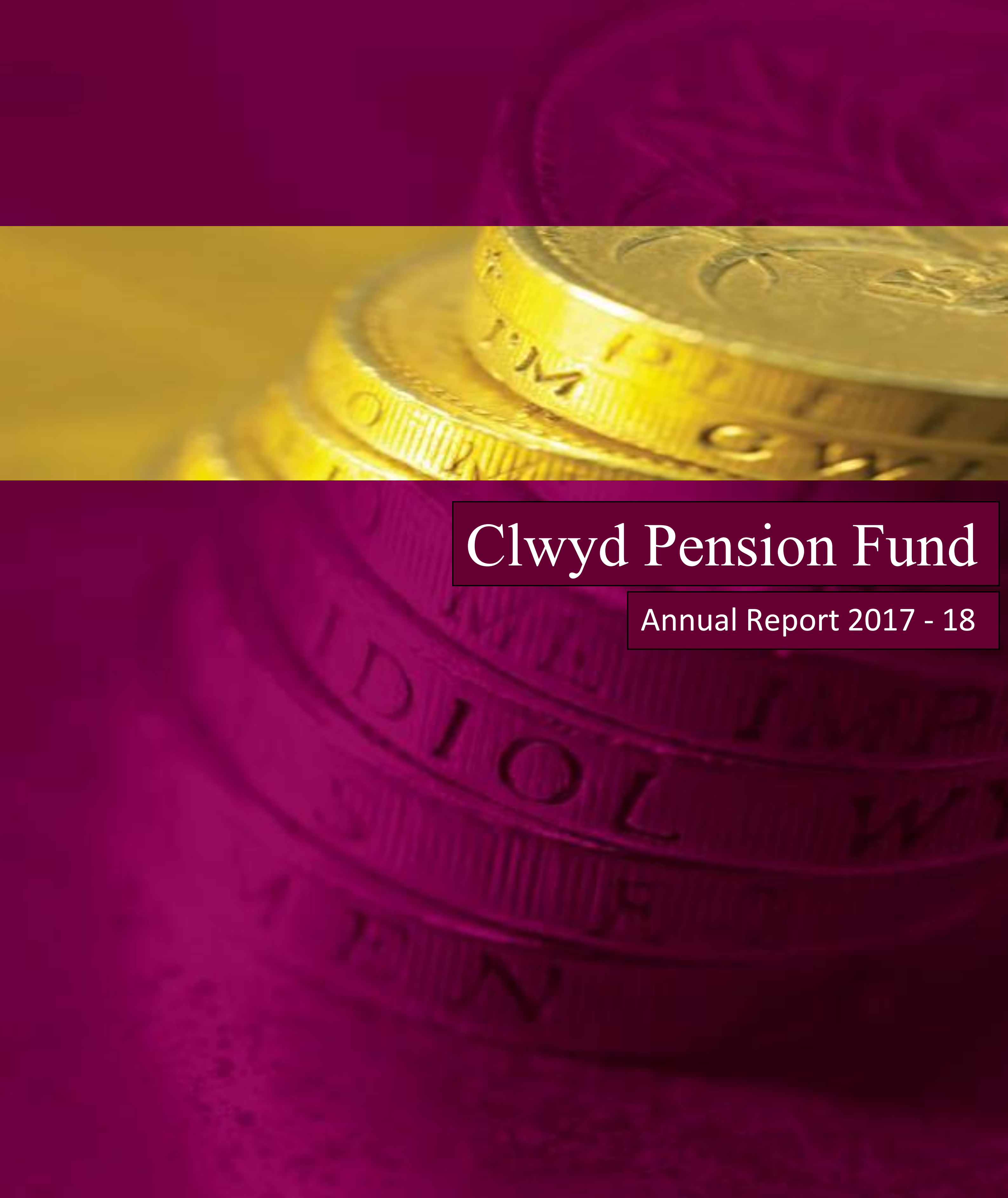


Clwyd Pension Fund

Annual Report 2017 - 18

LAPF Investments
2015 Awards
WINNER

LAPF Investments
2016 Awards
FINALIST

CLWYD PENSION FUND – AWARDS

IPE Real Estate Awards – May 2011

Won – Best Pension Fund in UK/Ireland (Country Awards)
Won – Best Opportunistic Investment (Themed Awards – Europe-wide)
Won – Best Small Real Estate Investor in Europe (Gold Awards – Europe-wide)

Runner-up – Best European Real Estate Investor (Platinum Award – Europe-wide)

IPE Awards November 2011

Won – Best Use of Real Estate (Themed Awards – Europe-wide)

Runner-up – Best Use of Specialist investment Managers (Themed Awards – Europe-wide)
Runner-up – Best Use of Hedge Funds (Themed Awards – Europe-wide)

IPE Real Estate Awards – May 2012

Won – Best Portfolio Construction (Themed Awards – Europe-wide)
Won – Best Medium Real Estate Investor in Europe (Gold Awards – Europe-wide)

Runner-up – Best Pension Fund in UK/Ireland (Country Awards)
Runner-up – Best Indirect Investment Strategy (Themed Award – Europe-wide)
Runner-up – Best Opportunistic Investment (Themed Award – Europe-wide)

IPE Awards – November 2012

Won – Best Public Sector Fund in Europe
Won – Best use of Alternatives

Runner-up – Best Fund in Europe
Runner-up – Best use of Commodities
Runner-up – Best use of Emerging Markets
Runner-up – Best use of Hedge Funds
Runner-up – Best use of Real Estate
Runner-up – Best use of Specialist investment Managers

IPE Real Estate Awards – May 2013

Won – Best Institutional Investor in UK/Ireland

LAPF Investments 2015 Awards – September 2015

Won – Risk Management Project of the Year

LAPF Investments 2016 Awards – September 2016

Finalist - Governance

Contents

Introduction

Welcome to the Clwyd Pension Fund Annual Report for 2017/18.

2017/18 Overview

In the Annual Report last year we outlined the on-going challenges for the Fund for 2017/18:

- Protecting the Fund's improved financial position
- Continuing with the implementation of asset pooling in Wales
- Achieving the objectives of the Fund's aspirational administration and communications strategies for employers and members.

The investment return for the year was again positive further improving the funding position of the Fund and reducing the gap between assets and pension liabilities, which is otherwise funded by employers. The Fund's financial position is now as favourable as it has been for nearly three decades but we are very conscious how quickly financial markets can reverse. Therefore, priority was given in 2017/18 to do everything we can to protect the gains made over recent years whilst still taking sufficient investment risk to achieve investment returns set by the Actuary. The details of the innovative work undertaken by the Fund's Advisors and investment managers to achieve our funding and investment objectives is outlined in this Annual Report. This risk management approach should benefit employers when the results of the next Actuarial Valuation are implemented on 1st April 2020. Some early indications of the financial impact will be presented by our Actuary at our Annual Meeting on 6th November 2018.

We have continued to work with the other seven Welsh LGPS Pension Funds to introduce "asset pooling", in order to meet guidance from Central Government. The Council as the Administering Authority has signed an Inter-Authority Agreement to formally enter into a partnership with the other seven Funds, the name of which is the Wales Pensions Partnership (WPP). The aim of the WPP is to reduce costs, increase efficiencies and further improve governance over the Welsh LGPS Pension Funds' investments. The Inter-Authority Agreement includes provision for an Officer Working Group and Joint Governance Committee, both on which the Clwyd Pension Fund is represented. Fund officers also represent the Wales Pension Partnership on national groups for Responsible Investment and Infrastructure.

As a result of this Partnership the Clwyd Pension Fund will invest collaboratively over time, rather than making our own individual investment arrangements. This simply means that the Clwyd Pension Fund will continue to decide the type of asset we want to invest in, whilst a professional organisation appointed by the WPP decides which asset manager will be used for each type of investment. During 2017/18, WPP undertook a rigorous procurement process and appointed Link Fund Solutions Ltd to establish and run a collective investment vehicle for the sole use of the Wales Pension Partnership to invest in assets of the LGPS funds in Wales. It is planned that the first assets will transfer to the new investment vehicle in late 2018.
In March 2016, we formalised and launched the Fund's Administration and Communications strategies. The performance targets in our strategies are aspirational

and we acknowledged it would take time to fully implement and this is proving to be the case. The objectives continue to be focussed on providing a high quality customer focussed service to our stakeholders, with clear concise communications using the most appropriate means of delivery. In 2017/18 further progress has been made with the roll out of a system (called i-Connect) to increase efficiency in transferred data between employers and the Fund. Communications with scheme members have been enhanced by launching an improved web-site alongside Member Self Service (MSS) which is an on-line facility where members can view their individual pension information..

We do recognise that it is taking us longer than we would hope to process some member cases. Over recent years there has been a significant increase in the volume of cases and increased complexity in the Scheme's Regulations. The Fund's Business Plan includes further projects for improvement as well providing some additional resource to meet increased demand. Valuable assistance was provided throughout the year by the Pension Board and progress continues to be monitored by the Pension Committee.

Overall we can look back on 2017/18 in a positive light, as we continued to meet most of the Fund's objectives within a challenging environment, and made steady progress at introducing a number of improvements to benefit the Fund and its stakeholders in the future. This annual report illustrates the progress that has been and is being made in managing the various complex risks across the Fund.

2018/19 and Beyond

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

- Navigating the Fund through any changes in investment markets which ultimately could impact on the cost of the Scheme for employers.
- Managing the transition of assets into the Wales Pool.
- Considering and measuring the social impact of the Fund's investments
- Making more progress in achieving the objectives of the Fund's administration and communication strategy.
- Implementing any required changes to the benefit structure or scheme member contribution rates as a result of the national LGPS cost control mechanism

This Annual Report

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

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

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

Dave Hughes **Chair of Pension Fund Committee**	**Colin Everett** **Chief Executive**

September 2018

Mission Statement
• **We will be known as forward thinking, responsive, pro-active and professional providing excellent customer focused, reputable and credible service to all our customers.**
• **We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.**
• **We will work effectively with partners, being solution focused with a can do approach.**

Governance Structure & Overview of the Clwyd Pension Fund

Administering Authority: Flintshire County Council

In May 2014 the Fund's governance arrangements were reviewed and the Council established a formal Pension Fund Committee, supported by a Pensions Advisory Panel. Additionally, the representation of stakeholders, with full voting rights, on the Committee was widened. In performing their role the Committee takes advice from an advisory panel of officers and professional advisors. The Committee has a scheme of delegation to officers to ensure efficient implementation and receives monitoring reports at each quarterly Committee on governance, funding, investment, administration and communication strategies and progress with the 3 year Business Plan. The minutes of each Committee are available on the Flintshire County Council website. The membership of both the Committee and Advisory Panel are shown below.

The Public Service Pensions Act 2013, which has been incorporated into the Local Government Pension Scheme (LGPS) regulations, included the establishment of Local Pension Boards. The role of the Board as defined in Regulation is to secure compliance with regulation and legislation and ensure effective and efficient governance. The minutes of Board meetings are included in the Committee agenda papers and Board members attend Committee, making an important contribution to debates and discussion. The Board annual report is included within this Annual Report.

