a result, extensive work has been carried out to identify suitable Infrastructure investments. Several commitments have already been agreed and further due diligence is still being undertaken on other possible opportunities. It is anticipated that an allocation of 7% to Infrastructure will be achievable by 2020. Within the remaining In House portfolio, officers are continuing to look at any opportunities which fulfil their agreed strategy. The minutes of the PERAG Group are circulated to the Advisory Panel

Action Taken

Due diligence has been undertaken on one Infrastructure investment and the following commitment has been made under delegated authority since the last Committee:

- €10 million to BaseCamp European Student Property Fund II (European Infrastructure Fund targeting 15 - 18% Net IRR)

BaseCamp is a new manager appointed to the increasing Infrastructure allocation. To assist with the governance of the in house portfolio, the Funds aim is not to increase the number of fund manager relationships already in place unless absolutely necessary but in this case, this is a very specific area hence it was decided to appoint to a new manager.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.054	Selection, appointment and dismissal of Fund Managers	PFM, CFM and CEO (having regard to ongoing advice of the IC) and subject to ratification by PFC	Notified to PFC via ratification process.

Background

On occasion, as a result of changes to the Fund's investment strategy or persistent poor performance by a fund manager, changes are required. The Committee delegate these changes to officers having regard to advice from the Investment Consultant and only ratify the process. In the longer term fund manager selection and dismissal will be the responsibility of the Wales Pool.

Action taken

The strategy changes agreed by Committee as a result of the "light touch" strategic review included a 3% allocation to Private Credit and 4% allocation to Smart Beta within the global equity allocation.

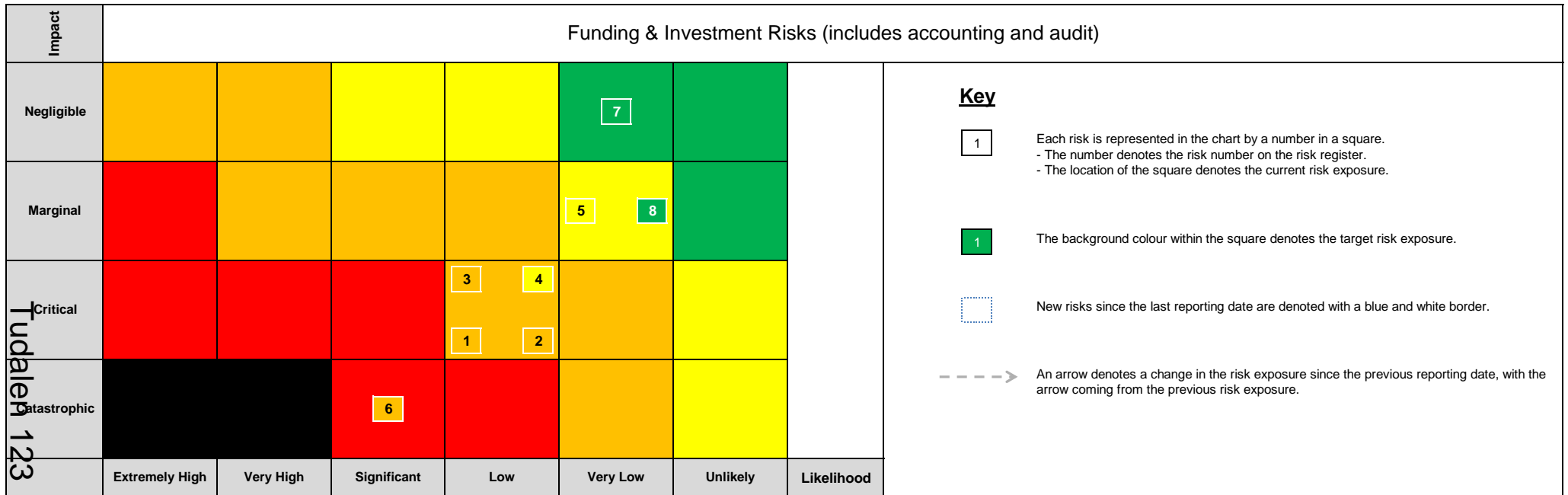
For Private Credit the search for one or more managers began in March 2017. As reported to the Committee in June, Permira, a European Private Credit manager, were awarded a £30m mandate.

The search for a North American Private Credit manager commenced in June and a selection of managers were invited to submit their suitability for the specific mandate agreed with the Fund and its Investment Consultant, JLT. 12 managers responded to the search and a short list of 4 managers were been agreed to take through to the next stage of the process.

Due diligence meetings were held with the short listed manager, JLT and the Pension Finance Manager on 4th October 2017 where the recommendation to award a mandate of \$27m (£20m) to BlackRock was made. This appointment had previously been fully delegated to officers.

The Committee has previously agreed that the implementation of the new smart beta asset allocation (4% of the Fund) will be done via Blackrock as part of the Welsh Pension Partnership arrangements for this asset class. All required documentation has now been finalised and the transition of £70m from the Investec Global Equity mandate to the BlackRock mandate was completed on 15th November 2017.

Funding and Investment Risks (Including Accounting & Audit) Heat Map and Summary



Clwyd Pension Fund - Control Risk Register

Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement (3/2017) and Statement of Investment Principles (3/2017):

- F1 Achieve and maintain assets equal to 100% of liabilities within the 15 year average timeframe whilst remaining within reasonable risk parameters
- F2 Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- F3 Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- F4 Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- F5 Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- F6 Ensure net cash outgoings can be met as/when required
- F7 Minimise unrecoverable debt on employer termination.
- F8 Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- F9 Promote acceptance of sustainability principles and work tougher with others to enhance the Fund's effectiveness in implementing these.

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Employer contributions are unaffordable and/or unstable	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Critical	Low		1 - Ensuring appropriately prudent assumptions on an ongoing basis 2 - All controls in relation to other risks apply to this risk 3 - Consider employer covenant and reasonable affordability of contributions for each employer as part of the valuation process	Critical	Very Low		☺ Current likelihood 1 too high	31/03/2016	Mar 2019	1 - Finalise employer covenant monitoring and ill health captive (DF)	CPFM	31/03/2018	13/11/2017
2	Funding level reduces, increasing deficit	Movements in assets and/or liabilities (as described in 3,4,5) in combination	F1 / F2 / F3 / F4 / F5 / F7	Critical	Low		See points within points 3,4 and 5	Marginal	Low		☹ Current impact 1 too high	31/03/2016	Mar 2019	1 - Review Equity Protection (PL) - See points within points 3,4 and 5	CPFM	31/03/2018	13/11/2017
3	Investment targets are not achieved therefore reducing solvent / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented.	F1 / F2 / F3 / F4 / F7	Critical	Low		1 - Use of a diversified portfolio (regularly monitored) 2 - Flightpath in place to exploit these opportunities in appropriate market conditions 3 - Monthly monitoring of funding position versus flightpath targets 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee 5 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 6 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of investment opportunities available.	Critical	Low		☺			1 - The impact on performance relative to assumptions will be monitored regularly (FRMG & TAAG) (DF)	Pension Finance Managers	31/03/2018	13/11/2017
4	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates	F1 / F2 / F4 / F5 / F7	Critical	Low		1 - LDI strategy in place to control/limit interest and inflation risks. 2 - Use of a diversified portfolio which is regularly monitored. 3 - Monthly monitoring of funding and hedge ratio position versus targets. 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee.	Marginal	Very Low		☹ Current impact 1 too high Current likelihood 1 too high	31/03/2016	Mar 2019	1 - The level of hedging will be monitored and reported regularly via FRMG (DF)	Pension Finance Managers	31/03/2018	13/11/2017
5	Value of liabilities/contributions change due to demographics being out of line with assumptions	This may occur if employer matters (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	F1 / F2 / F5 / F7	Marginal	Very Low		1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases.	Marginal	Very Low		☺			1 - Assumptions and experience will be reviewed at the 2019 valuation (DF)	Pension Finance Managers	31/03/2019	13/11/2017
6	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Legislation changes such as LGPS regulations (e.g. asset pooling), progression of Brexit, MIFIDII and other funding and investment related requirements - ultimately this could increase employer costs	F1 / F2 / F3 / F4 / F5 / F6 / F7	Catastrophic	Significant		1 - Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate 2 - Employers and interested parties to be kept informed and impact monitored 3 - Monitor developments over time, working with investment managers, investment advisers, Actuary and other LGPS 4 - Participation in National consultations and lobbying	Marginal	Low		☹ Current impact 2 too high Current likelihood 1 too high	31/03/2016	Mar 2019	1 - Ensure proactive responses to consultations etc. (PL)	CPFM	31/03/2018	13/11/2017
7	Insufficient assets to pay benefits	Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in unanticipated investment costs	F1 / F6	Negligible	Very Low		1 - Cashflow monitoring to ensure sufficient funds 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Holding liquid assets 4 - Monitor cashflow requirements 5 - Treasury management policy is documented	Negligible	Very Low		☺			1 - Inform major employers of the requirement to notify Fund of any significant restructuring exercises. (Need to consider controls currently in place). (DF)	Pension Finance Managers	31/03/2018	13/11/2017
8	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist with insufficient funding (bond or guarantee)	F5 / F7	Marginal	Very Low		1 - Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. 2 - When setting terms of new admissions require a guarantee or bond. 3 - Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength. 4 - Identify any deterioration and take action as appropriate through discussion with the employer.	Marginal	Unlikely		☹ Current likelihood 1 too high	31/03/2016	Mar 2019	1 - Employer risk management framework to be finalised (DF)	Pension Finance Managers	31/03/2018	13/11/2017

Eitem ar gyfer y Rhaglen 11



CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2017
Report Subject	Economic and Market Update
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The purpose of the report is to provide Committee Members with an economic and market update for the quarter.

This report covers the period ending 30 September 2017.

Markets have continued to hit highs over the quarter and investors continue their search for the ever more elusive capital returns. Global investment conditions remain stable – with the International Monetary Fund's outlook for global growth remaining unchanged at 3% in 2017. Other key contributors driving sentiment include:

- Stabilisation in global energy prices
- Subdued inflation
- Markets have priced in Interest rate rises in the UK and US, albeit timing is uncertain.

Over the quarter some of the clear political risk that markets have been facing over the last few years showed some signs of waning. Whilst markets may have got the election outcome that they desired from the German elections in September when Angela Merkel returned as Chancellor, this was not the emphatic victory that the EU needed from Germany. Political concern this quarter focussed on the Pacific Rim with North Korea's missile testing causing International outrage.

There were positive returns across most markets in the period, with the exception of Hedge Funds and High Yield. Equity markets continued to rise with positive returns in all major markets; Emerging and Frontier markets lead the way returning 4.6% and 4.7% respectively. Commodities markets returned to positive territory after recent falls, and Bond markets were marginally positive with the exception of High Yield which suffered a marginal decline of -0.4% after positive returns in recent quarters.

RECOMMENDATIONS

1	To note and discuss the Economic and Market Update 30 September 2017.
2	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.

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	Economic and Market Update 30 September 2017 The economic and market update for the quarter from the Fund’s Investment Consultant is attached and will be presented at Committee. The report contains the following sections: <ul style="list-style-type: none">• Market Background – section contains key financial markets data during the period in question including performance of specific markets including equities, bonds, inflation and currencies.• Economic Statistics – section contains key economic statistics during the period in question including Gross Domestic Product (GDP) Growth, Inflation, Unemployment and Manufacturing• Market Commentary – section provides detailed commentary on the economic and market performance of major global regions and financial markets (including alternative assets).
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	None.
5.00	APPENDICES
5.01	Appendix 1 – Economic and Market Update Period Ending 30 September 2017

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Economic and Market Update Period Ending 30 June 2017.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>
7.00	GLOSSARY OF TERMS
7.01	<p>A list of commonly used terms are as follows:</p> <p>(a) Absolute Return – The actual return, as opposed to the return relative to a benchmark.</p> <p>(b) Annualised – Figures expressed as applying to 1 year.</p> <p>(c) Duration – The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.</p> <p>(d) Market Volatility – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.</p> <p>(e) Money-Weighted Rate of Return – The rate of return on an investment including the amount and timing of cashflows.</p> <p>(f) Relative Return – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.</p> <p>(g) Three-Year Return – The total return on the fund over a three year period expressed in percent per annum.</p> <p>(h) Time-Weighted Rate of Return – The rate of return on an investment removing the effect of the amount and timing of cashflows.</p> <p>(i) Yield (Gross Redemption Yield) – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cashflows.</p> <p>A comprehensive list of investment terms can be found via the following link:</p> <p>http://www.barings.com/ucm/groups/public/documents/marketingmaterials/021092.pdf</p>

Mae'r dudalen hon yn wag yn bwrpasol

CLWYD PENSION FUND
ECONOMIC AND MARKET UPDATE
PERIOD ENDING 30 SEPTEMBER 2017

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1 MARKET BACKGROUND

PERIOD ENDING 30 SEPTEMBER 2017

MARKET STATISTICS

Market Returns Growth Assets	3 Mths %	1 Year %	3 Years % p.a.
UK Equities	2.1	11.9	8.5
Global Developed Equities	1.6	15.0	15.4
USA	1.2	15.0	17.9
Europe	3.9	22.6	13.6
Japan	0.8	11.4	15.8
Asia Pacific (ex Japan)	1.8	15.8	13.7
Emerging Markets	4.6	19.0	12.1
Frontier Markets	4.7	21.9	5.5
Property	2.7	10.4	9.5
Hedge Funds	-1.0	3.8	10.1
Commodities	3.8	-1.4	-14.3
High Yield	-0.4	6.3	12.4
Emerging Market Debt	1.2	6.9	6.5
Senior Secured Loans	1.0	5.1	4.9
Cash	0.1	0.2	0.4