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

Clwyd Pensions Fund Committee

Committee Members		Voting Rights
Flintshire County Council	Cllr Dave Hughes (Chair)	✓
	Cllr Haydn Bateman (Vice Chair)	✓
	Cllr Billy Mullin	✓
	Cllr Ralph Small	✓
	Cllr Ted Palmer (February 2018)	✓
Denbighshire County Council	Cllr Huw Llewelyn Jones	✓
Wrexham County Borough Council	Cllr Nigel Williams	✓
Scheduled Body Representative	Cllr Andrew Rutherford	✓
Member Representative	Mr Steve Hibbert	✓

Advisory Panel

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

Clwyd Pension Fund Local Board

Local Board Members		Voting Rights
Independent Chair	Karen McWilliam	X
Employer Representatives	Mark Owen	✓
	Steve Jackson	✓
Scheme Member Representatives	Gaynor Brooks (Replaced June 2018 with Paul Friday	✓
	Phil Pumford	✓

Investment Managers

Investment Managers	Address
BlackRock	12 Throgmorton Avenue, London
Insight Investment	160 Queen Victoria Street, London
Investec Asset Management	2 Gresham Street, London
Man FRM	Riverbank House, 2 Swan Lane, London
Pyrford International Ltd	95 Wigmore Street, London
Stone Harbor Investment Partners (UK), LLP	48 Dover Street, London
Wellington Management International Ltd	Cardinal Place, 80 Victoria Street, London

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

Other

Service	Address
Custodian: **Bank of New York Mellon**	160 Queen Victoria Street, London
Actuary: **Mercer Ltd**	Old Hall Street, Liverpool
Consultant: **JLT Employee Benefits**	7 Charlotte Street, Manchester
Independent Advisor: **Aon Hewitt**	122 Leadenhall Street, London
External Auditors: **Wales Audit Office**	24 Cathedral Road, Cardiff
Bank: **National Westminster Bank plc**	48 High St., Mold
AVC Providers: **Prudential** **Equitable Life**	 121 King's Road, Reading Walton Street, Aylesbury, Buckinghamshire
Legal Advisors: **This varies depending on the issue and can include the Flintshire County Council in-house legal team as well as organisations listed on the National Framework Agreement .**	

Clwyd Pension Fund Contact Details

Name	Post	Contact details
Philip Latham	Clwyd Pension Fund Manager	(01352) 702264
Helen Burnham	Pensions Administration Manager	(01352) 702872
Debbie Fielder	Pensions Finance Manager	(01352) 702259
Pensions Administration	pensions@flintshire.gov.uk	(01352) 702761
Pensions Finance	pensionsinvestments@flintshire.gov.uk	(01352) 702812

Clwyd Pension Fund Training Policy 2017/18

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

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

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

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

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

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

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

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

In line with the Training Policy the follow measures relate to 2017/18 in relation to all Pension Committee, Local Board and senior officers (a total of 17 persons):

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

b) Hot Topic Training - Of the 9 additional training sessions offered, the attendance was as follow:

- 2 sessions 59%
- 2 sessions 76%
- 4 sessions 82%

c) General Awareness – Out of the total of 17 members (Committee and Board) and officers, 14 of them completed at least one general awareness day in accordance with the policy.

Committee Attendance / Training and Activity 2017/18

There was a substantive change to the membership of the Pension Committee in May 2017 and subsequently training was provided to all the new Members and as a refresher to existing Committee Members. Initial training days included the following areas which cover the areas recommended in the CIPFA Knowledge and Skills Framework whilst being Clwyd Pension Fund specific:

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

The table overleaf identifies the attendance at Committees and specific training undertaken during 2017/18 by the Committee during that year.

	Cllr D Hughes	Cllr H Bateman	Cllr Billy Mullin	Cllr R Small	Cllr N Williams/ Cllr T Bates	Cllr H LL Jones	A Rutherford	Cllr T Palmer	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)	✓	✓	✓	✓	✓	✓	✓		✓
Additional Training & Hot Topics									
Pooling (Sept Committee)	✓	✓	✓	✓	✓	✓			✓
TPR Checklist (Sept Committee)	✓	✓	✓	✓	✓	✓			✓
Statement of Accounts (Sept Cttee)	✓	✓	✓	✓	✓	✓			✓
Funding and Flight Path (Nov Cttee)	✓	✓	✓	✓	✓	✓	✓		✓

	Cllr D Hughes	Cllr H Bateman	Cllr Billy Mullin	Cllr R Small	Cllr N Williams/ Cllr T Bates	Cllr H LL Jones	A Rutherford	Cllr T Palmer	S Hibbert
CPF Annual Employer Admin Meeting (am)	✓	✓							✓
CPF AJCM (pm)						✓			✓
LGPS Performance (Feb Committee)	✓	✓		✓	✓	✓	✓	✓	✓
Clwyd Benchmarking Data (Feb Committee)	✓	✓		✓	✓	✓	✓	✓	✓
WPP Operator Update (Feb Committee)	✓	✓		✓	✓	✓	✓	✓	✓
PLSA Cost Transparency Web Cast (March Committee)	✓	✓	✓	✓	✓	✓		✓	✓
PLSA Risk Management Web Cast (March Committee)	✓	✓	✓	✓	✓	✓		✓	✓
Pensions Regulator Modules									
Conflicts of Interest							✓		✓
Managing Risk & Internal Controls									✓
Maintaining Accurate Member Data									✓
Maintaining Contributions									✓
Resolving Disputes									✓

	Cllr D Hughes	Cllr H Bateman	Cllr Billy Mullin	Cllr R Small	Cllr N Williams/ Cllr T Bates	Cllr H LL Jones	A Rutherford	Cllr T Palmer	S Hibbert
Providing Information to Members & Others									✓
Reporting Breaches									✓
Conferences (Restricted spaces)									
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	✓	✓	✓	✓	✓	✓			✓
Cross Pool Open Forum March 2018	✓								

Key Risks

The Clwyd Pension Fund has embedded risk management into the governance of the Fund. The Committee has approved a Risk Management Policy and a detailed Risk Register is maintained. Changes to the level of risk are reported at each Committee.

Given that many pension fund risks are outside of our control, our risk management focusses on measuring the current risk against the Fund's agreed target risk (which may still be relatively high) and identifying the further controls and actions that can be put in place. This risk management process is integral in identifying actions that are then included in the Fund's Business Plan.

On the whole the next few years will be challenging for those involved in the governance, management and operation of the Fund. The risks discussed below are documented in the Risk Register which will continue to be updated at each Committee meeting as circumstances change. The risks shown are those risks which are currently identified as amber i.e. with moderate consequences that are considered a possible occurrence, or higher, and where we are not currently meeting the target risk exposure.

Managing Third Party Risks

Risk

- There are a number of risks the Fund must manage as a result of working with third parties, such as the employers that participate in the Fund, and our external suppliers and fund managers.
- Employer risk falls into two distinct areas:
  - Employers not carrying out their administrative responsibilities.
  - Employers not paying their contributions. Late payment of contributions could, if the contributions paid late were significantly large, directly put a strain on the Fund. However, more importantly, this may also be an indication of underlying problems, such as an employer that is going through financial difficulties. Should this lead to employers ceasing to participate in the Fund due to financial difficulties, this may result in unpaid liabilities which can then have implications on other employers in the Fund.

Action

- Monitoring receipt of contributions and taking action to quickly pursue arrears. Late payments are captured as part of our monitoring of breaches in the law and our administration strategy so we quickly identify any trends which may indicate underlying problems. Late payments for 2017/18 are shown in the Administration section of the Annual Report.
- Considering the strength of covenant of our employers as part of the triennial valuation exercise, ensuring funding plans are appropriately set, which in turn dictate the amount of contributions due and when. Most employers in the Fund have a strong covenant, however, improvement in the procedures for monitoring employer risk was included in the 2016/17 Business Plan.
- Our external suppliers are wide ranging and include fund managers, custodian, consultants and information system suppliers. We carry out ongoing monitoring of all our suppliers appropriate to the type of service they provide, such as ensuring that all their fees are in line with the agreed contract, performance measuring

against agreed objectives or benchmarks, regular review of their contracts, generally through tender processes, and review of fund manager annual reports. Our custodian and fund managers provide us with internal control reports which we regularly review.

Key:

Risk Exposure	Impact/Likelihood
Black	Catastrophic consequences, almost certain to happen
Red	Major consequences, likely to happen
Amber	Moderate consequences, possible occurrence.
Yellow	Minor consequences, unlikely to happen.
Green	Insignificant consequences, almost very unlikely to happen.

Governance

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	Inappropriate or no decisions are made			1 - Ongoing delivery of training for PFC/PB based results of training needs self-assessment 2 - Ensure timely induction training for new PFC/PB members
Externally led influence and change such scheme change and asset pooling	The Fund's objectives/legal responsibilities are not met or are compromised - external factors			1 - Regular ongoing monitoring by AP to consider if any action is necessary 2 - Ensure Board requests to JGC/OWG are responded to
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.	Services are not being delivered to meet legal and policy objectives			1 - Complete and implement Finance team restructure

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions			1 -The level of hedging will be monitored and reported regularly via FRMG
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	Investment and/or funding objectives and/or strategies are no longer fit for purpose			1 - Ensure proactive responses to consultations etc.
Employer ceasing to exist with insufficient funding (bond or guarantee)	Loss of employer income and/or other employers become liable for their deficits			1 - Employer risk management framework to be finalised

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues			1 - Ongoing training 2 - Ongoing bedding in of aggregation team and use of Mercers with backlogs 3 - Ongoing monitoring of ELT and Ops resource/workload for backlogs
Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues			1 - Ongoing roll out I-connect 2 - Ongoing monitoring of ELT resource/workload
Communications are inaccurate, poorly drafted or insufficient	Scheme members do not understand or appreciate their benefits			1 - Continue with website development 2 - Ongoing promotion of website and member self service 3 - Ongoing identification of data issues and data improvement plan 4 - Review of effectiveness of new website/iConnect planned for 2018/19
Systems are not kept up to date or not utilised appropriately, or other processes inefficient	High administration costs and/or errors			1 - Ongoing roll out of iConnect 2 - Ongoing identification of data issues and data improvement plan 3 - Review of effectiveness of new website/iConnect planned for 2018/19 4 - Implementation of other Altair modules in 2018/19 business plan

Independent Adviser

Introduction

This is my fourth annual report in my role as Independent Adviser to the Clwyd Pension Fund (the Fund), focussing on the year 2017/18.

My role

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

This is my fourth annual report, and it sets out my views on the management and administration of the Fund and, in particular, how it this has evolved during 2017/18 (April to March), but also touches on some developments that have taken place after March 2018. I also highlight some of the ongoing challenges Flintshire County Council will face in the future, in its role as Administering Authority to the Fund, both in the short term and in the longer term.

Overview

2017/18 has been another year where there have been significant challenges to the management and operations of the Fund. Some challenges have been driven by national changes to the LGPS (particularly around the requirement to implement asset pooling arrangements), whereas others, particularly relating to planned improvements to and evolution of the management of the Fund, have been driven by Flintshire County Council. As in previous years, my view is that a significant amount has been achieved in an extremely short period of time, which continues to be of great credit to all involved.

Effective Governance

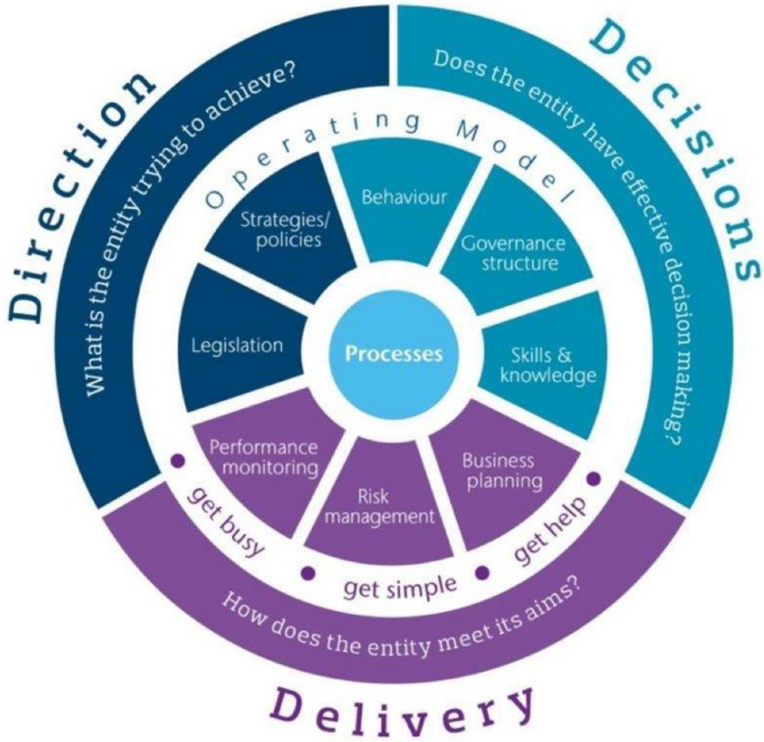
There are some key benefits from having effective governance in place, including:

- Robust risk management that can assist in avoiding issues arising or at least reducing their impact
- Ensuring resources and time are appropriately focussed
- Timely decision making and implementation of change
- A clear view of how the Fund is being operated for the Pension Fund Committee (or equivalent).