Yields as at 30 September 2017	% p.a.
UK Equities	3.68
UK Gilts (>15 yrs)	1.84
Real Yield (>5 yrs ILG)	-1.52
Corporate Bonds (>15 yrs AA)	2.64
Non-Gilts (>15 yrs)	3.05

Market Returns Bond Assets	3 Mths %	1 Year %	3 Years % p.a.
UK Gilts (>15 yrs)	-0.5	-6.3	9.5
Index-Linked Gilts (>5 yrs)	-0.8	-4.2	10.8
Corporate Bonds (>15 yrs AA)	-0.5	-3.5	8.9
Non-Gilts (>15 yrs)	-0.1	-2.7	8.6

Exchange Rates: Change in Sterling	3 Mths %	1 Year %	3 Years % p.a.
Against US Dollar	3.3	3.3	-6.1
Against Euro	-0.3	-1.8	-4.0
Against Yen	3.5	14.8	-5.3

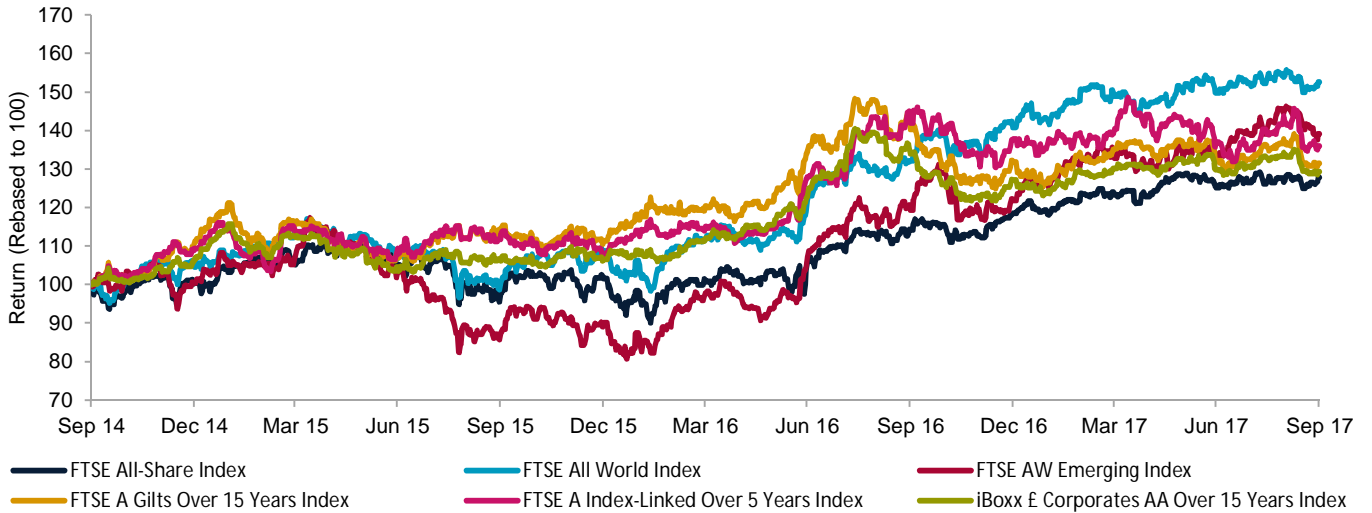
Inflation Indices	3 Mths %	1 Year %	3 Years % p.a.
Price Inflation – RPI	1.0	3.9	2.2
Price Inflation – CPI	0.8	3.0	1.3
Earnings Inflation*	0.2	2.2	2.4

Absolute Change in Yields	3 Mths %	1 Year %	3 Years % p.a.
UK Equities	0.07	0.22	0.34
UK Gilts (>15 yrs)	0.04	0.42	-1.14
Real Yield (>5 yrs ILG)	0.06	0.27	-1.15
Corporate Bonds (>15 yrs AA)	0.08	0.42	-1.19
Non-Gilts (>15 yrs)	0.11	0.45	-1.10

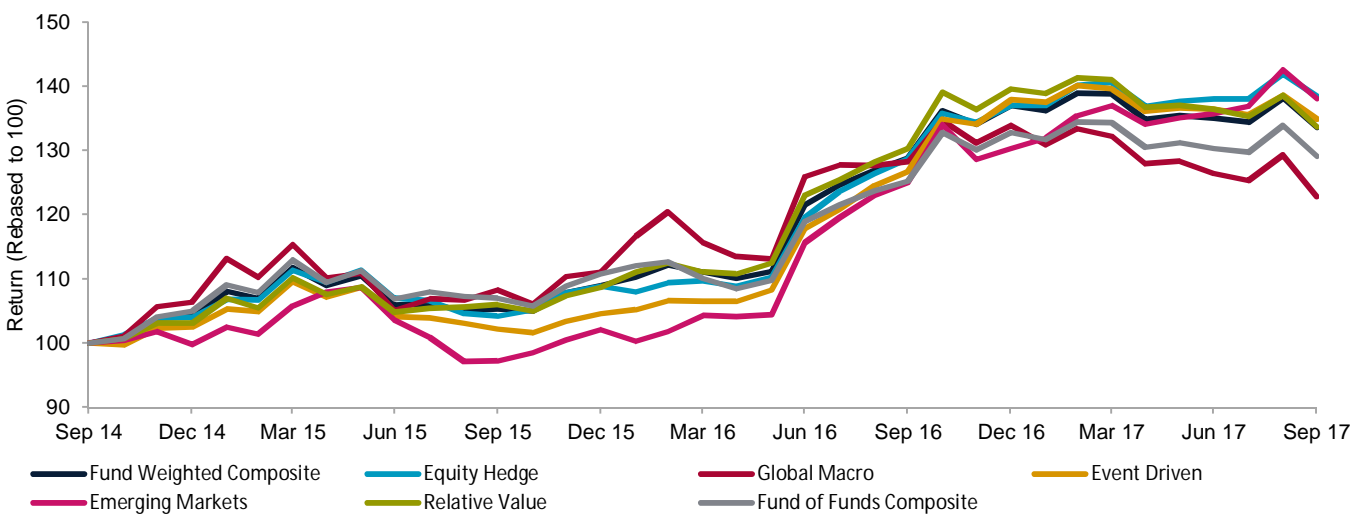
Source: Thomson Reuters and Bloomberg
Note: * Subject to 1 month lag

MARKET SUMMARY CHARTS

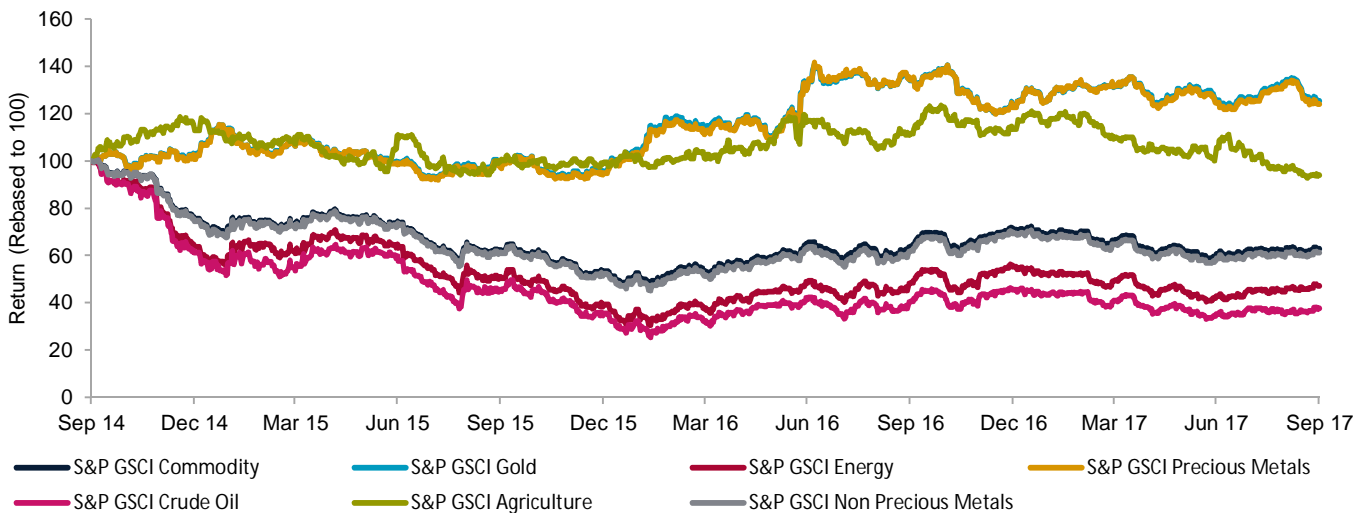
Market performance – 3 years to 30 September 2017



Hedge Funds: Sub-strategies performance – 3 years to 30 September 2017

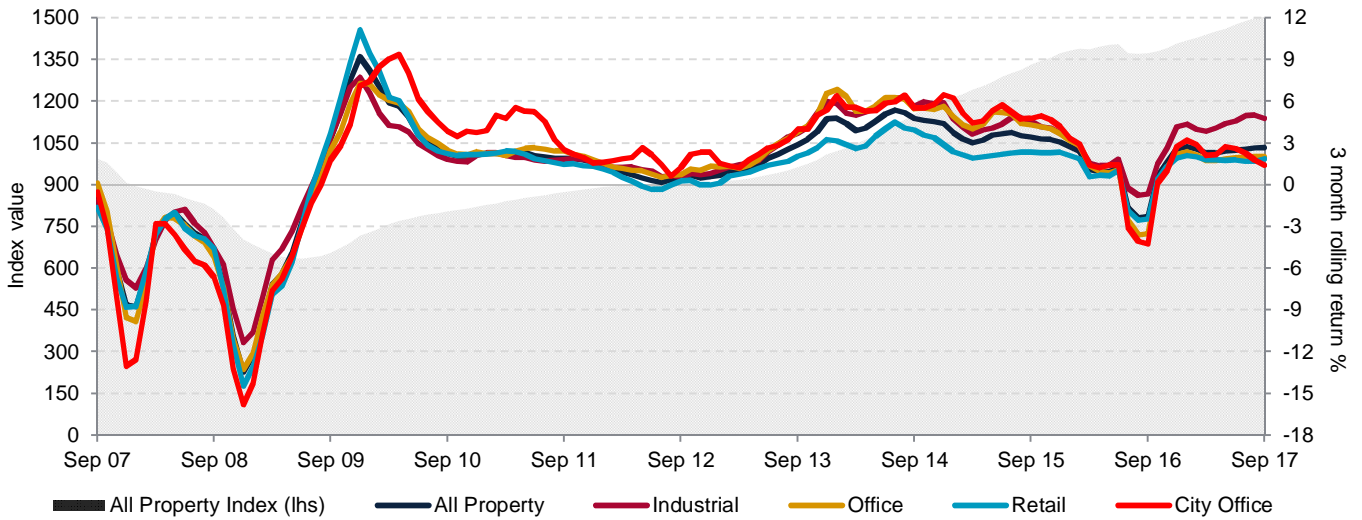


Commodities: Sector performance – 3 years to 30 September 2017

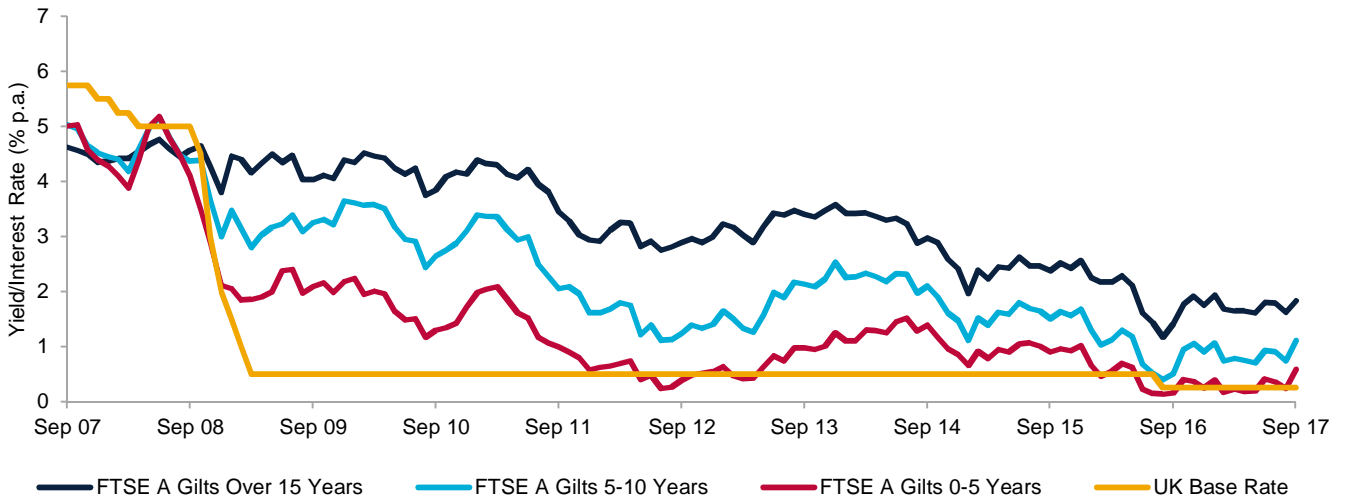


Source: Thomson Reuters

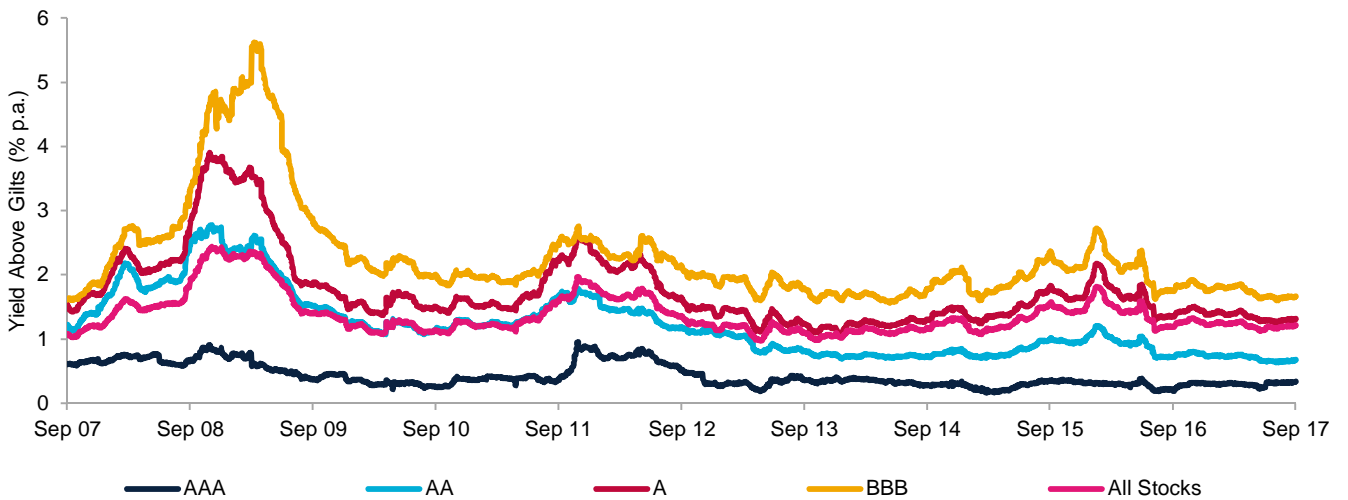
Property: Sector performance – 10 years to 30 September 2017



UK government bond yields – 10 years to 30 September 2017



Corporate bond spreads above government bonds – 10 years to 30 September 2017



Source: Thomson Reuters

2 ECONOMIC STATISTICS

Economic Statistics as at:	30 Sept 2017			30 June 2017			30 Sept 2016		
	UK	Euro ¹	US	UK	Euro ¹	US	UK	Euro ¹	US
Annual Real GDP Growth ²	1.5%	3.4%	2.2%	1.8%	2.7%	2.0%	1.8%	2.6%	1.2%
Annual Inflation Rate ³	3.0%	1.5%	2.2%	2.6%	1.3%	1.6%	1.0%	0.4%	1.5%
Unemployment Rate ⁴	4.3%	9.0%	4.3%	4.5%	9.2%	4.4%	5.0%	9.9%	4.9%
Manufacturing PMI ⁵	56.0	58.1	53.1	54.2	57.4	52.0	55.6	52.6	51.5

Change over periods ending:	3 months			12 months		
	UK	Euro ¹	US	UK	Euro ¹	US
30 Sept 2017						
Annual Real GDP Growth ²	-0.3%	0.7%	0.2%	-0.3%	0.8%	1.0%
Annual Inflation Rate ³	0.4%	0.2%	0.6%	2.0%	1.1%	0.7%
Unemployment Rate ⁴	-0.2%	-0.2%	-0.1%	-0.7%	-0.9%	-0.6%
Manufacturing PMI ⁵	1.8	0.7	1.1	0.4	5.5	1.6

Notes: 1. Euro Area 19 Countries. 2. GDP is lagged by one quarter. 3. CPI inflation measure. 4. UK unemployment is lagged by 1 month. 5. Headline Purchasing Managers Index.

EXCHANGE RATES

Economic Statistics as at:	Value in Sterling (Pence)			Change in Sterling	
	30 Sept 17	30 June 17	30 Sept 16	3 months	12 months
1 US Dollar is worth	74.54p	76.99p	76.98p	3.3%	3.3%
1 Euro is worth	88.11p	87.81p	86.51p	-0.3%	-1.8%
100 Japanese Yen is worth	66.22p	68.52p	76.02p	3.5%	14.8%

Exchange rate movements – 3 years to 30 September 2017



Source: Thomson Reuters, Markit, Institute for Supply Management, Eurostat, US Department of Labor and US Bureau of Economic Analysis.

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3 MARKET COMMENTARY

INTRODUCTION

“Getting rich is easy. Staying rich is harder” – Donald Trump. It does feel odd to be quoting President Trump to illustrate a sound point in investment practice; however, this particular comment rings true.

We have enjoyed extraordinary investment returns as UK investors since February 2016 and the trajectory of these returns has continued upwards, however, the quantum of the returns has slowed considerably. We have been moving into an environment of increasing uncertainty over the third quarter of this year, as markets continue to hit highs and investors continue their search for ever more elusive capital returns. That said, global investment conditions remain stable - with the outlook for global growth from the International Monetary Fund (IMF) unchanged at 3% in 2017. This, combined with a stabilisation in global energy prices appears to have subdued official measures of inflation and allowed for economic activity to progress.

The clear political risk that markets have been facing over the last few years appears to be waning. Whilst markets may have got the election outcome that they desired from the German elections in September when Angela Merkel returned as Chancellor, this was not the emphatic victory that the EU needed from Germany. The right wing AfD's strong showing in the German polls, particularly in the former East Germany, has brought renewed attention to the shifting political sands of Europe, reinforcing the sentiment that we must not take the current political framework for granted. Political concern this quarter focussed on the Pacific Rim with North Korea rattling cages – particularly trying to involve the US in armed conflict and intimidate South Korea as well as Japan with the potential that the North Koreans may have developed the technology to utilise nuclear weapons.

In terms of central bank activity, markets have priced in a December interest rate rise in the US albeit qualified by the concern some market participants have that rate rises may be pushed back to later in 2018. The US Federal Reserve (Fed) is expected to be cautious with their rate rising program as the consequences for progressing too quickly and tightening monetary conditions too much would destroy a vast amount of the careful work that they have done over the last few years to recover the US economy. In the UK, the Monetary Policy Committee (MPC) has been sounding keen on interest rate rises which has led to a challenging market environment for UK Government Bonds. The MPC voted to increase interest rates by 0.25% to 0.5% in November. The European Central Bank (ECB) has also begun to make noises regarding the potential tapering of Quantitative Easing (QE), however, Japan remains committed to supporting the market with this type of liquidity.

UNITED KINGDOM

- The third quarter of this year has not been uneventful. The political disarray left by the General Election result has failed to resolve itself and the idea of the Labour Party 'war gaming', a run on Sterling and progress, or lack thereof, from the Brexit negotiation team, leaves many participants in the market feeling profoundly uncomfortable. Political uncertainty remains high on risk agendas for UK investors alongside currency stability and inflation.
- UK inflation has climbed this year, mainly due to rising petrol and diesel prices earlier in the year, along with a pickup in food prices. Rising prices at factory gates, assisted by a weak Sterling also added to the inflationary pressure. Although these factors appear to be stabilising, inflation still remains meaningfully higher than the Bank of England's (BoE's) base rate. Inflationary wage pressures remain subdued; however, its potential impact on the UK economy is a growing concern for the BoE's Monetary Policy Committee. The inflation outlook in the UK, although having some upward pressure is becoming more mixed. The longer-term implications of Brexit remain unknown, but a slowdown in economic activity in the UK appears to be a strong

possibility. As a result, easing cost pressures and a reduction in labour market tightness should limit inflation's overshoot. The unemployment rate in the UK has remained fairly steady at 4.7% which is a boost for the economy however, the quality of the jobs created and available remains hotly debated.

- The European Union (EU) Brexit negotiations continue apace – this does not seem to be a pace that suits either side or indeed, UK equity markets. Recurring spells of heightened market volatility are likely to continue as investors respond to, and speculate over negotiating positions. UK valuations look reasonable when compared to other investment markets and we have seen a raft of analysts revise their earnings expectations up given economic data releases that have beaten expectations. However, without the impetus provided by the weakness of Sterling, the UK equity market is struggling to find the momentum to continued outperformance.
- Markets have weathered a steady stream of surprises from the 2015 election, the EU referendum, the US election, the recent General election and the European elections this year. There has been a real divergence in performance of stocks that are UK focussed from those that are internationally focussed. Sterling has played a big part in this and the latter will tend to rise on the back of any fall in the currency and vice versa.

EUROPE EX UK

- The key election in Europe this quarter was Germany and the keen anticipation of the event kept European markets preoccupied for most of the period. The positive impact on markets from the re-election of Angela Merkel to the position of Chancellor and thus a Federalist to the heart of the EU, has ensured an element of stability. That said, the strong showing from populist movements on both sides of the political spectrum should not be underestimated and may cause a degree of moderation in the political agenda that the German government pursues, particularly in light of the various separatist movements that are underway at the moment.
- The European economy has continued its growth momentum into the third quarter with strong returns from core European countries in spite of a degree of weakness in the Euro. GDP expectations for the year remain consistent at 2.3%. Employment levels have continued to improve albeit from a low base and now sit at 9.1%.
- The ECB continued to leave its benchmark refinancing rate unchanged at 0%. They have proceeded with their quantitative easing programme, however, members continue to suggest that they are searching for methods to implement a form of tapering in 2018.
- Solid economic data, gradually improving manufacturing and consumer sentiment and rising employment levels along with steadily improving inflation are combining powerfully to make the area one of the favoured investment markets of 2017. Europe delivered the strongest performance of any of the developed equity markets this quarter. This positive momentum was not unexpected as the building blocks for this success have been carefully put in place.
- Political risk is likely to return when Italy announces its election in 2018. However, the solid economic data coupled with rising energy prices means European equities are attractively priced at the moment. Economic data in the euro-zone continues to paint a positive picture, including higher business confidence readings, strong PMI's and an up-tick in GDP growth. Growth in the region is likely to be encouraged by a backdrop of persistently low borrowing rates and high equity prices.
- The outlook for the euro-zone remains positive with monetary policy likely to remain supportive and global demand in good health at the moment.

NORTH AMERICA

- Continuing rising domestic debt levels, the collapse of President Trump's replacement program for Obamacare and the lack of clarity regarding the US Tax regime changes have moderated US investment growth over Q3.
- The Fed held the Federal Funds rate to 1.25% this quarter as anticipated, after a rate hike in March which signalled a degree of confidence in the growth trajectory of the US economy. Fed policy makers are being pulled in two directions, by their key economic indicators with employment data remaining positive, however, wage inflation remains relatively subdued. Janet Yellen, Fed Chair has indicated that the Fed intends to raise interest rates in the fourth quarter and this normalisation of monetary policy may temper corporate profit

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margins and limit earnings growth. In a rising interest rates scenario, the interest payments on the outstanding debt would also increase and could create a hindrance in growth of the economy as consumers may lower spending in order to pay for the higher interest costs.

- US Equity markets have been on an upward trajectory, albeit with a noticeable flattening over Q3. Investors are continuing to expect market friendly policies from the Trump administration and the continuing failure of the administration to pass some promised key election pledges have moderated market exuberance for President Trump. His struggle to win support from the Republicans to implement all his election promises especially the sight this quarter of John McCain, fresh from major surgery, turning up to vote against the Trump administration - this was particularly powerful. The proposed tax reforms, including lower taxes and a reduced regulatory burden could support the equity market, however, implementation and detailed plans are both proving difficult and elusive. Inflationary pressures are beginning to build and faster than expected rate rises could slow economic growth. Furthermore, while the Fed may be well placed to continue with rate hikes in 2017, expectations of a similar pace in 2018 can be seen clouding, particularly as it tries to reduce its balance sheet.
- The US equity market is currently trading at high multiples to earnings but they are marginally attractive in terms of earnings yield. This, along with improving macro-economic conditions in the US and an expected turnaround in corporate earnings could help fuel further increases in asset prices. A surprise could come to the equity market as expectations of President Trump and his team are so low that any positive move could cause a positive market shock.

JAPAN

- Japanese equities are closely linked to the economic success of their neighbours. The global rebound in trade has been a key factor in providing strength in the region. However, they have delivered a positive investment return to Sterling investors over the quarter in the face of a series of headwinds, not least their obstreperous regional problem child – North Korea practicing firing warheads onto Japanese sovereign territory.
- Analysts are revising up their earnings expectations for the Japanese equity market as corporates continue to deliver strong earnings growth. High levels of competition are also helping alongside good economic momentum. Cash holdings on Japanese firms' balance sheets remain higher than many would like however, this may be a benefit should the Yen weaken. This, combined with loose fiscal policy from the Bank of Japan (BoJ) leads to a relatively positive outlook for the asset class.
- Over the near-term, the BoJ has reiterated its commitment to achieve their inflation target of 2% along with its intentions to maintain lower interest rates. This has had a beneficial impact on Japanese banks in particular. Easy monetary policy and fiscal stimulus for 2017, helped by a cheaper Yen will potentially drive forward corporate earnings and business investment leading to a positive view on the region.
- Towards the end of September, Shinzo Abe called a snap general election which should take place in late October – this move is designed to provide stability during a period where Japan is facing national demographic decline and increased regional tensions. Markets received this move well and have priced in the election promises that Mr Abe has made to the Japanese electorate.