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

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

- Delivery – having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management ensure effective and efficient delivery
- Decisions – having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is critical.



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

- the overall **governance** (aka management and decision making) of the Fund
- having an appropriate approach to **funding** the liabilities
- the safeguarding and **investment** of assets
- the **administration** of the scheme members' benefits and
- **communications** with the Fund's stakeholders.

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

Observations

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

Governance

Key achievements:

- managing significant change in the Pension Fund Committee membership, including intensive training and appointing the Operator for the Wales Pensions Partnership
- excellent business planning and monitoring.

The Fund went into 2017/18 in a strong position with governance arrangements that were well established and operating well including an experienced Pension Fund Committee, a Pension Board providing invaluable assistance and a proactive Advisory Panel, However in May 2017, the Welsh local authority elections resulted in a ***major change in membership of the Pension Fund Committee*** with five new members (out of a total of nine). In addition, one of these new members, Councillor Dave Hughes, was appointed as Chair to the Committee, a role which requires a large time commitment and a high level of understanding in the subject matters. Therefore perhaps the biggest governance challenge during the year was the education of the new members to ensure a high standard of decision making. Intensive training was put in place, complimented by the use of a training needs assessment. I observed the new members becoming much more comfortable in their roles as the year progressed. The Committee benefited during this period from the other long standing members, including the scheme member representative and representatives from other employers. This demonstrates a key benefit to not having all Committee members from Flintshire County Council.

The other key area of focus relating to governance during the year is the ongoing ***implementation of asset pooling in Wales*** through the Wales Pension Partnership (WPP). A major deliverable during the year was the procurement and appointment of Link Fund Solutions Ltd as the Operator to the Partnership. Given the magnitude and unique nature of this contract, it appears to have been carried out within very quick timescales (driven by Government). The Clwyd Pension Fund Committee and Board benefited from a presentation by Link shortly after their appointment, to better understand their role in implementing the asset pooling arrangements. I would, however, highlight some concerns I have around the resources needed to manage WPP, which has resulted in some of the key governance requirements such as the WPP business plan. Some of this is as a result of an expected absence within the Host Authority (Carmarthenshire County Council). However, I also recognise the ongoing challenge for the officers from all administering authorities working on the implementation of WPP whilst still having to manage their day to day responsibilities.

This resourcing challenge has been exacerbated within Flintshire County Council due to the retirement of one of the Pension Fund Finance Managers in December 2017. This Finance Team is also responsible for governance arrangements for the Fund, such as managing the preparation of Committee reports and training. Given that person's retirement and the implementation of WPP, the Clwyd Pension Fund Manager has recognised the ***resource constraints within the Finance Team*** and has reviewed the structure of the team. I welcome this review but note the greater use of Consultants and the need for work to be prioritised whilst recruitment takes place.

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

- In my view the Pension Board continues to play an integral part in the governance of the Fund (recognising my role as Chair of the Board). During 2017/18, they had a change in membership with Phil Pumford taking over from Jim Duffy who resigned for health reasons. Phil has embraced his role and is supported by the other long standing Board members. The Board have produced a separate report (which can be found in the Fund's annual report and accounts) which outlines the work of the Board, and which I believe demonstrates the excellent partnership they have with the Committee and officers of the Fund, and the benefits that they bring to the management of the Fund.
- I continue to be extremely impressed by the engagement and involvement of the Council in the Wales Pension Partnership, and particularly the officers who have ensured that they have been on the front foot in the development of the Partnership, and also at a national level. It would be extremely risky for the Council to take a back seat in these discussions given the impact asset pooling could have on ongoing performance of the Fund.
- I was pleased to see all those involved with the governance of the Fund demonstrating a strong understanding of the potential conflicts of interest that can arise. A number of potential conflicts were highlighted during meetings and they were managed appropriately. This shows that the requirements of the Fund's Conflicts of Interest Policy are being followed.
- The risk management framework is now well bedded in and risk management across all areas of Fund responsibilities is considered regularly and a standard part of all Committee reports. I believe those involved with the governance of the Fund have a good appreciation of the key risks and are working hard to develop more robust internal controls where feasible.
- Business planning continues to be integral to the day to day running of the Fund. The 2017/18 business plan was agreed by the Pension Fund Committee in March 2017 and was monitored throughout the year. The plan continues to be robust, with very little need to adapt it mid-year, and the officers of the Fund have done a tremendous job in delivering the projects and tasks highlighted within it.

My opinion is that the governance of Clwyd Pension Fund continues to compare well to the Aon Hewitt Governance Framework. The Council identifies and sets out good clear objectives in all areas, measures itself effectively against these objectives, and has a good attitude to Business Planning and to Risk Management. The Council's governance structure for Fund matters works well, as mentioned above, and the individuals charged with managing the Clwyd Pension Fund are well engaged, committed to their roles and well trained.

Looking to the future:

There are three matters relating to governance that I will be particularly interested in during 2018/19:

- As mentioned above, there has been significant progress in establishing the Wales Pension Partnership for asset pooling. The Clwyd Pension Fund has a very different investment strategy to many other Funds, so they need to be assured that both the Operator and the pooling arrangements themselves can deliver the Fund's requirements and that the governance arrangements, as outlined in the Inter-

Authority Agreement, are put into practice. Some of the governance requirements were not put in place during 2017/18 and so I would expect these to be delivered during 2018/19. I will also be particularly interested in observing robust decision making as the sub-funds are set up by WPP, both at the Joint Governance Committee involving all the administering authorities and at Clwyd Pension Fund Committee. In the longer term, the crucial measure of success will be whether or not the move to asset pooling results in savings for all of the participating Pension Funds, and this must also be kept under close consideration.

- The Council had previously identified the need for workforce planning giving the age profile of some of the senior members of staff. Involved with managing the Fund. The additional pressures of the asset pooling project and an increased focus on governance have added to the workloads of the Finance Team. Even though a new structure is in place, the first round of recruitment failed to attract any suitable candidates. It is important the Council works hard to ensure that a permanent solution to this staffing challenge is found at the earliest convenience (albeit recognising the time it will take to train new staff members).

At the moment there are some matters that have temporarily had to take a back seat due to these resource constraints, such as focussing on any areas of weakness compared to the Pension Regulator's Code of Practice for public service pension schemes. Although I am confident that this is not having a material impact on the Fund, I am keen to see resource increased so that compliance can be demonstrated in most areas, with an up to date action plan for those areas where improvements could be made.

Funding and Investments (including accounting and financial management)

Key achievements:

Successful implementation of MiFIDII

- Increased focus on Responsible Investment and certification as a Tier One signatory to the Financial Reporting Council's UK Stewardship Code
- The funding plan continuing to be ahead of the target agreed at the 2016 actuarial valuation
- New opportunities identified to safeguard assets or increase yields within the agreed level of risk.

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

- The ***introduction of the MiFIDII*** (Markets in Financial Instruments Directive II) aimed to improve transparency in financial markets and investor protection. As a result, Flintshire County Council had to provide evidence to all 60 pension fund investors and advisors to allow them to be treated as a professional, rather than a retail client. This involved the Finance Team collating essential information around the decision making and training on investment matters, followed by individual communications with all of the investors and advisors to receive confirmation of the change in status. Given the short period that this was completed over, it is a credit to those involved that full compliance was achieved by the deadline.

- I was delighted to see that the Fund was ***awarded status as a tier one signatory to the Financial Reporting Council's UK Stewardship Code***. The principles of the Code are shown below and achieving this status demonstrates the robust governance of the Fund's investments, ultimately to protect and enhance value for the beneficiaries of the Fund. Investors should:

  1. publicly disclose their policy on how they will discharge their stewardship responsibilities.
  2. have a robust policy on managing conflicts of interest in relation to stewardship which
  should be publicly disclosed.
  3. monitor their investee companies.
  4. establish clear guidelines on when and how they will escalate their stewardship activities.
  5. be willing to act collectively with other investors where appropriate.
  6. have a clear policy on voting and disclosure of voting activity.
  7. report periodically on their stewardship and voting activities.

- With ongoing advice from the Fund Actuary and Investment Consultant, the Fund continues to monitor and look for opportunities in relation to its investments and liability management, including:
- The Fund Actuary has been providing regular information monitoring progress against the funding targets set at the last actuarial valuation and it is pleasing to see the Fund is in a ***positive position against its funding target***.
- An opportunity to restructure the flight path mandate to provide a ***higher yield on the assets*** for the same level of risk control was identified. It is pleasing that the Fund's governance arrangements permit such opportunities to be identified and considered, and where appropriate, quick decisions to be made. It is pleasing to see that these decisions are not made lightly however and the officers and Committee always put a lot of focus on the advice coming from the Fund Actuary and Investment Consultant.

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

Looking to the future:

- As mentioned previously, a significant focus next year will be on asset pooling and ensuring that the Fund's investment strategy can continue to be delivered through the WPP. In 2018/19, key areas will include ensuring:
- appropriate sub-funds are put in place to align with the Clwyd Pension Fund's strategy
- the smooth transition of assets to those sub-funds
- ongoing reporting arrangements continue to provide sufficiently specific information for the Clwyd Pension Fund to satisfy the needs of the officers, advisers and the

Committee and Board.

- In due course it will also be good to see further regular information on how the Fund is meeting its Responsible Investment objectives and in particular, ensuring that the WPP meet the requirements of the Clwyd Pension Fund Sustainability Policy.

Administration and Communications

Key achievements:

- Ongoing roll out of the i-Connect data collection system for use by employers being ahead of schedule
- Launching of the new Clwyd Pension Fund website
- Successful launch of the Member Self Service facility
- Successfully implementing the requirements of the General Data Protection Regulation.

During 2017/18, the key challenge in relation to the Fund's administration and communications was unprecedented ***increases in workloads*** much of which stems back to the introduction of the CARE scheme in 2014. Improved management information has confirmed that the Fund's agreed administration objectives in relation to target delivery timescales are not being met in a number of areas. This new management information has also evidenced that some of the team's work has doubled since 2014. This has resulted in ongoing delays in processing scheme member benefits and correspondence and this is continuing to be an issue and the key focus of attention in 2018/19. The Fund's appointed benefit consultant, Mercer, is continuing to assist in clearing backlogs that have accumulated and I am pleased that all options are being considered to turn this situation around.

In the meantime, the team have continued to work hard to implement systems and efficiencies which, will not only vastly improve accessibility to pension fund information for scheme members and employers, they will introduce efficiencies that will ultimately help manage these increases in workloads:

- Launch of the new Clwyd Pension Fund website - www.clwydpensionfund.org.uk. After a fundamental overview, the website now provides a wide range of information for all categories of scheme member including useful information relating to the governance of the Fund.
- The launch of the on-line Member Self Service facility took place in the autumn of 2017 and I am extremely pleased to see that latest statistics show that over 30% of active scheme members are now registered to use the facility (and approximately 23% of all scheme members). This facility provides facilities for scheme members to carry out calculations of retirement benefits under various scenarios, to view their personal details and it is also where annual benefit statements are accessible.
- The roll out of i-Connect, which is an online administrative module that allows information to be submitted by employers more directly and efficiently into the pension administration system from their own payroll systems commenced in 2016/17. During 2017/18 the system was launched to more employers including Flintshire County Council which is resulting in much more timely and accurate information, including a significant reduction in queries at year-end.

Other significant points that I would highlight include:

- Once again the Council issued all its annual benefit statements by the legal timescale of 31st August 2017. This is something that many LGPS administering authorities fail to do.
- The General Data Protection Regulation (GDPR) was introduced from May 2018 and required a radical review of what and how information is held within pension scheme records as well as many changes to existing communications with scheme members and other parties. I was pleased to see a clear project plan put in place at an early stage and this was delivered throughout 2017/18 to meet the required timescales.
- The 2017 scheme member and employer surveys showed a strong level of satisfaction with the pension fund services provided by Flintshire County Council; at least 77% of responses scored positively for each scheme member question and at least 84% of responses were positive for each employer question. The challenge going forward will be ensuring that a sufficient number of responses are received to such surveys.

My general opinion is that the Clwyd Pension Fund compares well to the Aon Governance Framework in this area. The Council identifies and sets out good clear objectives, and has enhanced the level of performance measurement during the year. It demonstrates a good attitude to Business Planning and to Risk Management. The knowledge and understanding of individuals within the Fund continues to be excellent, and the Pension Fund Committee's engagement on administration is also excellent (as is the Board's).