ASIA PACIFIC EX JAPAN / EMERGING MARKETS

- Emerging Market equities have had a good quarter, outperforming developed markets comfortably. This has been supported by improved macroeconomic conditions, stable commodity prices and solid corporate global economic activities. The strong Emerging Market equity returns were also supported by a benign US Dollar and improved capital inflows.
- Emerging market equities are continuing their recent run of robust performance, lifted by another positive corporate results season. Latin America led and Asia lagged, though China continued to deliver positive returns helped by strong factory data. The South Korean investment market fell only a small amount, indicating that markets currently do not believe the geopolitical risks related to North Korea are dramatically elevated. The Brazilian government announced proposals to privatise state-owned assets. While, in China, a group of

strategic shareholders including internet giants Alibaba, Baidu and Tencent were invited to acquire 35% of telecom operator China Unicom (diluting the Chinese state to 37%). This bodes well for continued reform of China's state-owned enterprises.

- The biggest geopolitical issue of the quarter was North Korea, whose missile tests led to renewed tensions with the US. The situation has changed, and medium-term risks are higher on the Korean peninsula. Meanwhile, US policy is to "lean on" China in the hope it can rein in North Korea. This appears sensible, but it is not clear how long this attitude will last.
- The asset class is supported by global growth improvements, especially for key sectors such as Asian technology. The risk of a sharp US Dollar rally has faded and growth is broadening out. Relative to their developed market peers, emerging equities offer an attractive valuation discount and strong earnings growth is expected across many of the larger economies such as India, Mexico and South Africa. The outlook for Asia is dependent on US trade policies and the degree of monetary tightening however. Emerging economies as a whole have been successful in improving their economies, using measures to spur economic activities.

FIXED INCOME

- Credit markets saw Europe outperform the US over the quarter, while the higher quality investment grade bonds outperformed the more risky high yield bonds. Company balance sheets remain in relatively good shape and default levels are not a market concern currently. Developed market government bonds generally rallied across the board as did emerging market bonds over the quarter. It should be noted that returns were generally muted or negative over the quarter.
- A lack of new bond issuance means that order books are over subscribed as investors continue their appetite for yield. In addition, Quantitative Easing from the ECB has driven European yields to unattractive levels making Sterling corporate bonds an alternative consideration for investors.
- The risks to the Fixed Income asset class include the end of QE, which could be getting nearer and it is impossible to fully chart the effect of central bank's tapering as the plan is a work in progress. The challenge for central banks is to find different ways to protect asset prices and ensure a liquid market.
- Over the short-term, concerns remain that spreads have tightened to such a degree that further upside looks challenging with any future interest rate rises adding pressure to the downside. A slowdown in consumer spending and higher inflation could also prove a drag on performance.
- The markets expect the Fed to raise rates in December, supported by this higher growth and higher inflation. For the 10-year U.S. Treasury, the same forces that kept rates tight over the last three months are still present. The markets expected only a modest rise in rates, to 2.75%, by the fixed interest market.
- Turning to US high yield - corporate profitability looks quite good at the moment as do earnings. Even though yields are low, spreads are attractive when compared to default levels, which are nearing 1%. Europe also is appealing to fixed interest investors. There has been a lot of growth but there is also value from a currency that has re-valued; corporate profit remains high.
- The deflationary economic forces in Europe have been replaced by reflationary ones, with headline Consumer Price Inflation (CPI) rising over recent months. Market speculation of a tapering of QE next year have gained ground as the ECB views the economic growth outlook as broadly balanced. The prospects for withdrawal of policy stimulus however, would require a sustained rise in inflation requiring an increase in underlying CPI which so far remains more muted. It is probably precipitous for the ECB to signal the timing of a rate rise despite significantly improving macroeconomic data.
- The BoJ's bond-buying programme and negative interest rate policy have driven valuations into expensive territory. Action by the BoJ, including a pledge to aim for an overshoot of its inflation objective and adopting a 0% target for 10-year bond yields, appears to have only had a short-term effect, which has left the overall situation unchanged.
- Emerging market bonds also remain good value. Yields are relatively high, and in many countries inflation is coming down, allowing central banks to ease fiscal conditions. Most importantly, the emerging markets offer something that the developed markets are not at the moment - positive real yields.

ALTERNATIVES

- Hedge Fund capital rose to \$3.15 trillion over the quarter, as economic growth prospects improved despite continued geopolitical risks. Investor inflows were positive, with Global Macro strategies in particular continuing to receive the most inflows. Hedge Funds (in Sterling terms) returned -1.0% over the quarter; this was primarily due to the depreciation of the US dollar against Sterling, as hedge funds returned 2.3% in US dollar terms. In Sterling terms, Emerging Markets and Equity Hedge returned 1.9% and 0.4%, respectively. All other strategies generated negative returns over the quarter, with Global Macro (-2.8%) displaying the worst performance.
- UK commercial property continued to increase over the quarter, returning 2.7% compared to 2.5% the previous quarter and 2.3% at the end of Q1 2017. Thus, the slowdown following Britain's decision to exit the European Union appears to be fading, albeit the returns are slightly below those recorded prior to the Brexit vote. Over the quarter, both capital values and rental income rose by 1.3%. All sectors posted positive returns; Industrials increased by 4.8%, followed by Offices which returned 2.0%. Retail and City Offices sectors grew by 1.9% and 1.4%, respectively. At the end of September, the annual property yield stood at 5.6%.
- Commodity markets gained 3.8% over the quarter, largely driven by strong performance from the Energy sector which returned 10.4%. In July, an Energy Information Administration report stated that US crude oil inventories had decreased by a larger amount than expected, therefore resulting in an increase of 6.5% over the month. Oil prices gained by 7.0% over the quarter, driven by declining inventories due to strong demand, as well as improved compliance between Organisation of the Petroleum Exporting Countries (OPEC) and non-OPEC producers. Agriculture experienced losses over July, August and September, therefore leading to a total loss of -11.0% over the quarter. However, cotton and livestock gained in August and September, respectively, driven by a decrease in supply following Hurricane Harvey. Over the last 12 months, all sectors were negative.

CONCLUSION

The global economic outlook for the next few months has become more mixed. The positives include a modest case for economic growth across major economies, a strong underlying trend in corporate earnings and the prospect of US tax reform. Elements of caution are required as markets navigate elevated risk asset valuations and any remaining investor enthusiasm, slowing global growth and slowing inflation momentum, combined with monetary tightening or liquidity withdrawal from major central banks.

The majority of companies who have reported results continue to beat earnings expectations. This continues to suggest that an economic expansion is continuing globally, albeit at a slower pace and that profits are finding support beyond cost-cutting efforts. With volatility low, despite some geo-political tensions, investors will remain focused on the trajectory of earnings growth. For markets to advance further, we will need to see increased confidence that this trend will be sustained.

Globally, central banks remain in a mostly dovish mood; and even with balance sheet normalisation in the US and tapering of quantitative easing in Europe, policy around the world is still loose when compared to history. Rates are set to rise, but only slowly. Equity returns in this stage of the economic cycle are typically positive unless financial conditions tighten sharply. The slow pace of rate normalisation and lack of inflationary pressure create a good environment for investment.

4 INDICES USED IN THIS REPORT

Asset	Index
Growth Assets	
UK	FTSE All-Share Index
Global Developed	MSCI World Index
USA	FTSE USA Index
Europe (ex UK)	FTSE AW Europe (ex UK) Index
Japan	FTSE Japan Index
Asia Pacific (ex Japan)	FTSE AW Asia Pacific (ex Japan) Index
Emerging Markets	MSCI Emerging Markets Index
Frontier Markets	MSCI Frontier Markets Index
Property	UK IPD Monthly Property Index
Hedge Funds	HFRI Fund Weighted Composite Index
Commodities	S&P GSCI TR Index
High Yield	Bank of America Merrill Lynch Global High Yield Index
Emerging Markets Debt	JPM GBI-EM Composite Index
Senior Secured Loans	Credit Suisse Western European Leveraged Loan Index
Cash	IBA GBP LIBOR 1 Week Index
Bond Assets	
UK Gilts (>15 yrs)	FTSE A Gilts Over 15 Years Index
Index-Linked Gilts (>5 yrs)	FTSE A Index-Linked Over 5 Years Index
Corporate Bonds (>15 yrs AA)	IBoxx £ Corporate Over 15 Years AA Index
Non-Gilts (>15 yrs)	IBoxx £ Non-Gilts Over 15 Years Index
Yields	
UK Equities	FTSE All-Share Index (Dividend Yield)
UK Gilts (>15 yrs)	FTSE A Gilts Over 15 Years Index (Gross Redemption Yield)
Real Yield (>5 yrs ILG)	FTSE A Index-Linked Over 5 Year Index 5% Inflation (Gross Redemption Yield)
Corporate Bonds (>15 yrs AA)	IBoxx £ Corporate Over 15 Years AA Index (Gross Redemption Yield)
Non-Gilts (>15 yrs)	IBoxx £ Non-Gilts Over 15 Years Index (Gross Redemption Yield)
Inflation	
Price Inflation – RPI	All Items Retail Price Index (NADJ)
Price Inflation – CPI	All Items Consumer Price Index (Estimated NADJ)
Earnings Inflation	Average Weekly Earnings Index (Whole Economy excluding Bonuses)
Exchange Rates	
USD / EUR / JPY vs GBP	WM/Reuters 4:00 pm Closing Spot Rates

Note: All indices above are denominated in Sterling.

CONTACT

KIERAN HARKIN

Director

+44 (0)161 957 8016

kieran_harkin@jltgroup.com

NICK BUCKLAND

Senior Consultant

+44 (0)207 528 4188

nick_buckland@jltgroup.com

ANTHONY WRAY

Consultant

+44 (0)161 253 1121

anthony_wray@jltgroup.com

NATALIE ZANI

Associate Consultant

+44 (0)161 253 1124

natalie_zani@jltgroup.com

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2017
Report Subject	Investment Strategy and Manager Summary
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The purpose of the Investment Strategy and Manager Summary is to update Committee Members on the performance of the Fund's investment strategy and performance of the Fund's investment managers.

The report covers the quarter ending 30 September 2017.

From an Investment Strategy perspective, the Total Equity, Total Multi Asset Credit, the Managed Account Platform and the Tactical Allocation Portfolio produced positive returns and outperformed their composite targets. The In-house assets achieved a positive return, but underperformed their composite target. Key facts covered in the report are as follows:

- Over the 3 months to 30 September 2017, the Fund's total market value increased by £15.0m to £1,757,395,109.
- Funding level information has not been provided. However liability roll forwards are now based on the discount rate methodology on the CPI basis.
- Over the quarter, total Fund assets returned 1.4% in line with the composite target which also returned 1.4%.

The benchmarks are reflective of the new strategic weightings although full implementation of the strategy is on going.

There was mixed performance amongst the Fund's investment managers in terms of outperforming or underperforming their respective targets during the quarter.

RECOMMENDATIONS

1	To note and discuss the investment strategy and manager performance in the Investment Strategy and Manager Summary 30 September 2017.
2	That the Committee considers the information in the Economic and Market Update report to provide context in addition to the information contained in this report.

REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Investment Strategy and Manager Summary 30 September 2017</p> <p>Over the 3 months to 30 September 2017, the Fund's total market value increased by £15.0m to £1,757, 395,109.</p> <p>Total Fund assets returned 1.4% over the quarter, matching the composite target which also returned 1.4%.</p> <p>Over the one year period, Total Fund assets returned 9.2%, compared with a composite target of 8.1%.</p> <p>Over the last three years, Total Fund assets returned 10.0% p.a., compared with a composite target of 9.3% p.a.</p> <p>The strongest absolute returns over the quarter came from the Equity allocation and the Managed Account Platform.</p> <p>The Fund's asset portfolio is broadly within the new strategic ranges set for the asset classes as agreed in the recent strategy review. However there are a number of deviations which are being addressed as part of the recent Private Credit manager appointments</p>
1.02	<p>At this time, there are no concerns with any of the Fund's investment managers and there are regular meetings held with the managers to discuss individual mandates.</p> <p>The Fund's investment consultant has undertaken the manager search for the appointment of a Private Credit manager. An appointment was made in respect of a European Private Credit manager in April whilst the process to appoint a North American Private Credit manager concluded in October 2017.</p> <p>The Smart Beta allocation, which will be managed by BlackRock, is to be concluded by mid November 2017.</p>

2.00 RESOURCE IMPLICATIONS

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

4.00	RISK MANAGEMENT
4.01	<p>The Fund's investment strategy has been designed to provide an appropriate trade off between risk and return. The Fund faces three key investment risks: Equity risk, Interest Rate Risk and Inflation Risk.</p> <p>Diversification of the Fund's growth assets away from equities seeks to reduce the amount of the equity risk (though it should be recognised that Equities remain an important long term source of expected growth). The implementation of the Fund's De-Risking Framework (Flightpath) has been designed to mitigate the Fund's Interest Rate and Inflation Risks.</p>

5.00	APPENDICES
5.01	Appendix 1 – Investment Strategy and Manager Summary 30 September 2017.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Investment Strategy and Manager Summary 30 June 2017.</p> <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>A list of commonly used terms are as follows:</p> <p>(a) Absolute Return – The actual return, as opposed to the return relative to a benchmark.</p> <p>(b) Annualised – Figures expressed as applying to 1 year.</p> <p>(c) Duration – The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.</p> <p>(d) Market Volatility – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.</p>

- (e) **Money-Weighted Rate of Return** – The rate of return on an investment including the amount and timing of cashflows.
- (f) **Relative Return** – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.
- (g) **Three-Year Return** – The total return on the fund over a three year period expressed in percent per annum.
- (h) **Time-Weighted Rate of Return** – The rate of return on an investment removing the effect of the amount and timing of cashflows.
- (i) **Yield (Gross Redemption Yield)** – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cashflows.