Looking to the future:

- Last year I highlighted that the improvements that are being implemented would, in my view, take another two years or so to fully bed in such that the benefits can be clearly evidenced. I believe we are starting to see the efficiencies and improvements in the quality of data already. However, the downside is this is against the backdrop of improved management information that is illustrating that the increases in workloads are not temporary and are likely to continue to the future. Given that, I think it is important for efficiencies to continue to be identified and implemented whilst considering the appropriateness of the existing resources. I would continue to encourage the Fund's officers, Committee and Board to identify short-term solutions to assist with reducing existing workloads, and ensure they have the capacity to implement these new systems and train their expanding teams.

Final Thoughts

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

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About Aon

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Clwyd Pension Fund Board - Annual Report 2017/18

Introduction

This is the third annual report of the Clwyd Pension Fund Board based on the financial year from 1 April 2017 to 31 March 2018.

Role and Membership of the Clwyd Pension Fund Board

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

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

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

Meetings, training and attendance

Our Board membership during 2017/18 is as shown in the table below. We were sad that Jim Duffy, one of our Member Representatives resigned for health reasons in July 2017. Jim was a key contributor to the Board since its inception. The Trade Unions nominated Phil Pumford to replace Jim and we were pleased to welcome him to his first Pension Board meeting in November 2017.

During 2017/18 we held three Pension Board meetings (in July 2017, November 2017 and February 2018). Attendance was as follows:

		July 2018	November 2017	February 2018
Mrs Gaynor Brooks	Member Representative	✓	✓	✓
Mr Jim Duffy (to 31 July 2017)	Member Representative		N/A	N/A
Mr Phil Pumford (from 1 October 2017)	Member Representative	N/A	✓	✓
Mr Steve Jackson	Employer Representative		✓	✓
Mr Mark Owen	Employer Representative	✓	✓	✓
Mrs Karen McWilliam	Independent Chair	✓	✓	✓

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

As members of the Pension Board, we have all committed to following the requirements of the Clwyd Pension Fund's Training Policy and attending a range of events and training in 2017/18 to complement the three days of induction training we undertake on appointment. In addition, we are invited to attend the Pension Fund Committee meetings and their training events.

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

Event	Mark Owen	Steve Jackson	Gaynor Brooks	Phil Pumford
Committees				
June 2017	✓			
September 2017	✓		✓	
November 2017				✓
Special Committee February 2018		✓	✓	
March 2018				
CIPFA Framework				
Governance	✓			
Funding & Actuarial	✓			
Investments & Accounting				
Additional & Hot Topics				
Pooling	✓		✓	
TPR Checklist	✓		✓	
Statement of Accounts	✓		✓	
Funding and Flightpath				✓
Annual Employer Meeting		✓	✓	✓
Annual Joint Consultative Meeting		✓		
LGPS Performance		✓	✓	
Clwyd Benchmarking Data		✓	✓	
WPP Operator Update			✓	
Conferences				
CIPFA Local Board Autumn Seminar			✓	✓
CIPFA Pension Boards Two years On Seminar	✓			
LGC Investment Seminar		✓		

What has the Pension Board done during 2017/18?

Our meetings include a number of standing items, such as consideration of the latest Pension Fund Committee papers, reviewing the Fund's risk register, receiving updates on all compliments and complaints, and monitoring of our allocated budget. Other key areas of discussion for us during the year included:

- Working closely with the Pension Fund's Administration Team to better understand the challenges that they face in providing services to scheme members, often due to the complexity of the scheme's benefit structure. We were pleased to see improved management information that they have developed to help those involved with the governance of the Fund better understand the particular areas of concern. This management information has been helpful in highlighting major increases in workloads in recent years, most of which has been driven by the introduction of the new LGPS in 2014. These areas of concern and how they are being worked through were regular areas of discussion at our Board meetings during the year.
- A further contributor to poor administration is many employers not providing timely and accurate information. We received ongoing updates from the Administration Team about the implementation of the i-Connect system, through which employers will submit information on a monthly basis, resulting in much more timely and accurate information. We were delighted to see major progress in implementing this system during the year, some of which has been done ahead of schedule.
- We were also delighted to see significant progress in enhancing the Fund's communications using on-line facilities. A new website was built and launched during the year. In addition the new Member Self-Service facility was launched, which allows scheme members to view their pension details on-line via a secure web log-in. This also provides scheme members with the ability to carry out their own pension retirement projections, to update certain details and to view certain documents on-line, such as their annual benefit statements. We requested ongoing statistics to be provided so we could understand the take up and use of the system and were pleased to see evidence of rapid take up amongst scheme members. We believe these on-line facilities provide immediate and enhanced information for scheme members, as well as introducing efficiencies in scheme administration.
- We were consulted with in relation to the Fund's Additional Voluntary Contribution (AVC) offering. A review by the Fund's Actuary recommended that a default fund may no longer be appropriate. This would mean that all scheme members paying AVCs would have to positively select which investment funds their AVCs should be placed in. Previously a default fund was available where AVCs would be deposited if a scheme member didn't want to choose a specific fund. Our opinion was sought and we concluded that we had no strong views on this matter but we did recommend that if the default fund was removed, it would be wise to monitor whether this would result in any detrimental impact on scheme membership. At a later date we were pleased to receive information confirming that the number of scheme members making use of the AVC facility had not declined.
- We consider the Fund's compliance against the Pension Regulator's Code of Practice at least annually. Our review in 2017/18 concluded that a good level of compliance with the Code of Practice was demonstrated albeit it did, unsurprisingly, highlight the delays within the Administration Team. We recommended a number of areas for ongoing focus, including the development of a self-assessment training needs analysis for all Pension Fund Committee and Pension Board members to assist in ensuring all had the appropriate level of knowledge and skills. This recommendation was taken on board and the results helped mould the Fund's future training plan. We felt this was particularly helpful given the number of new Pension Fund Committee members following the last Welsh local authority elections. Throughout the year we also considered various

information published by the Pensions Regulator. This allowed us to continue to highlight these expectations with the Clwyd Pension Fund Management Team.

- We have taken an interest in the robustness of the Clwyd Pension Fund Management Team's disaster recovery plans. We asked the team to carry out a full test of remote working in a situation where the Council office building was inaccessible at very short notice. Recent improvements put in place by the team proved robust during the test and this also highlighted some further improvements that could be made to improve resilience.
- Preparation for the introduction of the General Data Protection Regulation was an area of interest for us during the year and we received regular updates from officers on the steps they were taking to ensure adherence with the new requirements. We were pleased that the changes were introduced in a smooth and timely manner.
- Throughout the year we received ongoing updates on the creation of the Welsh asset pool, known as the Wales Pension Partnership (WPP) including about the first meetings of the Joint Governance Committee, which the Chair of the Clwyd Pension Fund Committee attends, and the procurement process for appointing the operator of WPP. We were disappointed to note that there was no more direct role for a Pension Board representative at the Joint Governance Committee albeit we understand this may be reconsidered at some point. Throughout the year we asked the officers of Clwyd Pension Fund to remind the WPP of the need to develop a business plan, as required by the Inter Authority Agreement which was agreed by all the Wales LGPS Administering Authorities. We noted the excellent progress made in developing the WPP but had ongoing concerns about the work pressures this placed on Clwyd Pension Fund officers as well as the resource constraints at Carmarthenshire County Council who are the Host Authority for WPP.

In addition to these agenda items looking at the governance and administration of the Clwyd Pension Fund, we carried out a review of our own effectiveness during the year by considering a number of questions from our Chair. Our overall conclusion was that we were largely effective and providing value in helping Flintshire County Council in the governance and administration of the Clwyd Pension Fund. Areas of improvement identified included:

- Ensuring that there was an appropriate balance of time spent on non-administration matters, and particularly on the pooling of assets project, as there had been a lot of focus on administration.
- Continuing to encourage better ways for presenting detailed information at the Board and Pension Fund Committee, including more use of graphs or summaries.
- Recognising how difficult it is for new Board members given the complexity of the scheme and the information being considered, and therefore ensuring appropriate training and support are given.

We agreed to carry out further Pension Board effectiveness reviews every 18 months.

The Pension Board's budget and final spend for 2017/18 are summarised below:

Flintshire Board 2017/18	Budget	Actual Spend	Variance
	£	**£**	**£**
Board Member Costs (Direct)	4,682	1,268	(3.414)
Training Costs (including Conferences)	22,710	18,274	(4,436)
Advisor Fees	16,550	25,587	9,037
Other Costs	6,058	3,050	(3,008)
	50,000	**48,179**	**(1,821)**

What will the Pension Board do in the future (in particular in 2018/19)?

We have a number of items on our forward plan for 2018/19, although the exact agendas and timescales will necessarily remain flexible to consider any further matters that may arise. The following are already on our work plan for the forthcoming year:

- Ongoing consideration of a number of the elements above, including:
  - Feedback on further disaster recovery testing.
  - Ongoing review of the Wales Pension Partnership's meeting papers, including considering whether the governance operates in the way expected.
  - Consideration of the further steps being taken to improve the administration team's timeliness in coping with the increased workloads.
- Updates on the plans to overcome the resourcing challenges across the Pension Team.
- Presentations from Flintshire County Council and Aquila Heywood in relation to Cybercrime, and in particular, the resilience of the Clwyd Pension Fund systems.
- Information assurance and data quality, which are areas of particular interest for the Pensions Regulator.

A budget for 2018/19 has been agreed as follows:

Flintshire Board 2018/19	Budget
	£
Board Member Costs (Direct)	3,322
Training Costs (including Conferences)	23,884
Advisor Fees	28,930
Other Costs	2,664
	58,800

Conclusions and final comments

We would also like to take this opportunity to thank our fellow board member, Gaynor Brooks (Member Representative), for her time and commitment as a Board member. Gaynor retired from this role at the beginning of 2018/19. She was extremely dedicated to her role on the Board since its inception, bringing a wealth of knowledge as well as refreshing feedback and ideas based on her own experiences as a Clwyd Pension Fund pensioner. She will be missed by all of us on the Board and also by the Committee members and officers of the Fund. We wish her a long and happy retirement.

We are delighted to welcome Paul Friday who is taking over Gaynor's role as Scheme Member Representative. We look forward to working with Paul.

Phil Pumford, Member Representative

Steve Jackson, Employer Representative

Mark Owen, Employer Representative

Clwyd Pension Fund Board

E-mail address – PensionBoard@flintshire.gov.uk

Financial Reporting

Cash Flow

The Fund operates a rolling three year cash flow which is estimated and monitored on a quarterly basis. There are several unknowns within the cash flow such as transfers in and out of the fund and also drawdowns and distributions across the Fund's Property and Private Equity portfolio for which the current allocation is 25% of the Fund. Cash flow predictions for the drawdowns and distributions are reassessed annually to incorporate the actuals for the year and any further commitments agreed during the period. The following table shows a summarised final cash flow for 2017/18. This is purely on a cash basis and does not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals.

2017/18	Estimate £000	Actual £000	Variance £000
Opening In House Cash	(13,623)	(13,623)	
Payments			
Pensions	55,860	57,452	1,592
Lump Suns & Death Grants	15,000	13,500	(1,500)
Transfers Out	3,200	5,600	2,400
Expenses (including In House)	3,400	3,935	535
Support Services	120	120	
Total Payments	77,580	80,607	3,027
Income			
Employer Contributions	(34,100)	(34,617)	(517)
Employee Contributions	(14,000)	(15,259)	(1,259)
Employer Deficit Payments	(51,784)	(52,612)	(828)
Transfers In	(2,000)	(4,813)	(2,813)
Pension Strain	(1,200)	(1,057)	143
Income	(100)	(29)	71
Total Income	(103,184)	(108,387)	(5,203)
Cash Flow net of Investment Income	(25,604)	(27,780)	(2,176)
Investment Income	(3,000)	(3,540)	(540)
Investment Expenses	3,000	3,035	35
Total Net of In House Investments	(25,604)	(28,285)	(2,681)
In House Drawdowns	47,008	73,893	26,885
In House Distributions	(77,834)	(52,294)	25,540
Net Drawdown/Distributions	(30,826)	21,599	52,425
Net External Manager Cash	40,000	(879)	(40,879)
Total Net Cash Flow	(16,430)	(7,565)	8,865
Closing In House Cash	(30,053)	(21,188)	

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2021. These are purely on a cash basis and do not take into account any movements in asset values or management investment fees which are included in the pooled vehicles and accounted for at the year end, nor any year end accruals. An estimate of the asset valuation has been included at the end of the table and has been based on a targeted investment strategy which looks to produce an overall return of 6.5% per annum. Estimates of Manager pooled investment fees are included in the budget report which follows the cash flow report.

		2018/19 £000	2019/20 £000	2020/21 £000
Opening Cash		(21,188)	(4,288)	(5.486)
Payments				
Pensions		59,280	60,040	61,200
Lump Suns & Death Grants		15,000	15,000	15,000
Transfers Out		3,200	3,200	3,200
Expenses (including In House)		3,400	3,400	3,400
Support Services		130	130	130
Total Payments		81,010	81,770	82,930
Income				
Employer Contributions		(35,200)	(36,000)	(36,700)
Employee Contributions		(14,000)	(14,000)	(14,000)
Employer Deficit Payments		(18,123)	(18,247)	(18,247)
Transfers In		(2,000)	(2,000)	(2,000)
Pension Strain		(1,200)	(1,200)	(1,200)
Income		(40)	(40)	(40)
Total Income		(70,563)	(71,487)	(72,187)
Cash Flow net of Investment Income		10,447	10,283	10,743
Investment Income		(3,000)	(3,000)	(3,000)
Investment Expenses		3,000	3,000	3,000
Total net of In House Investments		10,477	10,283	10,743
In House Drawdowns		86,790	62,238	63,146
In House Distributions		(80,337)	(73,809)	(68,109)
Net Drawdowns/Distributions		6,453	(11,481)	5,780
Rebalancing Portfolio				
Total Cash Flow		16,900	(1,198)	5,780
Closing Cash		(4,288)	(5,486)	294
Estimated Asset Valuations		1,897	2,020	2,151

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2017/18 compared to 2016/17 .Actuarial fees decreased as fees were higher in 2016/17 as it was an actuarial year. Consultancy fees decreased in 2017/18, fees in 2016/17 were higher due to additional projects connected with the Liability Driven Investment mandate.

		2016/17 £000	2017/18 £000	Net change £000
Governance & Oversight Expenses				
Employee Costs (Direct)		236	229	(7)
Support & Service Costs (Internal Recharges)		17	23	6
Premises		5	0	(5)
IT (Support & Services)		4	5	1
Other Supplies & Services		58	69	11
Miscellaneous Income		(11)	0	(11)
Audit Fees		39	39	0
Actuarial Fees		335	217	(118)
Consultant Fees		703	511	(192)
Advisor Fees		188	202	14
Legal Fees		59	37	22
Performance Monitoring Fees		57	67	10
Total Governance Expenses		**1,690**	**1,399**	**(291)**
Investment Management Expenses				
Fund Manager Fees		11,200	15,761	4,561
Performance Related Fees		2,919	3,837	918
Transaction Costs		267	941	674
Custody Fees		31	31	0
Total Investment Management Fees		**14,417**	**20,570**	**6,153**
Administration Expenses				
Employee Costs (Direct)		648	812	164
Support & Service Costs (Internal Recharges)		94	105	11
Outsourcing		260	227	(33)
Premises		6	0	(6)
IT (Support & Services)		290	286	(4)
Other supplies & services		70	139	69
Total Administrative Expenses		**1,368**	**1,569**	**201**
Total Fees		**17,475**	**23,538**	**6,063**

The following table shows actual costs for 2017/18 compared to the budgeted costs along with the budget for 2018/19. The difference in manager fees compared to budget reflects the additional cost transparency from Managers, including Private Markets Additional commitments have also been made in these areas. Outsourcing costs for the GMP reconciliation were only partly implemented during 2017/18.

	2017/18 £000 Actual	2017/18 £000 Budget	2017/18 £000 Variance	2018/19 £000 Budget
Governance & Oversight Expenses				
Employee Costs (Direct)	229	238	(9)	243
Support & Service Costs (Internal Recharges)	23	15	8	18
IT (Support & Services)	5	9	(4)	5
Other Supplies & Services	69	50	19	87
Audit Fees	39	40	(1)	40
Actuarial Fees	217	202	15	324
Consultant Fees	458	399	59	589
Advisor Fees	202	187	15	178
Legal Fees	37	40	(3)	24
Pooling	53	N/A	53	224
Total Governance Expenses	**1,332**	**1,180**	**152**	**1,732**
Investment Management Expenses				
Fund Manager Fees	20,539	11,878	8,661	16,593
Custody Fees	31	34	(3)	31
Performance Monitoring Fees	67	58	9	66
Pooling		N/A		50
Total Investment Management Fees	**20,637**	**11,970**	**8,667**	**16,740**
Administration Expenses				
Employee Costs (Direct)	649	762	(113)	776
Support & Service Costs (Internal Recharges)	105	75	30	66
Outsourcing	227	900	(673)	1000
Premises	0			
IT (Support & Services))	271	250	21	413
Other supplies & services	139	70	69	106
Member Self Service	15	75	(60)	0
Total Administrative Expenses	**1,406**	**2,132**	**(726)**	**2,361**
Employer Liaison Team				
Employee costs (Direct)	**163**	144	19	**194**
Total Costs	**23,538**	**15,426**	**8,112**	**21,027**

INVESTMENT POLICY AND PERFORMANCE

AN UPDATE FROM THE FUND'S INVESTMENT CONSULTANT

I am pleased to provide an update from an investment perspective on the activities of the Clwyd Pension Fund (CPF) during 2017/18. As the Fund's Investment Consultant I provide advice to the Fund on how to manage various investment risks. I also have a specific role in guiding the overall direction of the Fund via my seat on the CPF Advisory Panel.

Investment Strategy Statement (ISS)

When considering the Fund's investments it is appropriate to start with the overall investment objectives, which are set out in the ISS, which replaced the Statement of Investment Principles with effect from 1 April 2017. It is appended to this report and sets out the funding and investment objectives for the Fund. The specific investment objectives are:

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

This report demonstrates progress made towards these long term objectives during 2017/18, compliance with the ISS, the economic and market environment and changes implemented or planned during the year.

Summary of 2017/18

Market Commentary

2017 was marked by ultra-low volatility as strong corporate earnings, low unemployment levels and broadly positive economic growth supported equity markets world-wide. Various political events like the snap-elections in the UK and Japan, geo-political tension between the US and North Korea, coupled with a series of elections in Europe failed to weigh-down on asset prices. The central banks in most of the developed nations started withdrawing stimuli as the global economy appeared to be in a 'Goldilocks' scenario. However as we approached 2018, concerns over rising inflation, accelerating wage growth and faster-than-expected rate hikes by the Federal Reserve caused market volatility to hit all time highs. In addition, concerns over a flattening yield curve in the US and a potential trade war between the US and China, also caused markets to weaken towards the end of the first quarter of 2018.

In the UK, Prime Minister Theresa May unexpectedly called a snap election to in June 2017, the outcome of which weakened the Conservative party's strength and stability prior to the crucial Brexit negotiations. However, towards the end of 2017, EU leaders agreed to move to the second phase of Brexit negotiations to discuss the future of the UK's trading relationship with the bloc. After falling to a 30-year low post Brexit, Sterling regained some strength over the year against the backdrop of progress in the negotiations and expectations that the Bank of England might increase rates faster than previously expected.

Despite sluggish domestic growth, the Bank of England (BoE) raised interest rates for the first time in a decade, from a record low of 0.25% to 0.50% in November 2017. UK gilt yields fell to historic lows post the BoE's decision to extend its quantitative easing programme and remained volatile thereafter. While concerns around rising inflation in the UK and a hawkish BoE helped to push the yields higher in the beginning of 2018, rising geo-political tensions and a global equity market sell-off contributed to their fall towards the end of Q1 2018.The BoE in its latest quarterly inflation report, increased the forecast for UK GDP growth from 1.7% to 1.8% in 2018. Over the year, the FTSE 100 index fell by 3.6%, in local currency terms.

The nationalist parties that gained momentum across Europe in 2016 were seen to take a back seat in 2017 as both Mark Rutte and Emmanuel Macron emerged as winners against the anti-EU leaders in Dutch and French elections respectively. After an initial round of inconclusive elections in September 2017, Angela Markel managed to form a new government and win her fourth term as German chancellor. While spreads between French and German government bond yields widened at the beginning of 2017 amid concerns over the French elections, they narrowed post the win and have been stable over the year. Political unrest was re-ignited in Europe as regional elections in Catalonia failed to resolve the independence issue. In addition, Italy's election in March 2018 yielded no overall winner, but the results were tilted in the favour of populist extremist parties.

In October 2017, the ECB decided to extend its quantitative easing policy to September 2018, but at the same time it began to gradually withdraw the stimulus by reducing the amount of monthly asset purchases from €60 billion per month currently to €30 billion from January 2018. Overall, the economic backdrop remained positive in Europe as the Q4 2017 GDP grew at an annualised rate of 2.5% thereby growing at the fastest pace since 2007. Over the year, the STOXX Euro 600 index provided a return of 0.4% in local currency terms.

The US equity markets corrected sharply in February 2018 after touching their all-time highs in 2017. An increase in US wage inflation that caused investors to believe in faster-than-expected rate hikes primarily led to the fall. Also, concerns around US-China trade relations resulted in increased equity market volatility towards the end of the period under review. There remains some uncertainty around the implementation of President Trump's economic and fiscal policies, given his efforts to reduce trade deficit gave rise to trade war tensions. In December 2017, the US Senate approved a $1.5 trillion tax bill, which not only reduces the corporate tax rate to 21% from the current 35%, but also includes temporary tax cuts for individuals. During the fourth quarter of 2017, the US economy grew at an annualized rate of 2.6%, as compared to a growth rate of 3.3% in the third quarter.

Treasury yields continued to rise over the year as expectations of growth, inflation and interest rate rises increased. Given the strong momentum in economic growth, the US Federal Reserve has raised rates three times in the last twelve months, in effect increasing the base rate range to 1.50% – 1.75%. In addition, the Federal Reserve, at its bi-monthly meeting in September 2017, unveiled its plan of systematically shrinking the $4.5 trillion balance sheet starting in October 2017. The S&P 500 index returned 11.8% in dollar terms over the year.

China has raised its profile within the global market, with its currency joining the International Monetary Fund's basket of reserve currencies alongside MSCI's decision to include its mainland equities, known as A-shares, in the global benchmark equity index from 2018. In December 2017, the People's Bank of China raised its interest rates by 5 basis points, in an attempt to keep the currency stable. Steps were taken to bar individuals and companies from investing in overseas markets and tighter liquidity rules were introduced to restrict loans to the shadow banking sector. Considerable efforts were also taken to open up the Chinese economy, particularly the financial sector. A new law which removes the presidential term limit was also introduced in 2018. GDP in the world's second-largest economy grew by 6.9% year-on-year in the fourth quarter of 2017, slightly higher than the 6.8% growth in the third quarter. In September 2017, Standard and Poor's cut China's sovereign credit rating from AA- to A+ against the backdrop of rising debt levels in the economy. The 19th Communist Party Congress was held in October 2017 to address structural risks and focus on the quality of growth. Concerns around a trade war (imposition of tariffs by the US on steel and aluminium products) with the US negatively impacted the Chinese equity markets towards the end of Q1 2018. Over the year, the FTSE China A50 index rose by 21.4%, in local currency terms.

In Japan, 10-year government bond yields have hovered around the targeted level of zero since the adoption of yield curve control by the Bank of Japan. While the Yen depreciated significantly against the US Dollar in 2017 due to a hawkish Fed, it started gaining some strength in 2018 owing to its safe haven status. Prime Minister Shinzo Abe's Liberal Democratic Party (LDP) won a clear majority in the snap elections held in October 2017 and Haruhiko Kuroda was re-appointed as the governor of the Bank of Japan in March 2018. This implied continuation of loose monetary policy in Japan when the world is treading on the path to quantitative tightening. Abe also announced a 2 trillion yen ($18 million) stimulus package to be spent on education, child-care and to encourage corporate investments. However, controversy surrounding the Moritomo Gakuen land sale has significantly reduced the Prime Minister's approval rating in the recent past. During the first quarter of 2018, its economy expanded at an annualized rate of 1.6%, primarily driven by strong private consumption and increased business spending. Equity markets were supported by improving macro-economic data and corporate earnings during the year. Over the year, the Nikkei 225 rose by 13.5% in local currency terms.