A comprehensive list of investment terms can be found via the following link:

<http://www.barings.com/ucm/groups/public/documents/marketingmaterials/021092.pdf>

CLWYD PENSION FUND
INVESTMENT STRATEGY AND
MANAGER SUMMARY
PERIOD ENDING 30 SEPTEMBER 2017

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1 IMPACT ON CLWYD PENSION FUND INVESTMENT STRATEGY

This report is produced by JLT Employee Benefits ("JLT") to assess the performance and risks of the investment managers of the Clwyd Pension Fund (the "Fund"), and of the Fund as a whole. The report does not comment on the Fund's Liability Driven Investment ("LDI") portfolio, as information in respect of this allocation is produced separately by Mercer.

OVERALL

Over the 3 months to 30 September 2017, the Fund's total market value increased by £15.0m to £1,757,395,109.

Over the quarter, total Fund assets returned 1.4%, and was in line with its target. Total Fund (ex LDI) returned 1.8%, compared with its target of 1.7%.

Total Equities generated returns of 4.2%, followed by Best Ideas which gained 2.9%. Managed Account Platform assets delivered 2.2%, whilst Total Credit and In-House assets returned 1.3% and 0.4%, respectively.

In relative terms, total Fund assets met their target, mainly attributable to the Managed Futures & Hedge Funds portfolio which outperformed its target by 2.2%. The Diversified Growth and In-House portfolios detracted the most (-0.2%) from relative performance.

Equities, which returned 4.2% against a composite target of 3.6%, contributed 0.6% to total Fund performance and 0.1% to total relative performance.

Total Credit, which now includes an allocation to Private Credit, outperformed its target by 1.0% and added 0.2% to total relative performance.

Managed Futures and Hedge Funds outperformed its target by 2.2% over the quarter, and added 0.2% to total relative performance.

In-House assets returned 0.4% over the quarter, behind its target by 1.1% and detracted -0.2% from total relative performance.

Insight's LDI portfolio rose by 0.1% as yields remained steady over the quarter, overall the portfolio made a neutral contribution to relative performance.

EQUITIES

Global equity markets gained over the quarter, with positive returns (in Sterling terms) observed in all major regions. Despite continuing geopolitical risk and the wave of hurricanes that have swept the Atlantic equities have delivered strong recent performance.

European equities led performance (in Sterling terms) as market confidence was boosted by positive employment and manufacturing data, as well as a reacceleration in the services sector. Consequently, the European Central Bank hinted at normalising monetary policy. US equities increased on the back of strong economic data, whilst the rise in Emerging and Asian markets was driven by increased cash inflows. Brent crude oil prices gained c.20% over the quarter on the back of production cuts and improved demand, which therefore benefitted the energy and materials sectors in particular.

In Developed markets, Europe continued to provide the strongest returns, increasing by 3.9%, followed by UK which returned 2.1%. Asia Pacific (ex Japan) and the US posted returns of 1.8% and 1.2%, respectively. Japan delivered the lowest return of the Developed markets, returning 0.8%.

Over the last 12 months, all developed regions posted positive returns, led by Europe which posted gains of 22.6%. Japan generated the lowest return over the same period, increasing by 11.4%.

Emerging Markets and Frontier Markets both rose by 4.6% and 4.7% respectively over the quarter, both markets seeing a strong annual return of 19.0% and 21.9%, respectively.

Total Equity assets returned 4.2%, ahead of the composite target by 0.6%. All funds in the strategy increased; Investec Global Strategic Equity returned 3.5% against its target of 2.5% whilst the Wellington Emerging Markets (Core) and Emerging Markets (Local) funds delivering returns of 4.5% and 4.7%. However, both the Wellington funds underperformed their targets by 0.4%.

Global equity exposures to China and Emerging Markets, which are both overweight their benchmark allocations helped performance over the quarter. Stock selection within the IT and Semiconductor sectors drove performance; within IT, Alibaba advanced on a positive earnings report and analyst ratings whilst in Semiconductors, ON Semiconductor rallied following an earnings report and trading updates that was better than expected.

In Emerging Markets, exposures to Taiwan and Kazakhstan contributed to the majority of gains, although this was offset to some extent by exposures to South Korea and Chile. Manager stock selection added the most within Financials and Healthcare, but this was partially offset by detractors within Consumer Discretionary and Materials.

CREDIT

Global credit markets advanced over the third quarter of 2017, however, a strengthening of Sterling against the US Dollar and other currencies over the period led to a decrease in returns in Sterling terms, and a decline in the case of Global High Yield Bonds. The sell-off in credit markets which was prompted by the perception of a hawkish tone from central banks continued through the third quarter. However, an uptick in volatility driven by the escalation of geopolitical tensions between the US and North Korea and several natural catastrophes led to increased demand for safe haven assets. The US Federal Reserve maintained interest rates at their current level but continued to project a rate increase before the end of 2017. Despite the increase in market volatility, bond yields ended the quarter largely unchanged.

Economic data from the US continued to be positive over the period and markets were encouraged further by the Trump administration's tax reforms which were unveiled towards the end of the quarter. Credit spreads tightened, supported by improved growth prospects and relatively stable yields.

Over the quarter, Long Dated Fixed Interest Gilts, Long Dated Index-Linked Gilts and Long Dated UK Corporate Bonds produced returns of -0.5%, -0.8% and -0.5% respectively, as markets reacted to a possible imminent rise in interest rates. Emerging Market Debt and Global High Yield both rose in local terms, however, the latter declined by -0.4% in Sterling terms whilst the former posted gains of 1.2%. Global Bonds fell by -1.2% (in Sterling terms).

Total Credit returned 1.3% over the quarter, ahead of its target by 1.0%, and added 0.2% to total relative return.

Asset allocation and security selection both made positive contributions to return, and in particular, the increased allocations to Emerging Market Debt Hard Currency and Local Currency benefitted the portfolio. Additionally, stock selection in Argentina and Brazil within Emerging Market Debt proved to be beneficial.

Within High Yield, lower quality credits and the recovery in the Energy sector drove the positive gains as oil prices increased. As a result, Energy was the leading performer within the portfolio followed by Transportation (excluding Air & Rail) and Steel. In Emerging Market Debt, exposures in Latin America were the largest contributor, led by currency gains in Brazil and Colombia against the US Dollar and falling interest rates in Brazil. Inflows continued to rise over the quarter, with an additional \$26bn injected over the quarter, bringing the year to date total to \$92bn.

HEDGE FUNDS

Hedge Fund capital rose to \$3.15 trillion over the quarter, as economic growth prospects improved despite continued geopolitical risks. Investor inflows were positive, with Global Macro Strategies in particular continuing to

receive the highest level of inflows. Hedge Funds (in Sterling terms) returned -1.0% over the quarter primarily due to the appreciation of Sterling against the US Dollar, as hedge funds returned 2.3% in US dollar terms. In Sterling terms, Emerging Markets and Equity Hedge returned 1.9% and 0.4%, respectively. All other strategies generated negative returns over the quarter, with Global Macro (-2.8%) delivering the worst returns.

ManFRM's Managed Futures & Hedge Funds strategy posted positive return of 3.2%, outperforming its target by 2.3% and contributing 0.2% to total relative performance.

ManFRM Hedge Funds (Legacy) portfolio which consists of Duet (S.A.R.E.), Liongate and Pioneer (until August 2016) assets generated a negative return of -14.5% as a result of further write downs.

TACTICAL ALLOCATION PORTFOLIO

DIVERSIFIED GROWTH

Total Diversified Growth assets returned 0.5% over the quarter, underperforming the target by 1.6%. Overall, this detracted -0.2% from total relative performance.

Pyrford returned -0.9% compared to a target of 2.1%. Poor stock selection in both UK and overseas equities was the largest detractor from returns, as markets reacted to rising rates by rotating out of defensive companies that offer strong dividend support and into more cyclical companies. In particular, British American Tobacco fell, as the US drugs regulator unveiled plans to reduce nicotine levels in cigarettes to non-additive levels. Positive gains were seen from BP following the recent rise in oil prices. The fund's bond holdings also detracted from returns as bond yields rose sharply towards the end of the quarter.

Investec's portfolio generated a return of 0.5% compared to a target of 2.1%. Performance over the quarter was primarily driven by the fund's 'Growth' strategies due to the stock selection within the total return equity holdings. 'Uncorrelated' strategies also contributed positively due to the short US domestic restaurants vs. US large cap relative value equity position. With concerns around the hurricanes in southern United States impacting sentiment, the US restaurants sub-sector underperformed the market. 'Defensive' strategies were the primary detractors from performance over the quarter as Sterling currency appreciation adversely impacted currency hedging strategies.

BEST IDEAS PORTFOLIO

The Best Ideas Portfolio returned 2.9%, above its target by 1.3%. Overall, this contributed 0.1% to the total Fund relative performance. Over the last 12 months, the Best Ideas Portfolio has delivered a return of 8.7% and outperformed its target of UK CPI +3.0% p.a. by 2.6%.

In a reversal of last quarter's performance, the Investec Global Natural Resources Fund was the strongest (7.1%) within the Best Ideas Portfolio, as exposure to oil equities proved profitable following the surge in prices.

Elsewhere in the portfolio, growth was generated by BlackRock Emerging Market Equities (4.5%) and LGIM North American Equities (4.3%), which outperformed their targets by 3.0% and 2.8%, respectively. Both funds made marginal contributions to total relative performance. F&C's UK Equity-Linked Gilt Fund returned 0.3%, behind its benchmark by 1.3%.

BlackRock's US Opportunities Fund was the only fund within the Best Ideas Portfolio to decline over the period, returning -0.4% and underperforming its benchmark by 2.0%.

During the quarter, the portfolio exited positions in LGIM Japanese Equities (Hedged) and Wellington Commodities, with the proceeds being redeployed into three new funds; LGIM Infrastructure Equity MFG Fund, LGIM Global Real Estate Equity Fund and BlackRock European Equities (Hedged) Fund.

Additionally, positions in the LGIM North American Equities (Hedged) and BlackRock Emerging Markets Equities were trimmed, and a new position in the Investec Emerging Markets Local Currency Fund was established.

IN-HOUSE ASSETS

Total In-House assets returned 0.4%, behind its composite target by 1.1%. Overall this detracted 0.2% from total relative performance. The two sub-sections of the In-House assets; the Real Assets Portfolio and the Private Markets Portfolio returned 0.5% and 0.3% respectively.

Infrastructure assets were the strongest sector of the portfolio, returning 1.5% and outperforming its target by 0.2%.

Property and Private Equity assets both returned 0.7%, and underperformed by -1.9% and -0.6%, respectively.

Opportunistic assets and Timber/Agriculture declined by -1.8% and -1.4%, respectively and underperformed their targets by 3.1% and 2.7%.

2 STRATEGIC ASSET ALLOCATION

30 SEPTEMBER 2017

Allocation by underlying asset class

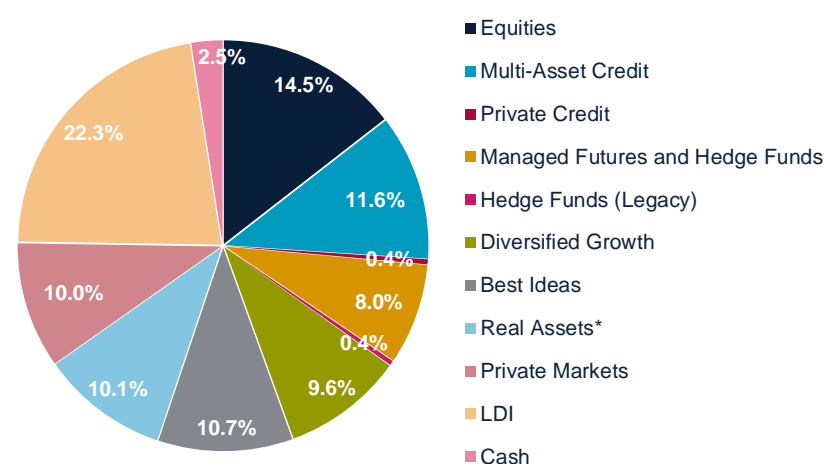
Asset Class	Market Value £	Weight %	Strategic Allocation %	Relative %	Strategic Range %
Global Equities	139,212,542	7.9	8.0	-0.1	5.0 – 10.0
Emerging Market Equities	115,424,721	6.6	6.0	+0.6	5.0 – 7.5
Multi-Asset Credit	203,061,333	11.6	12.0	-0.4	10.0 – 15.0
Private Credit [^]	7,294,695	0.4	3.0	-2.6	2.0 – 5.0
Managed Futures and Hedge Funds	140,964,575	8.0	9.0	-1.0	7.0 – 11.0
Hedge Funds (Legacy)*	6,661,678	0.4	0.0	+0.4	–
Diversified Growth	169,120,988	9.6	10.0	-0.4	8.0 – 12.0
Best Ideas	187,454,624	10.7	11.0	-0.3	9.0 – 13.0
Property	114,670,360	6.5	4.0	+2.5	2.0 – 6.0
Infrastructure / Timber / Agriculture	62,587,737	3.6	8.0	-4.4	5.0 – 10.0
Private Equity / Opportunistic	175,800,130	10.0	10.0	0.0	8.0 – 12.0
LDI & Synthetic Equities	391,755,895	22.3	19.0	+3.3	10.0 – 30.0
Cash	43,385,831	2.5	0.0	+2.5	0.0 – 5.0
TOTAL CLWYD PENSION FUND	1,757,395,109	100.0	100.0	0.0	

Notes: * Hedge Funds (Legacy) include the S.A.R.E (Duet) and Liongate portfolios. ^ The Private Credit allocation is not yet fully funded.

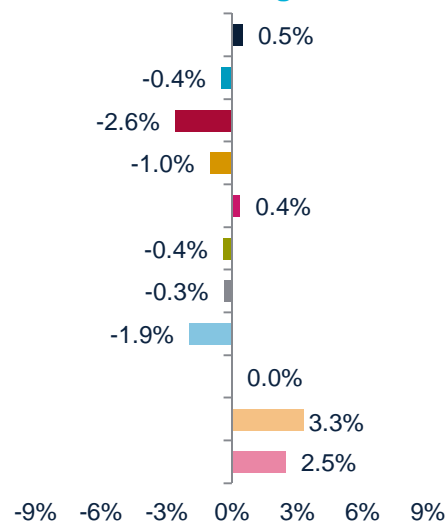
Points to note

- Asset allocation reflects the strategy to be implemented as part of the 2016 Investment Strategy Review; as such a number of asset classes will be underweight for an interim period until the portfolio is fully constructed.
- Total allocation to LDI decreased by -0.2% over the quarter, however, the fund remains overweight the strategic allocation by 3.3%.

Strategic Asset Allocation as at 30 September 2017



Deviation from Strategic Allocation



Note: Totals may not sum due to rounding.

* In-House Property, Infrastructure and Timber/Agriculture portfolios.

3 VALUATION AND ASSET ALLOCATION AS AT 30 SEPTEMBER 2017

Manager	Fund	Market Value £	Weight %	Strategic Allocation %	Strategic Range %
Investec	Global Strategic Equity	139,212,542	7.9	4.0	5.0 – 10.0 ⁽¹⁾
Wellington	Emerging Markets (Core)#	55,344,729	3.1	3.0	5.0 – 7.5
Wellington	Emerging Markets (Local)#	60,079,993	3.4	3.0	
Total Equity		254,637,263	14.5	14.0⁽¹⁾	
Stone Harbor	LIBOR Multi-Strategy	131,272,297	7.5	12.0	10.0 – 15.0
Stone Harbor	Multi-Asset Credit	71,789,036	4.1		
Multi-Asset Credit Portfolio		203,061,333	11.6	12.0	10.0 – 15.0
Permira	Credit Solutions III	7,294,695	0.4	3.0	2.0 – 5.0
Private Credit Portfolio		7,294,695	0.4	3.0	2.0 – 5.0⁽²⁾
Total Credit		210,356,028	12.0	15.0	10.0 – 20.0
ManFRM	Managed Futures & Hedge Funds	140,964,575	8.0	9.0	7.0 – 11.0
ManFRM	Hedge Funds (Legacy)*	6,661,678	0.4	0.0	–
Managed Account Platform		147,626,253	8.4	9.0	7.0 – 11.0
Pyrford	Global Total Return	82,047,221	4.7	5.0	8.0 – 12.0
Investec	Diversified Growth	87,073,767	5.0	5.0	
Diversified Growth Portfolio		169,120,988	9.6	10.0	8.0 – 12.0
F&C	UK Equity-Linked Gilts	10,654,841	0.6	11.0	9.0 – 13.0
LGIM	North American Equities (Hedged)	28,794,950	1.6		
BlackRock	US Opportunities	17,848,211	1.0		
BlackRock	European Equities (Hedged)	13,063,643	0.7		
BlackRock	Emerging Markets Equities	51,347,584	2.9		
Investec	Global Natural Resources	23,327,908	1.3		
LGIM	Infrastructure Equities MFG (Hedged)	11,926,364	0.7		
LGIM	Global Real Estate Equities	11,670,328	0.7		
Investec	Emerging Markets Local Debt	18,820,795	1.1		
Best Ideas Portfolio		187,454,624	10.7		
Tactical Allocation Portfolio		356,575,612	20.3	21.0	15.0 – 25.0
In-House	Property	114,670,360	6.5	4.0	2.0 – 6.0
In-House	Infrastructure	34,687,700	2.0	8.0	5.0 – 10.0
In-House	Timber / Agriculture	27,900,037	1.6		
Real Assets Portfolio		177,258,097	10.1	12.0	10.0 – 15.0
In-House	Private Equity	151,874,075	8.6	10.0	8.0 – 12.0
In-House	Opportunistic	23,926,055	1.4		
Private Markets Portfolio		175,800,130	10.0	10.0	8.0 – 12.0
Total In-House Assets		353,058,227	20.1	22.0	
Insight	LDI Portfolio	391,755,895	22.3	19.0	10.0 – 30.0
Total Liability Hedging		391,755,895	22.3	19.0	10.0 – 30.0
Trustees	Cash	43,385,831	2.5	-	0.0 – 5.0
TOTAL CLWYD PENSION FUND		1,757,395,109	100.0	100.0	

Notes: * ManFRM Hedge Funds (Legacy) valuation includes S.A.R.E (Duet) and Liongate portfolio and is provided by ManFRM.

Wellington Emerging Markets Core and Local valuations have been converted from US Dollar to Sterling using the WM/Reuters closing price exchange rates for the respective dates. 1 Includes a 4.0% strategic allocation to Smart Beta, which is not yet funded. 2 The Private Credit allocation is not yet fully funded.

4 PERFORMANCE SUMMARY

PERIODS ENDING 30 SEPTEMBER 2017

Manager	Fund	3 months %		12 months %		3 years % p.a.		3 Yr Performance vs Objective
		Fund	Target	Fund	Target	Fund	Target	
● Investec	Global Strategic Equity	3.5	2.5	18.3	17.7	15.1	17.2	Target not met
● Wellington	Emerging Markets (Core) [#]	4.5	4.9	17.2	20.2	12.1	13.2	Target not met
● Wellington	Emerging Markets (Local) [#]	4.7	5.1	20.4	21.4	13.9	14.4	Target not met
Total Equity		4.2	3.6	18.6	19.3	13.2	15.1	
● Stone Harbor	LIBOR Multi-Strategy	1.1	0.3	5.7	1.3	1.6	1.4	Target met
n/a	Stone Harbor Multi-Asset Credit	1.5	0.3	n/a	n/a	n/a	n/a	n/a
Multi-Asset Credit Portfolio		1.3	0.3	5.8	1.3	2.0	1.4	
n/a	Permira Credit Solutions III	3.6	1.5	n/a	n/a	n/a	n/a	n/a
Private Credit Portfolio		3.6	1.5	n/a	n/a	n/a	n/a	
Total Credit		1.3	0.3	n/a	n/a	n/a	n/a	
n/a	ManFRM Managed Futures & Hedge Funds	3.2	0.9	-1.5	3.8	n/a	n/a	n/a
n/a	ManFRM Hedge Funds (Legacy) [*]	-14.5	0.9	-30.6	3.9	-9.5	4.8	n/a
Managed Account Platform		2.2	0.9	-3.5	3.8	n/a	n/a	
● Pyrford	Global Total Return	-0.9	2.1	1.5	8.8	4.4	7.2	Target not met
n/a	Investec Diversified Growth	0.5	2.0	7.4	7.9	n/a	n/a	n/a
Total Diversified Growth		0.5	2.1	5.3	8.4	4.0	6.9	
Best Ideas Portfolio		2.9	1.6	8.7	6.1	n/a	n/a	
Tactical Allocation Portfolio		1.7	1.6	7.0	6.2	n/a	n/a	
● In-House	Property	0.7	2.7	6.1	10.4	9.8	9.6	Target met
● In-House	Infrastructure	1.5	1.3	18.4	5.3	20.2	5.5	Target met
● In-House	Timber / Agriculture	-1.4	1.3	4.9	5.4	5.5	5.5	Target met
Real Assets Portfolio		0.5	1.7	7.9	7.0	n/a	n/a	
● In-House	Private Equity	0.7	1.3	11.1	5.4	13.2	5.5	Target met
● In-House	Opportunistic	-1.8	1.3	-2.2	5.3	-11.0	5.5	Target not met
Private Markets Portfolio		0.3	1.3	9.6	5.4	n/a	n/a	
Total In-House Assets		0.4	1.5	8.7	6.2	10.9	6.7	
n/a	Insight LDI Portfolio	0.1	0.1	12.0	12.0	22.4	22.4	n/a
Total (ex LDI)		1.8	1.7	8.2	7.4	6.5	6.6	
TOTAL CLWYD PENSION FUND		1.4	1.4	9.2	8.1	10.0	9.3	
Strategic Target (CPI +4.1%)		1.6		6.3		6.3		
Actuarial Target (CPI +2.0%)		1.1		4.2		4.2		

Notes: "n/a" against the objective is for funds that have been in place for less than three years.

* ManFRM Hedge Funds (Legacy) currently includes the S.A.R.E (Duet) and Liogate portfolios.

[#] Wellington Emerging Markets Core and Wellington Emerging Markets Local data has been converted from US Dollar to Sterling using the WM/Reuters closing price exchange rates for the respective dates.

Strategic and Actuarial targets derived from the latest JLT Market Forecast Group assumptions (Q3 2017 forecasts based on conditions as at 30 June 2017). Current long term 10 year CPI assumption 2.2% p.a.

● Fund has met or exceeded its performance target ● Fund has underperformed its performance target

5 STRATEGIC ASSET CLASSES

PERFORMANCE TO 30 SEPT 2017

Strategy	3 months %	12 months %	3 years % p.a.
Total Equities	4.2	18.6	13.2
Composite Objective	3.6	19.3	15.1
Composite Benchmark	3.0	16.9	12.8
Multi-Asset Credit Portfolio	1.3	5.8	2.0
Objective	0.3	1.3	1.4
Benchmark	0.1	0.3	0.4
Managed Account Platform	2.2	-3.5	n/a
Objective	0.9	3.9	n/a
Benchmark	0.9	3.9	n/a
Total Hedge Funds (Legacy)	-14.5	-30.6	-9.5
Composite Objective	0.9	3.9	4.8
Composite Benchmark	0.9	3.9	4.8
Total Diversified Growth	0.5	5.3	4.0
Composite Objective	2.1	8.4	6.9
Composite Benchmark	2.1	8.4	6.9
Best Ideas Portfolio	2.9	8.7	n/a
Objective	1.6	6.1	n/a
Benchmark	1.6	6.1	n/a
Total In-House Assets	0.4	8.7	10.9
Composite Objective	1.5	6.2	6.7
Composite Benchmark	1.5	6.2	6.7
Total LDI Portfolio	0.1	12.0	22.4
Composite Objective	0.1	12.0	22.4
Composite Benchmark	0.1	12.0	22.4
Total (ex LDI)	1.8	8.2	6.5
Composite Objective	1.7	7.4	6.6
Composite Benchmark	1.5	6.8	6.0
Total Clwyd Pension Fund	1.4	9.2	10.0
Composite Objective	1.4	8.1	9.3
Composite Benchmark	1.3	7.6	8.8

Source: Performance is calculated by JLT Employee Benefits based on data provided by the managers and is only shown for complete periods of investment.

Note: Objective performance includes the funds' outperformance targets above the relevant underlying benchmarks, as shown in the Appendix. Benchmark performance is based on the underlying benchmarks without the explicit outperformance targets for the relevant funds within the Equity and Multi-Asset Credit portfolios.