While Brent crude prices were range bound for the first half of the period under review, they increased in the second half as both OPEC and non-OPEC members agreed to extend production cuts to the end of 2018. Supply disruptions from around the globe coupled with a weakening US Dollar also provided some support to prices. Brent crude prices rose by 33.0% during the period in review.

Clwyd Pension Fund Investment Performance 2017/18

The Fund returned +4.3% in 2017/18 which is behind the expected return assumption of CPI +4.0% as quoted in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS). The return of +4.3% compared with a composite benchmark (of the underlying manager benchmarks) of +4.4% and a composite target of +4.8%. Whilst the returns for the year were below the required rate, this needs to be seen in context of the longer term performance; over three years to the 31 March 2018 the Fund achieved a return of +8.1% per annum compared with a composite benchmark of +7.1% per annum and the composite target of +7.5% per annum .

The Equity portfolio that includes Global and Emerging Market Equity exposures returned +11.2% with both the Developed Global Equity Fund and the Emerging Markets Funds producing strong absolute returns despite the market volatility in February and March 2018. Both Wellington Emerging Markets Core and Local portfolios outperformed their targets over the 12 months, whilst the Investec Global Strategic Equity fund underperformed its target by -0.2%. The Fund invested in the BlackRock ACS World Multifactor Equity fund in November 2017 as part of the implementation of the 2016/17 review of the investment strategy. There is no annual performance for this fund due to the short holding period.

The Multi-Asset Credit portfolio produced a small positive return of +2.9% outperforming its target. The review of the 2016/17 Investment Strategy included, for the first time, an allocation to Private Credit. During 2017/18 the Fund appointed two managers for this allocation and the Permira investment (accessing European Private Credit) was funded in September 2017, although it will take some time to drawdown the full commitment. A second manager, BlackRock was subsequently appointed to manage the Fund's exposure to North American Private Credit.

The year was a tough one for the Tactical Allocation Portfolio, which suffered in the market sell-off in February and March 2018. It returned +1.5%, underperforming its objective. The portfolio comprises a Diversified Growth Portfolio which returned -0.1% and a Best Ideas Portfolio that produced a return of +2.9%. Within the Diversified Growth Portfolio both of the managers underperformed their benchmarks; Investec had a positive return of +2.8% and Pyrford returned -2.4%.

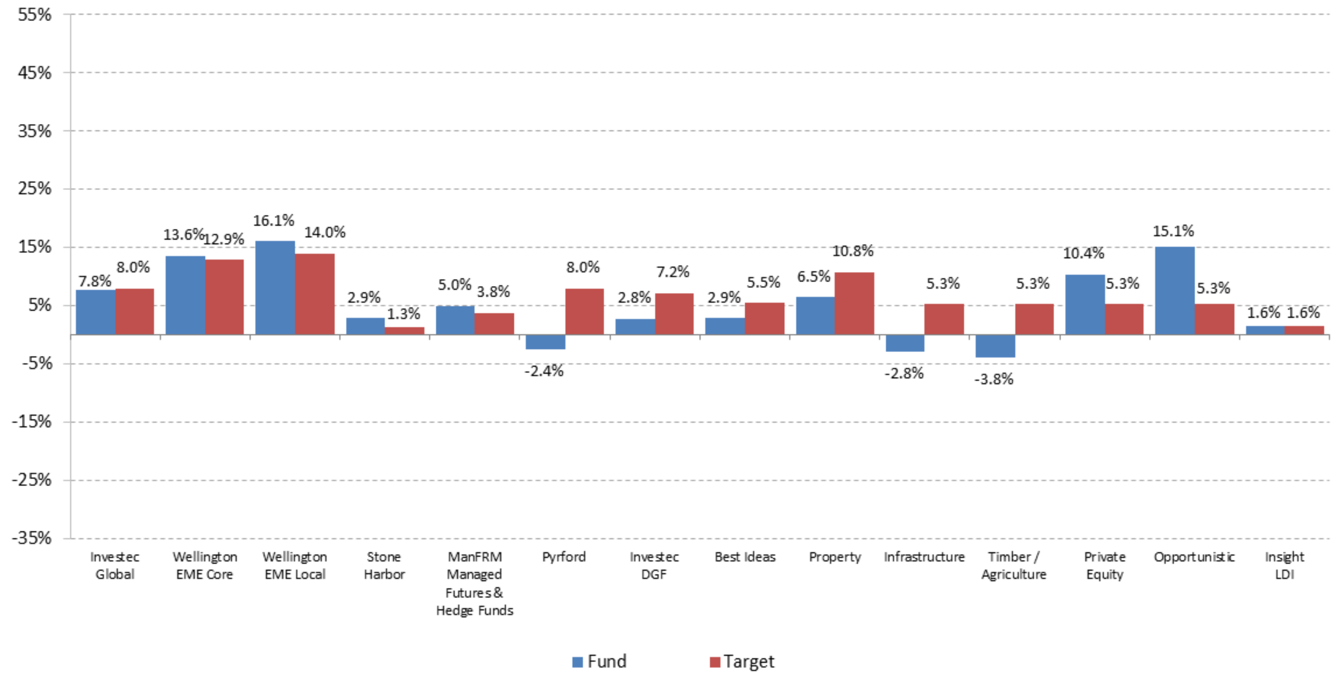
The Managed Account Platform with ManFRM contains a Managed Futures & Hedge Funds portfolio which produced a positive absolute return of +5.0%. In addition the residual balances of the Fund's illiquid legacy Hedge Funds holdings are contained on the Platform which reduced the overall return of the Managed Account Platform to +2.5%. With the exception of the legacy investments it is pleasing to see the diversification the MANFRM portfolio is starting to give the Fund.

After the strategy review in 2016/17 the Fund's In-house portfolio was split between Private Markets (Private Equity & Opportunistic) and Real Assets (Property, Infrastructure, Timber/Agriculture). In the 12 months the Private Markets portfolio achieved a return of +11.1% and the Real Assets portfolio +3.0%.

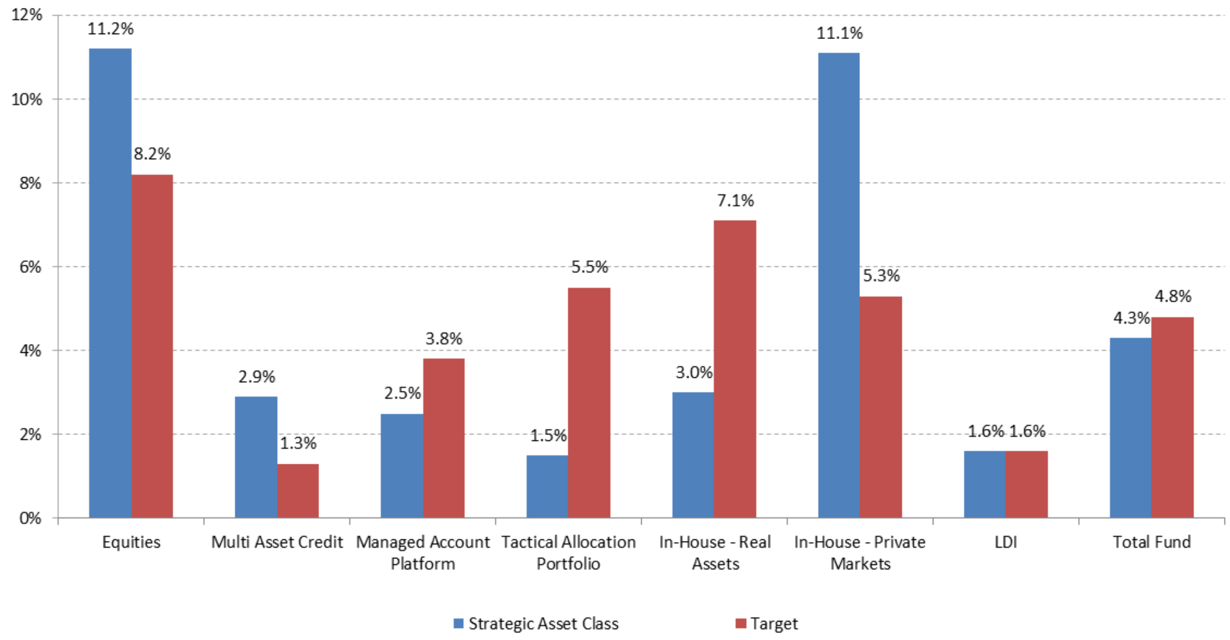
Within the Private Markets portfolio Opportunistic investments performed best returning +15.1%. Private Equity also achieved a strong absolute performance with a return of +10.4% over the year. Within the Real Assets portfolio Property investments produced a positive return of +6.5% in the year, however this was partially offset within the overall return by the Infrastructure and Timber/Agriculture assets that declined by -2.8% and -3.8% respectively in the year.

The Liability Driven Investment portfolio (a key component of the Flightpath/De-Risking Framework) which consists of regional Global Equity, Gilt and inflation exposures returned +1.6% in 2017/18 compared to +50.8% the previous year. However the performance of this portfolio over the short term is less relevant due to its risk management characteristics.

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



The chart below summarises the performance of the key components of the Fund's investment strategy versus their target.



Source: JLT Employee Benefits

Summary of Investment Performance

2017-18

The market conditions for the first ten months of 2017/18 were beneficial for the Fund with most of the major asset classes producing strong positive returns in particular Equity markets. However in February and March 2018 a lot of this good performance was tempered by volatile and falling markets. Despite this sell-off late in the financial year, equity markets still produced the strongest returns overall. However, the diversification within the Fund's investment strategy was exemplified with the performance of the In-House Private Market investments which was the next best performing element of the portfolio. This diversification of sources of return is expected to position the Fund well in the future.

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

Post 31 March 2018

Given the market volatility and sell off in markets that affected market values and ultimately performance in February and March 2018, it is appropriate to update the position of the Fund as at 30 June 2018. Since the end of March, investment markets have seen a sustained recovery, with global developed equity markets leading the way, with most regions recovering all of the value lost in the first quarter of 2018. As a result of this recovery in markets the Clwyd Fund has seen its value rise to circa £1,848m at the end of June, an increase of £70m since the end of March.

Investment Strategy

The detail of the "light touch" Investment Strategy review, undertaken in 2016 in conjunction with the Actuarial Valuation, was reported in last year's Annual Report and in the year under review, the implementation of the new strategy has been progressing.

One important aspect of the review was to increase the Fund's illiquidity premium (to increase the long term expected return) by introducing a 3% allocation to Private Credit within the Fund's Credit Portfolio. The manager search for Private Credit was progressed in the year and Permira were appointed as European Private Credit manager in September 2017. A separate process to appoint a North American Private Credit manager was concluded in the year with BlackRock appointed, although no committed capital had been drawn down as at the end of March 2018.

A number of JLT's strategic recommendations are more medium term by way of implementation as at 31st March 2018 the more short term changes had been implemented. The "light touch" nature of the review has meant that the characteristics of the investment strategy have remained broadly similar to last year. The key features of the Fund's strategy are outlined below.