6 SUMMARY OF MANDATES

Manager	Fund	Strategic Asset Class	Performance Objective (Net of Fees)	Strategic Allocation
Investec	Global Strategic Equity	Global Developed Equities	MSCI AC World NDR Index +2.5% p.a.	4.0% ⁽⁴⁾
TBC	Smart Beta	Global Developed Equities	TBC	4.0%
Wellington	Emerging Market (Core)	Emerging Markets Equities	MSCI Emerging Markets Index +1.0% p.a.	3.0%
Wellington	Emerging Market (Local)	Emerging Markets Equities	MSCI Emerging Markets Index +2.0% p.a.	3.0%
Total Equity			Composite Weighted Index	14.0%
Stone Harbor	Libor Multi-Strategy	Multi-Asset Credit	1 Month LIBOR Index +1.0% p.a. ⁽¹⁾	12.0%
Stone Harbor	Multi-Asset Credit	Multi-Asset Credit	1 Month LIBOR Index +1.0% p.a.	
Permira	Credit Solutions III	Private Credit	Absolute Return 6.0% p.a.	3.0%
Total Credit			Composite Weighted Index	15.0% ⁽⁵⁾
ManFRM	Managed Futures & Hedge Funds	Managed Account Platform	3 Month LIBOR Index +3.5% p.a.	9.0% ⁽³⁾
Managed Account Platform			3 Month LIBOR Index +3.5% p.a.	9.0%
Pyrford	Global Total Return	Diversified Growth	UK Retail Price Index +4.5% p.a. ⁽²⁾	5.0%
Investec	Diversified Growth	Diversified Growth	UK Consumer Price Index +4.6% p.a.	5.0%
Best Ideas	Best Ideas	Best Ideas Portfolio	UK Consumer Price Index +3.0% p.a.	11.0%
Tactical Allocation Portfolio			UK Consumer Price Index +3.0% p.a.	21.0%
In-House	Private Equity	Private Markets	3 Month LIBOR Index +5.0% p.a.	8.0%
In-House	Opportunistic	Private Markets	3 Month LIBOR Index +5.0% p.a.	2.0%
In-House	Property	Real Assets	IPD Balanced Funds Weighted Average	4.0%
In-House	Infrastructure	Real Assets	3 Month LIBOR Index +5.0% p.a.	6.0%
In-House	Timber / Agriculture	Real Assets	3 Month LIBOR Index +5.0% p.a.	2.0%
Total In-House Assets			Composite Weighted Index	22.0%
Insight	LDI Portfolio	LDI & Synthetic Equities	Composite Liabilities & Synthetic Equity	19.0%
Total Liability Hedging			Composite Liabilities & Synthetic Equity	19.0%

Notes: 1 FTSE A Gilts All Stocks Index until 31 March 2014. 2 UK Retail Price Index +4.4% p.a. until 31 March 2015. 3 Strategic Allocation represents the composite benchmark for the Managed Account Platform. 4 Assets from Investec are to be apportioned to a Smart Beta Manager. Investec currently hold c. 8.0% of assets. 5 Committed but uninvested element of the Private Credit strategic allocation is represented by 1 Month LIBOR Index +1.0% p.a.

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CONTACT

KIERAN HARKIN

Director

+44 (0)161 957 8016

kieran_harkin@jltgroup.com

NICK BUCKLAND

Senior Consultant

+44 (0)207 528 4188

nick_buckland@jltgroup.com

ANTHONY WRAY

Consultant

+44 (0)161 253 1121

anthony_wray@jltgroup.com

NATALIE ZANI

Associate Consultant

+44 (0)161 253 1124

natalie_zani@jltgroup.com

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CLWYD PENSION FUND COMMITTEE

Date of Meeting	29 November 2017
Report Subject	Funding, Flightpath and Risk Management Framework Update
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

Members should note that:

- On a consistent basis the estimated funding position at the end of October is 91% which is around 12% ahead of the expected position from the 2016 actuarial valuation. However, there remains uncertainty in future return expectations. Following a question at the previous Committee there will be an explanation on how a small change in the return expectation can impact on the funding position.
- The level of hedging remains at 20% for interest rate and 40% for inflation at 30 September 2017.
- No triggers have been breached since the interest rate triggers were re-structured in September 2017.
- The LDI restructure completed in March 2017 is expected to achieve a net long-term gain of £36.5m. A gain could be crystallised earlier in certain market conditions. Since the restructure, the Fund has benefitted by around £4.5m at the end of August. This position will continue to be monitored to highlight an opportunity to crystallise a gain earlier (subject to a minimum of £25m).
- The Equity protection strategy was implemented on 24th April 2017 to protect against losses of more than 15% over a one year period on the equity mandate with Insight but retain full gains in the markets. The value of the equity option will be monitored on a quarterly basis.

RECOMMENDATIONS

1	That the Committee note the updated funding and hedging position for the Fund and the progress being made on the various elements of the Risk Management Framework.
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REPORT DETAILS

1.00	FUNDING, FLIGHTPATH AND RISK MANAGEMENT STRUCTURE UPDATE
1.01	<p><i>Update on funding and the flightpath framework</i></p> <p>The monthly summary report as at 31 October 2017 from Mercer on the funding position and an overview of the liability hedging mandate is attached in Appendix 1. It includes a “traffic light” of the key components of the Flightpath and hedging mandate with Insight. The report will be presented at the meeting including a reminder of the principle objectives of the framework.</p>
1.02	<p>The estimated funding level is 91% with a deficit of £183m at 31 October. In absolute terms the relative funding position is 12% ahead of the expected position at the end of October 2017 when measured relative to the 2016 valuation expected funding plan. Uncertainty continues to be prevalent in the investment environment due to ongoing external political and fiscal factors. To illustrate the impact, a reduction of 0.25% p.a. in the assumed future investment return/real discount rate would reduce the funding level by 4% to 87% with a corresponding increase in deficit of £91m to £274m. Following a question raised at the last Committee further explanation of this impact will be provided at this Committee meeting.</p>
1.03	<p>The revised interest rate and inflation triggers agreed at the November 2016 Committee meeting were put in place with Insight following updated investment guidelines being signed in August 2017. None of the new triggers have been satisfied.</p>
1.04	<p>The level of hedging was around 20% for interest rates and 40% for inflation at 30 September 2017. The hedging implemented to date provides access to a lower risk investment strategy but maintaining a sufficiently high real yield expectation to achieve the funding targets.</p>
1.05	<p>Based on data from Insight, our analysis shows that the management of the Insight mandate is rated as “green” meaning it is operating in line within the tolerances set by our strategic risk advisors.</p>
1.06	<p><i>Update on Risk Management framework</i></p> <p>(i) Restructuring the Insight Portfolio</p> <p>As reported previously, Insight and Mercer identified an opportunity to restructure Insight’s mandate that will be more efficient for the Fund. This involved buying assets with a higher yield/return and selling an equivalent asset with a lower yield/return.</p> <p>Insight implemented the trade subject to achieving a minimum level of benefit (net of transaction costs) of £25m. The trade was completed over the period 20th February to 3rd March 2017.</p> <p>The net long-term gain achieved was £36.5m (made up of a yield gain of £38m and transaction costs of £1.5m) which was a very positive result and lower trading costs than expected. The Fund’s hedge ratios remain at 20%</p>

	<p>for interest rates and 40% for inflation.</p> <p>Going forward the relative value trade will be monitored to see if a gain can be crystallised earlier if market conditions allow. Since inception the Fund has benefited by around £4.5m. This will continue to be monitored.</p> <p>Cash collateral of £41m was potentially available to invest elsewhere following advice from Mercer. At the FRMG meeting on 30th October it was considered if this should be released. It was agreed not to do this at the current time but that the ongoing collateral adequacy of the LDI portfolio mandate is monitored on a monthly basis as opposed to a quarterly basis.</p>
1.07	<p>(ii) Equity protection on the Insight mandate</p> <p>It was previously approved by Committee that, subject to fair market pricing, protection against potential falls in the equity markets via the use of “Equity Options” should be implemented. This will provide further stability in employer contributions (all other things equal) in the event of a significant equity market fall although it is recognised it will not protect the Fund in totality. It was agreed to implement a 1 year term contract to cover any losses on the mandate (£325m) of 15% or more. This was subject to the premium being no more than 3% of the total exposure (£10m). The strategy was implemented on 24th April 2017 at a premium of £7.2m (including transaction costs) or 2.2% of exposure.</p> <p>It was agreed by the FRMG on 30th October that the options on extending the protection (including taking off the protection) would be considered in detail prior to the expiry date. This will include consideration of a more sophisticated “dynamic” option and any change will be implemented on consultation with the finance officers of the other unitary authorities. This will be reported to Committee in 2018.</p> <p>The strategy and the value of the equity option contract will continue to be monitored on a monthly basis.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report. Officers will be required to input on any revised Equity Protection strategy through the FRMG.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required

4.00	RISK MANAGEMENT
4.01	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): <ul style="list-style-type: none"> • Governance risk: G2 • Funding and Investment risks: F1 - F6
4.02	The Flightpath Strategy manages/controls the interest rate and inflation rate impact on the liabilities of the Fund to give more stability of funding outcomes and employer contribution rates. The Equity option strategy will provide protection against market falls for the synthetic equity exposure in the Insight mandate only.

5.00	APPENDICES
5.01	Appendix 1 - Monthly monitoring report - October 2017

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – Flightpath Strategy Proposals – 8 November 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation and Funding/Flightpath Update – 27 September 2016 and Report to Pension Fund Committee – Funding and Flightpath Update – 22 March 2016.
6.02	Report to Pension Fund Committee – Overview of risk management framework – Previous monthly reports and more detailed quarterly overview. 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	(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. (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.

- (c) **The 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.
- (d) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (e) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (f) **Actuary** - A professional advisor, specialising in financial risk, who is appointed by Pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.
- (g) **ISS – Investment Strategy Statement**
The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund

Further terms are defined in the Glossary in the report in Appendix 1.

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CLWYD PENSION FUND

RISK MANAGEMENT FRAMEWORK MONTHLY MONITORING REPORT

November 2017

Fudalen 167

Paul Middleman

Adam Lane



OVERRIDING OBJECTIVES

Stable and affordable contribution rate

versus

Achieve returns in excess of CPI required under funding arrangements



Objectives are two-fold but conflicting

- Risk needs to be taken in order to achieve returns, but risk does not guarantee returns

Need to ensure a reasonable balance between the two objectives

- Do you need to take the same level of risk when 70% funded (say) as when 110% funded?

EXECUTIVE SUMMARY



= as per or above expectations



= to be kept under review



= action required



Overall funding position

- Ahead of existing recovery plan
- Funding level just below the first trigger
- Possible action will be discussed at FRMG following trigger breach

In absolute terms the funding position is c.12% ahead of target. However there is continuing uncertainty in the outlook for future returns which could impact on the future funding requirements.



Liability hedging mandate

- Insight in compliance with investment guidelines
- Performance ahead of the benchmark since inception

No action required.



Synthetic equity mandate

- Insight in compliance with investment guidelines
- Outperformed the benchmark over Q3 2017
- Maturity constraints as expected

No action. Insight implemented an equity option strategy to provide protection on the equity TRS exposure in April.



Collateral and counterparty position

- Collateral within agreed constraints
- The Insight QIF can sustain at least a 1.25% rise in interest rates and inflation in combination with a 35% fall in equity markets and a 0.5% increase in z-spreads before requiring further collateral

Collateral adequacy to be monitored quarterly. Potential to release a further c.£42m (as at 30 June 2017) based on the agreed collateral guidelines.



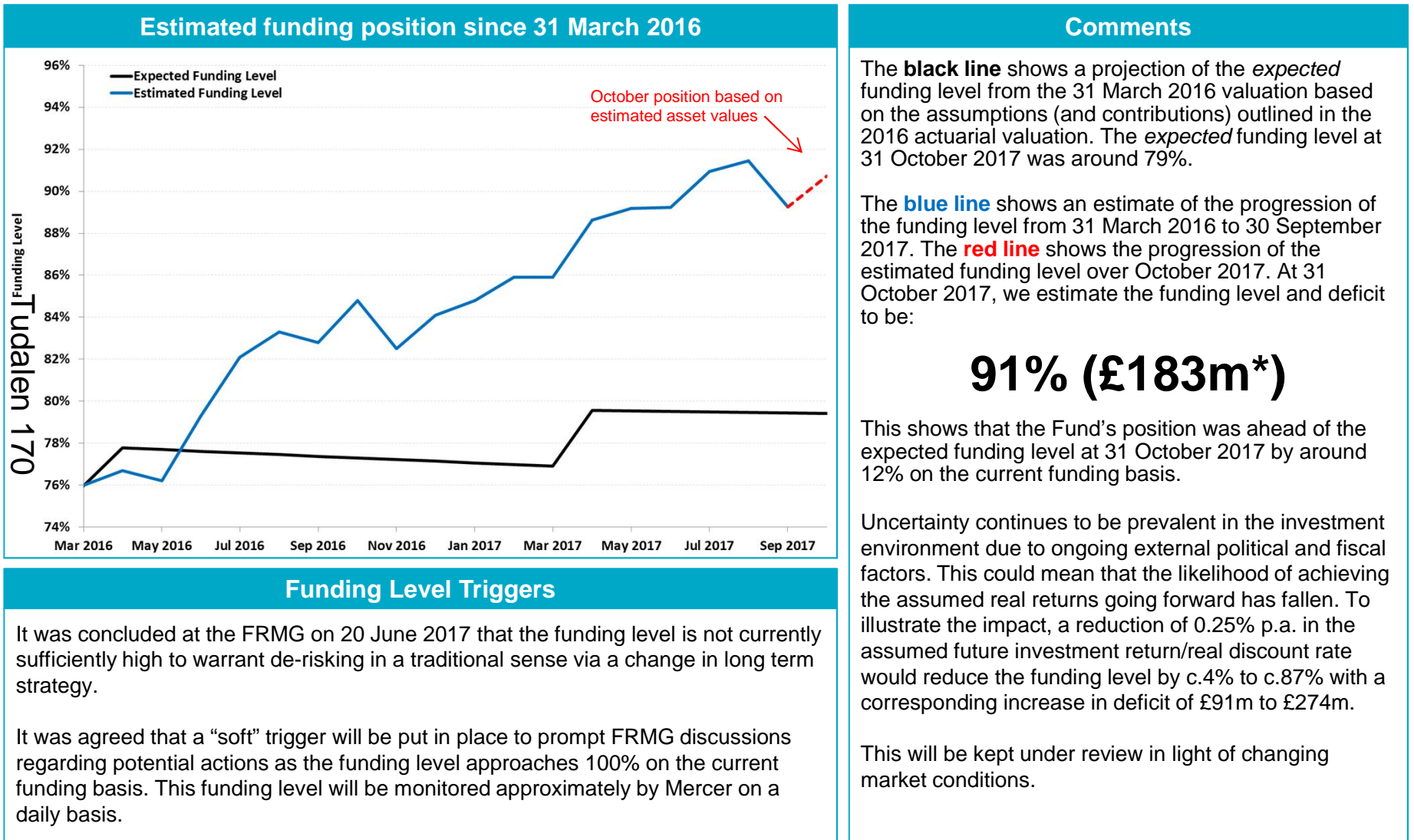
LIBOR Plus Fund

- LIBOR Plus Fund has outperformed its target since inception
- Management team stable and no change in manager rating
- Allocation of £50m remains appropriate

No action required.