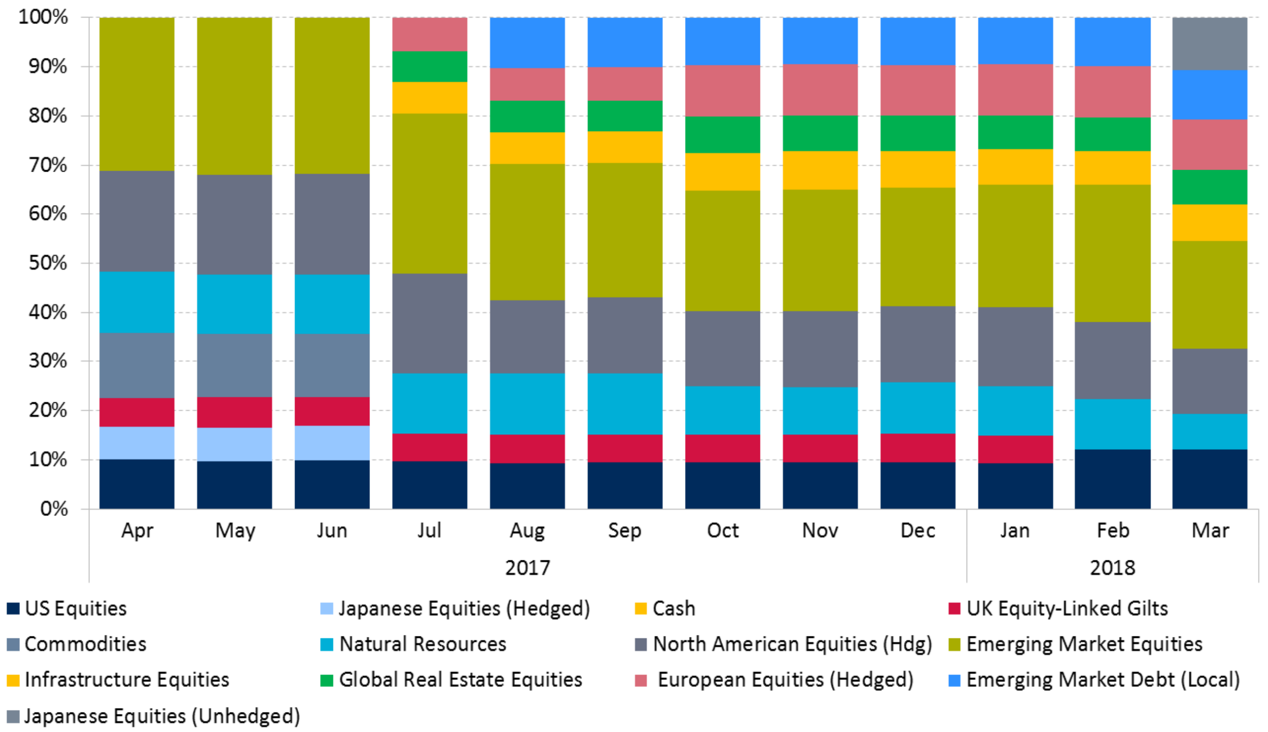
The Fund's investment strategy continues to be more diversified than most LGPS Funds and incorporates a Flightpath/De-Risking Framework (which was not covered in the strategy review but the structure of which is being reviewed separately), which differentiates the Fund from many other LGPS Funds. The aim of the Fund's strategy is to reduce the volatility of returns, in line with the objective of stabilising employer contribution rates. Although history suggests that in the long term Equities should out-perform other asset classes, these returns can be very volatile and the asset class can under-perform for many years. It does appear that other LGPS funds are moving to more diversified strategies as the average LGPS fund has 55% allocated to equity, compared to 62% as at 31 March 2017. However, this is still significantly higher than the Clwyd Fund.

In July 2017 the strategic decision to allocate 4% of the Fund to Global Equity Smart Beta was implemented with the appointment of BlackRock to manage the mandate.

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

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

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



The chart demonstrates the diversified nature of the holdings within the Best Ideas Portfolio which has included regional Equities, Commodities, UK Equity Linked Gilts, Emerging Market Debt as well as liquid alternatives in the form of listed Infrastructure and Global REITS. It also shows how the underlying holdings have changed following decisions that have been taken by the Tactical Asset Allocation Group over the year.

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

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

* Infrastructure includes exposure to Agriculture and Timber

The following table shows the strategic ranges compared to the actual asset allocations as at 31 March 2018 and 31 March 2017.

• Manager	• Mandate	Strategic Allocation 16/17	Actual Allocation 31/03/17	Strategic Allocation 17/18	Actual Allocation 31/03/18
	Equities				
Investec Asset Management	Global Equity	4.0%[1]	7.8%	4.0%	4.2%
Wellington Management International Ltd	Emerging Markets Equity	6.0%	6.4%	6.0%	6.9%
BlackRock	Global Equity	4.0%[1]	0.0%	4.0%	3.8%
	Credit				
Stone Harbor Investment Partners	Multi-Asset Credit	15.0%[2]	11.9%	12.0%	11.5%
Permira	Private Credit	0.0%[2]	0.0%	3.0%	0.9%
	Managed Account Platform				
ManFRM	Managed Futures & Hedge Funds	9.0%	8.2%	9.0%	8.1%
ManFRM	*Hedge Funds (Legacy)*		0.6%		0.4%
	Tactical Allocation Portfolio				
Pyrford International	*Diversified Growth*	5.0%	4.9%	5.0%	4.5%
Investec Asset Management	*Diversified Growth*	5.0%	4.9%	5.0%	4.8%
Consultant	*Best Ideas Portfolio*	9.0%	10.9%	11.0%	10.6%
	In-House - Real Assets				
Various	Property	4.0%	6.7%	4.0%	6.4%
Various	Infrastructure	6.0%	1.9%	6.0%	2.3%
Various	Timber/Agriculture	2.0%	1.7%	2.0%	1.4%
	In-House – Private Markets				
Various	Private Equity	8.0%	8.7%	8.0%	8.7%
Various	Opportunistic	2.0%	1.0%	2.0%	1.7%
	Liability Hedging				
Insight	Liability Driven Investments	19.0%	23.5%	19.0%	22.5%
	Cash		0.8%		1.2%

1) The Global Developed Equity Portfolio has a new allocation to Smart Beta which was implemented in November 2017.
2) The Credit Portfolio has a 3.0% allocation to Private Credit. Managers have been appointed but the draw down will take some time.

Responsible Investment

The Fund's ISS includes its policy on Responsible Investment which is implemented through a Sustainability Policy. The ISS shows the Fund's compliance with the Financial Reporting Council's UK Stewardship Code and in March 2018 the Fund was approved as a Tier One signatory to the Code. The Fund continues to be a member of LAPFF and PLSA who both act on behalf of its members on stewardship matters.

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

A summary of the voting activities of the managers for 2017/18 is shown in the following table.

Manager	Annual/Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/Withheld
Investec	262	3,532	3,263	196	63	10
Pyrford	53	885	785	61	4	1
Wellington	312	2,563	2,203	232	82	46

The Fund invests in property, private equity, infrastructure, timber and agriculture. A list of these investments is attached with commitments to those with a particular environmental or social objective separately identified. The commitments made to date in these areas amount to £127m.

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

United Nations Principles for Responsible Investment

The Fund engages with all of its asset managers to ensure that they are fully aware of their responsibilities with regard to Sustainability, and one of the ways in which the fund management industry can demonstrate that it takes its responsibilities seriously is to become a signatory to the UN Principles for Responsible Investment (UN PRI). Firms that are signatories to the UN PRI are required to commit to a set of six principles promoting and incorporating Environmental Social and Governance (ESG) principles into all aspects of its work. It is pleasing to report that all of the Fund's major asset managers (listed below) are UN PRI signatories.

BlackRock

Insight

Investec

MAN Group

Pyrford

StoneHarbor

Wellington

LGPS Code of Transparency

In 2017, the LGPS Scheme Advisory Board introduced a Code of Transparency for asset managers, to encourage transparent reporting of costs. The Code is voluntary but is being widely adopted across the LGPS including within the developing pools. The Scheme Advisory Board is monitoring and reporting on those managers that have committed to the Code, and it is pleasing to note that all of the Fund's major managers (shown below) have signed up.

BlackRock

Insight

Investec

MAN Group

Pyrford

StoneHarbor

Wellington.

Summary of the Longer Term

The market value of the Fund has increased from approximately £909m in 2008 to £1,777m in 2018. This is detailed in the Management and Financial Performance section of this report.

The table below shows a summary of the annualised investment performance over the last 20 years compared with the Fund's benchmark and local government pension funds.

Period (Years)	Clwyd Pension Fund (%) pa	Clwyd Benchmark (%) pa	Average Local Authority (%) pa
1	+4.3	+4.4	+4.5
3	+8.1	+7.1	+8.3
5	+7.9	+7.2	+8.8
10	+6.2	+6.6	+7.7
20	+6.0	+5.8	+6.5

Source: JLT Employee Benefits, PIRC

The following table documents the changes in investment strategy since 2001. As can be seen the asset allocation is very different from that of the average local government pension fund. The Fund has been particularly active and very early in its commitments to alternative assets through a broad range of specialist managers. The current weightings were reviewed and agreed in 2016/17 as part of the "light touch" investment strategy review.

Investments	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	2018 (%)	LGPS Average
Equities							
Global Unconstrained	-	-	5.0	5.0	8.0	4.0	
Global Developed (Smart Beta)	-	-	-	-	-	4.0	
Global High Alpha/ Absolute	-	-	-	5.0	-	-	
UK Active (Traditional)	35.0	29.0	15.0	-	-	-	
UK Active (Portable Alpha)	10.0	10.0	12.0	-	-	-	
US Active	7.0	8.0	5.0	-	-	-	
Europe (ex UK) Active	11.0	9.0	6.0	-	-	-	
Japan Active	4.0	4.0	4.0	-	-	-	
Far East (ex UK) Active	2.5	3.0	4.0	7.0	-	-	
Emerging Markets Active	2.5	3.0	4.0	7.0	6.5	6.0	
Frontier Markets Active	-	-	-	-	2.5	-	
Developed Passive	-	-	-	19.0	-	-	
	72.0	**66.0**	**55.0**	**43.0**	**17.0**	**14.0**	**55.0**
Fixed Interest							
Traditional Bonds	10.0	9.5	-	-	-	-	
High Yield/ Emerging	1.5	2.0	-	-	-	-	
Unconstrained	-	-	13.0	15.0	15.0	12.0	
Private Credit (illiquid)	-	-	-	-	-	3.0	
Cash/ Other	2.5	0.5	-	-	-	-	
	14.0	**12.0**	**13.0**	**15.0**	**15.0**	**15.0**	**18.0**
Liability Driven Investment	-	-	-	-	**19.0**	**19.0**	-
Alternative Investments							
Property	5.0	7.0	6.5	7.0	7.0	4.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	6.0	
Timber/ Alternatives	-	-	1.5	2.0	2.0	2.0	
Commodities	-	-	2.0	4.0	-	-	
Private Equity & Opportunistic	4.5	4.5	6.5	10.0	10.0	10.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	9.0	
Currency Fund	-	4.0	4.0	-	-	-	
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	-	-	
Tactical Allocation (Diversified Growth)	-	-	-	-	10.0	10.0	
Tactical Allocation (Best Ideas)	-	-	-	-	9.0	11.0	
	14.0	**22.0**	**32.0**	**42.0**	**49.0**	**52.0**	**24.0**

IN HOUSE PORTFOLIO

REAL ASSETS

Property Open Ended Holdings	Number of Fund	Environmental/Social Impact	Number of Funds
Schroders	1		
Hermes	1		
LAMIT	1		
Legal & General	1		
BlackRock	1		
Property Closed Ended Holdings			
Aberdeen Property Asia Select	2	Bridges Property	2
BlackRock US Residential	1	Igloo Regeneration	1
Darwin Leisure Property	1	Threadneedle Low Carbon	1
Franklin Templeton	2		
InfraRed Active Property	3		
North Haven Global Real Estate	2		
Paloma Real Estate	2		
Partners Group Global Real Estate	2		
Schroders – Columbus UK Real Estate	1		
Timber			
		BGT Pactual Timberland	2
		Stafford Timberland	3
Agriculture			
		Insight Global Farmland	1
		GMO	1
Infrastructure			
Arcus European Infrastructure	2	InfraRed Environmental	1
Base Camp	1		
Carlyle Global Infrastructure	1	Impax Infrastructure	2
GSAM West Street Infrastructure	1		
HarbourVest Real Assets	1		
Hermes Infrastructure	1		
InfraRed	2		
Innisfree	1		
North Haven Global Infrastructure	2		
Pantheon	1		
Partners Group Direct Infrastructure	1		
Total Funds	**35**		**14**

PRIVATE MARKETS

Private Equity Direct Funds	Number of Funds	Environmental/Social Impact	Number of Funds
Access Capital	1	Bridges Ventures	2
Apax	5	Environmental Technologies	3
August Equity	3	Ludgate Environmental	1
Candover	1		
Capital Dynamics	3		
Carlyle	2		
Charterhouse	4		
ECI	3		
Granville Baird	2		
Parallel Ventures	3		
Partners Group Direct	2		
Unigestion	1		
Private Equity Fund of Funds			
Access Capital	4	HarbourVest Cleantech	1
Capital Dynamics	7	Hermes Environmental	1
HarbourVest	5		
Partners Group	10		
Standard Life	2		
Unigestion	2		
Opportunistic			
BlackRock European Property	1	Foresight Regional Investment	1
Carlyle	2		
Dyal	1		
JP Morgan Secondary's	1		
Marine Capital	1		
Marquee Brands	1		
NB Credit Opportunities	1		
Pinebridge Structured Capital	1		
Total Funds	**69**		**9**

Private Debt	
Permira	1
BlackRock	1
Total Funds	2

Kieran Harkin

Director – JLT Employee Benefits

MERCER
MAKE TOMORROW, TODAY

AN UPDATE FROM THE ACTUARY

I am delighted to provide my update from an actuarial perspective on the activities of the Clwyd Pension Fund (CPF) during 2017/18. As the Fund's Actuary, I provide advice to the Fund and its employers in relation to managing and monitoring the many financial and demographic risks they face. I also have a specific role in guiding the overall direction of the Fund via my seat on both the CPF Advisory Panel and the Funding and Risk Management Group (FRMG) which was established to specifically manage the “Flightpath” strategy. The Advisory Panel provides an opportunity for all of the Fund's professional advisors to collaborate, in conjunction with the Fund Officers, to help the CPF achieve its long term objectives. I feel that, as a group, we have continued to make excellent progress over the year with a number of important enhancements made to the Flightpath framework.