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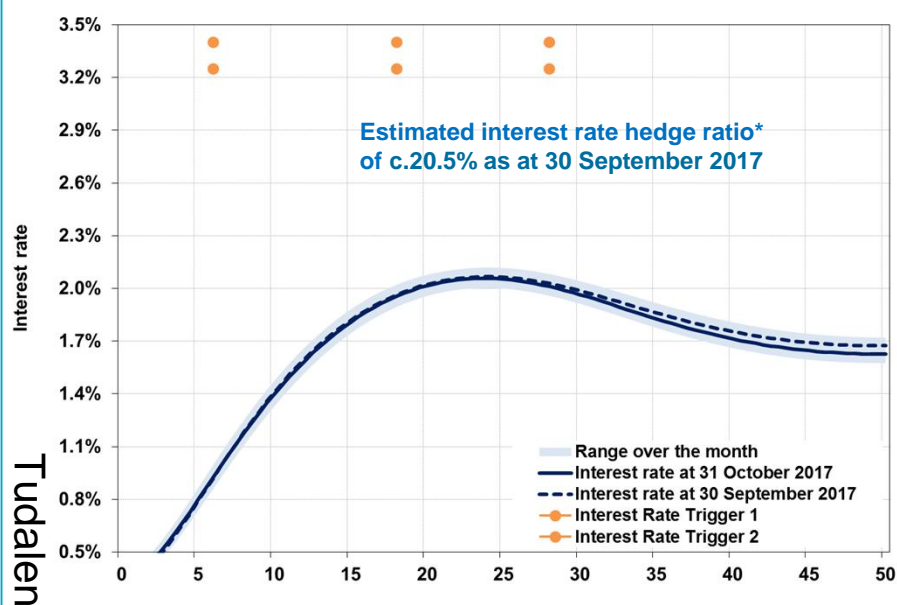
FUNDING LEVEL MONITORING TO 31 OCTOBER 2017



*Asset values estimated based on market indices and an estimate of performance of the Insight liability hedging mandate from 30 September 2017 to 31 October 2017. We will monitor this estimate over time against the actual position once final asset values are available, and update the asset values on a monthly basis.

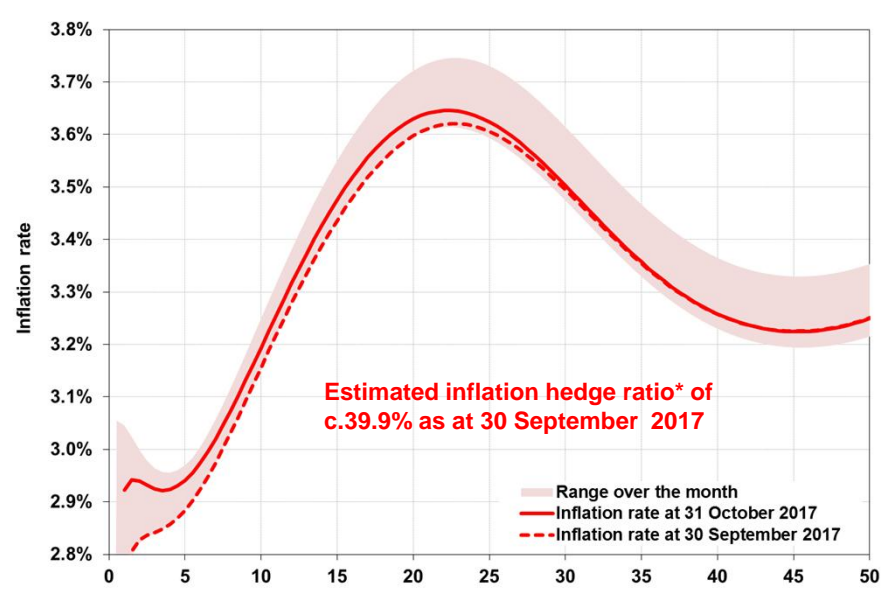
UPDATE ON MARKET CONDITIONS AND TRIGGERS

Change in interest rates



Date	Band 1	Band 2	Band 3	Band 4	Actual
30 September 2017	20.0%	20.0%	20.0%	20.0%	20.0%

Change in inflation rates (note: different scale)



Date	Band 1	Band 2	Band 3	Band 4	Actual
30 September 2017	40.0%	40.0%	40.0%	40.0%	40.0%

Comments

Interest rates remained stable over October 2017.

Based on market conditions as at 31 October 2017, yields would need to rise by c.1.3% before the Fund would hit any of the revised interest rate triggers implemented by Insight in September 2017.

Comments

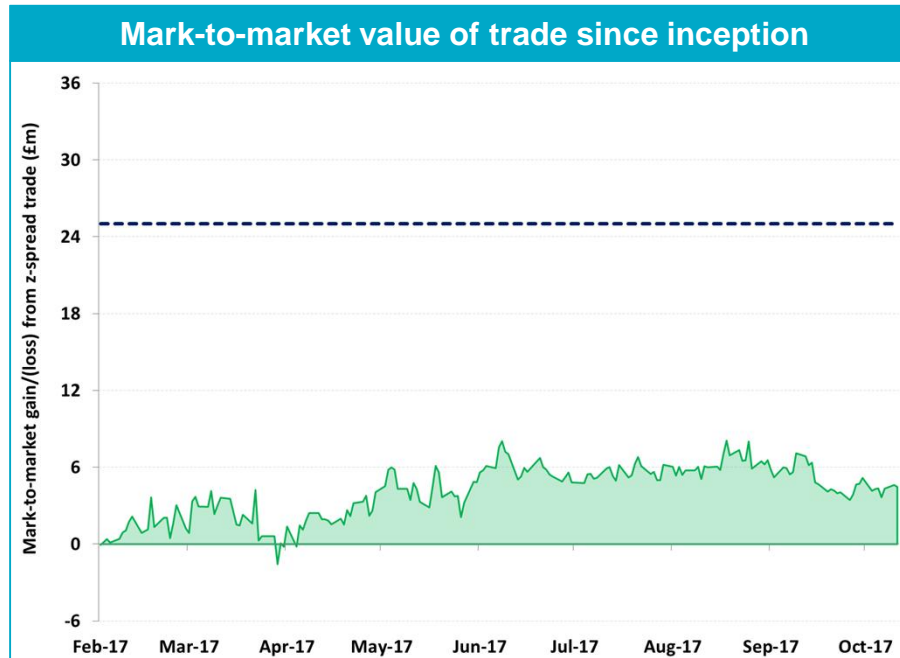
Inflation expectations remained stable over October 2017.

It has been agreed that Insight will not resume monitoring of the level of inflation hedging until the interest rate and inflation hedge ratios have been aligned.

* Hedge ratios calculated with reference to 2016 valuation cashflow analysis and relying on a discount rate of gilts + 2.0% p.a..

UPDATE ON RELATIVE VALUE TRADE

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Note: no allowance made for yield improvement from the inflation trade

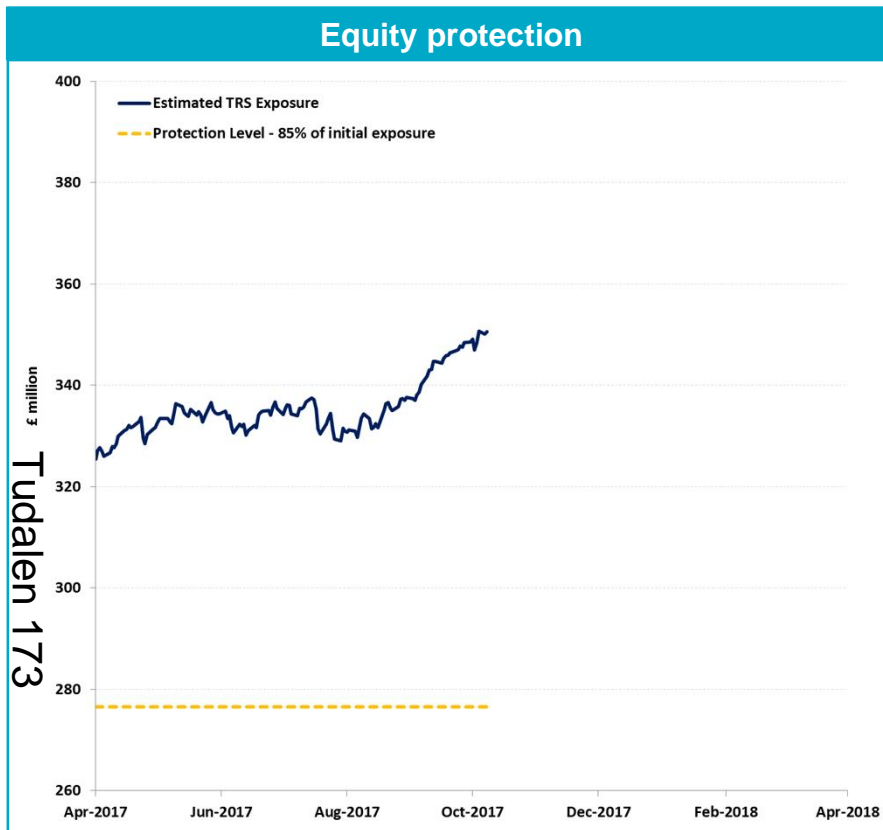
Comments

Insight estimated the potential net gain of the LDI restructure to be c.£36.5m. This gain will be accrued incrementally over the lifetime of the trade, assuming repo and swap funding costs offset one another.

The relative value trade (i.e. holding gilts and “selling” interest rate swaps) will experience a mark-to-market gain if the difference between gilt and swap yields (“z-spread”) falls over time. The mark-to-market gain fell by c.£2.6m over the month, given that z-spreads rose at all but the shortest durations over October 2017. This provided an estimated gain of c.£4.5m as at 31 October 2017. This position will be monitored over time.

At the FRMG on 20 June 2017, it was agreed that Mercer would monitor a “soft” trigger to prompt discussions around closing out the trade to “bank” the gain if the mark-to-market gain exceeds £25m.

EQUITY TRS PROTECTION



Comments

An equity option strategy has been implemented to protect the Fund against falls in equity market values over a one-year period to 24 April 2018.

In particular, put options were purchased to protect the value of the current equity TRS exposure beyond 15% market falls over the period to April 2018.

The chart illustrates the value of the equity TRS over the period from 24 April 2017 to 31 October 2017 (the **dark blue line**) and the **yellow dotted line** shows the level at which the protection will start to take effect.

Overall, the value of the Fund's TRS is relatively higher as at 31 October 2017 when compared with the 30 September 2017 position - this is due to strong performance of the underlying indices over the month.

We will continue to monitor this position on a monthly basis.

GLOSSARY

- Actuarial Valuation - The formal valuation assessment of the Fund detailing the solvency position and determining the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
- Collateral – Liquid assets held by the Fund as security which may be used to offset the potential loss to a counterparty.
- Counterparty – Commonly an investment bank on the opposite side of a financial transaction (e.g. swaps).
- Deficit - The extent to which the value of the Fund's liabilities exceeds the value of the Fund's assets.
- Equity option – A financial contract in which the Fund can define the return it receives for movements in equity values.
- Equity TRS (Equity Total Return Swap) – A financial contract in which the Fund receives the return on an equity index. In return the Fund must pay a regular financing fee to a counterparty bank.
- Flightpath - A framework that defines a de-risking process whereby exposure to growth assets is reduced as and when it is affordable to do so i.e. when “triggers” are hit, whilst still expecting to achieve the overall funding target.
- Funding level - The difference between the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.
- Funding & Risk Management Group (FRMG) - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- Hedging - A strategy aiming to invest in low risk assets when asset yields are deemed attractive. Achieved by investing in government backed assets (or equivalent) with similar characteristics to the Fund future CPI linked benefit payments.
- Hedge ratio – The level of hedging in place in the range from 0% to 100%.
- Insight QIF (Insight Qualified Investor Fund) – An investment fund specifically designed for the Fund to allow Insight to manage the liability hedging and synthetic equity assets.
- London Interbank Offer Rate (LIBOR) - An interest rate at which banks can borrow funds from other banks in the London interbank market.
- Z-spread – The difference between the yield on gilts and swaps.

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