RISK MANAGEMENT

FLIGHTPATH STRATEGY

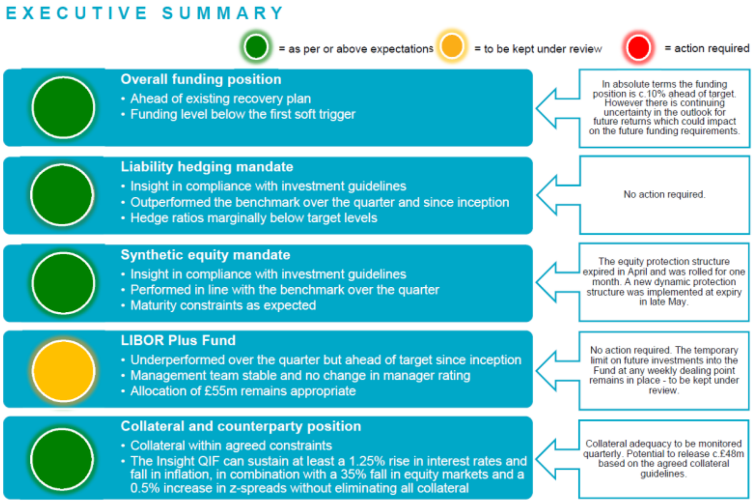
A critical aspect of managing risk relates to the Flightpath strategy which is central to providing stability of funding and employer contribution rates in the long term. This strategy was originally put in place from 1 April 2014 to support the overall objective to be fully funded (a solvency level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

Over 2017/18, the level of risk hedging (the “hedge ratio”) within the framework did not change (remaining at approximately 20% for interest rates and 40% for inflation rates) as the market yields and the funding level remained below the relevant trigger points.

The funding plan was ahead of the target set as part of the 2016 valuation as at 31 March 2018. Overall the funding position was estimated to be 89% as at 31 March 2018 which was 10% ahead of target. Whilst this was a favourable position, there was concern that due to market volatility this improvement may be lost or much reduced hence the implementation of the Equity Protection element of the strategy. This strategy was updated on 24th May 2018 (see comments below).

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

Whilst monitoring the funding position is central to my role, it is also important that we ensure other operational aspects of the Flightpath run by Insight Investment Management (Insight) are working correctly, as this is vital to the success of the strategy. Therefore we monitor on a monthly basis using a red/amber/green ("RAG") rating system and the summary at March 2018 is shown. It can be seen that all aspects were at least in line with expectations except in relation to the LIBOR plus fund. The amber rating is shown as Insight have put a cap on the level of new investment into the fund so they can maintain liquidity. Whilst the CPF is not expected to make any future investments into this fund, it was considered prudent to keep this under review hence the amber rating. It has had no impact on the Flightpath.



RESTRUCTURE OF THE HEDGING MANDATE

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

We identified an opportunity to restructure the mandate to provide a higher yield on the assets for the same level of risk control. This involved buying assets with a higher yield/return and selling an equivalent asset with a lower yield/return. It was agreed by the Pension Fund Committee that the restructure should proceed subject to a net gain of at least £25m being realised. The trade was completed in March 2017 and an expected long-term gain of £36.5m (net of costs) over 50 years was achieved from this restructure, which was a very positive outcome. Given this value will accrue over a very long time-frame; the position will be monitored by the FRMG. Depending on market conditions, a significant proportion (subject to the minimum total gain of £25m) could be realised much earlier. Since the restructure, the Fund has benefited by around £13m in immediate gains as at 31 March 2018 and is expected to achieve a guaranteed gain of a further £10m, resulting in a total expected gain of £23m. As this total gain has increased to £28m at 31 July 2018 (over 70% of the total expected gain in 18 months) it has been agreed to capture the opportunity to lock-in this gain early and to mitigate the possibility of losing this significant return in a short period.

IMPLEMENTATION OF EQUITY OPTION PROTECTION

The funding position has continued to improve post 31 March 2018 and was at 92% at the end of July. In order to protect the Fund's current strong position, the CPF insures itself against potential falls in the equity markets via the use of an "Equity Protection contract". The aim is to provide further certainty in employer contributions (all other things equal) in the event of a significant equity market fall. The Fund implemented a protection strategy against falls below a fixed market level (known as a “static” strategy), set as 15% or more of the market level at the point of implementation. This was in place from 24th April 2017 and ran until 24th May 2018.

On 24th May 2018, a new “dynamic” Equity Protection strategy was put in place. This was after rigorous analysis and value for money considerations by the FRMG. The strategy protects against falls of 15% or more of the average market position over the previous 12 months. This protection level will vary depending on market movements and the main benefit compared to a static strategy is that the protection level will increase if markets rise. This will be financed by giving up some potential upside return on a monthly basis. Whilst more complex to set up, the dynamic strategy also provides advantages versus the previous static approach such as:

1. Expectation of better long-term risk adjusted returns (after fees and transaction costs) except in some extreme scenarios; and,
2. Improved flexibility and on-going governance as it allows the structure to easily adapt to changing requirements including switching the protection off if necessary.

The strategy is implemented on a daily rolling basis to best capture changes in market conditions. Given this complexity however, it was agreed that a single counterparty bank would package and deliver the strategy, implemented via Insight. Mercer went through a process of determining the most cost effective counterparty bank and it was agreed that JP Morgan would deliver the strategy.

The strategy will be monitored monthly alongside the Flightpath (above).

LOOKING FORWARD

Of course, the political and economic landscape remains uncertain due to the UK and EU BREXIT negotiations. This could have a material effect on the level of UK inflation and also the expected asset returns, both of which are crucial to the financial health of the Fund and the contributions required from the employers. It should be highlighted that the Flightpath strategy will continue to provide protection to the funding position against these potential challenges relative to other LGPS Funds. We will also continually monitor the operation of the strategy to identify ways of improving its performance whilst maintaining the overall risk management objectives. An interim funding review as at 31 March 2018 will be completed over 2018/19 and this will be reported over the next few months. The intention is to provide employers with an update of their funding position and contributions following the recent positive returns to aid in budget planning ahead of the 2019 valuation. It will also help further embed the employer risk management framework which will consider an employer’s ability to support their obligations to the Pension Fund by considering their covenant. It is therefore my continued confidence in the strong governance structure within the Fund which means we are well placed to navigate any uncertainty and volatility that arises.

Paul Middleman FIA

Pensions Administration Update 2017/18

Introduction

The Fund's day to day administration service is provided by the Pension Administration Section which consists of a total of 30.2 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager. It is split between an Operational Team, a Technical Team and an Employer Liaison Team, and is separate from the Finance Team.

The Operational Team delivers a pensions service for over 46,000 scheme members. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team implements and maintains the pension software systems, reconciles employer records and provides a pensioner payroll service for over 12,000 pensioners and dependents paying more than £5m per month. Whilst the Employer Liaison Team provides assistance to Fund Employers in providing accurate and complete notifications to the Fund and provides a communication service for members and employers.

Areas of focus in 2017/18

Website and Member Self Service (MSS)

A key area of focus for us was the launch of our new look website and MSS. Benefits include 24 hour access to complex information for our members and the ability for them to update personal information and perform estimate calculations of their benefits. Our annual benefit statements distributed using MSS other than for scheme members who opt out of electronic communications.

We continue to work hard to encourage greater member engagement through use of MSS.

i-Connect

We have continued to progress with the implementation of i-Connect which is an on-line facility where our employers can upload pension data in a secure and efficient manner resulting in our scheme member records being more up to date. During 2017/18 we successful enrolled Flintshire County Council and all new employers to the fund onto i-Connect. We aim to roll out i-Connect to all other employers over the next 2 years.

Employer Liaison Team

The Employer Liaison Team (ELT) continues to work with employers and the Clwyd Pension Fund to ensure timely and accurate transfer of information. It is anticipated that the team will offer assistance to additional employers going forward.

Key Performance Indicators (KPI)

Reviews of the task management system and work processes is a continuous exercise undertaken in order to achieve and report accurate KPI data. We are currently reporting on 7 processes. The KPI requirements can be found in the Fund's Administration Strategy.

GMP reconciliation

We have outsourced the Government required GMP reconciliation exercise to Equiniti. Regular updates from them are provided to the Fund reporting the work undertaken. This then has had a reciprocal impact on the technical team to respond to queries for the project to progress. Once the investigative work is completed by Equiniti, substantial resource will be required from within Clwyd Pension Fund to reconcile and/or rectify member records and pensions in pay.

Aggregation

The facility to allow scheme members to aggregation multiple periods of pension scheme membership together has caused a substantial increase in our workload. During the year we created a specialist aggregation project team as well as outsourcing some of this work to Mercer. Accordingly, adjustments have been made to working practices and additional training and monitoring requirements are on-going.

Administration Management Performance

This section of the report focuses on key administration performance indicators, efficiency and staffing indicators, together with a five year analysis of membership data. The Fund participates in the CIPFA Pensions Administration Benchmarking Club.

Key Performance Indicators

Process	Legal Requirement	No.	%	CPF Administration element target	No.	%
		2017/2018			2017/2018	
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	3276	39%	15 working days from receipt of all information	3276	75%
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)	1435	97%	15 working days from receipt of all information	1414	53%
Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request	235	63%	20 working days from receipt of all information	235	78%
Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate)	299	91%	20 working days from receipt of all information	299	75%
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]	960	60%	10 working days from receipt of all information	960	77%
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	487	64%	15 working days from receipt of all information	487	51%
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)	153	42%	10 working days from receipt of all information	153	18%

In order to satisfy legal requirements the KPI's are measured at a specific point within the case. These numbers will not match the completed cases shown below.

Cases completed 2017/18:

Case Type	Cases
New Starters	2,614
Address changes	1,408
Defers	1,363
Retirements (all types)	806
Estimates (all types)	456
Deaths (deferred, active and pensioners)	444
Transfers In	253
Transfers Out	205
Divorce	75
Aggregation	324

Staff Turnover 2017/18

Description	Number
Total Staff as at 31/03/2018	30.2
Staff leaving up to 31/03/2018	0.3
Staff joining up to 31/03/2018	3.7

Ratio of Pensions Staff to LGPS Members 2017/18:

The administration team of 22.5 full time equivalent (FTE) members of staff is made up as follows:

- 0.7 Pensions Administration Manager
- 15 FTE operational team
- 5.5 FTE technical and pensioner payroll team
- 1.3 FTE communications team

As at 31/03/2018, there were approximately 46,000 members of the Clwyd Pension Fund, meaning that there are 2,044 members per pension's administration staff member.

Member Trends: 5 Years

Period from – to	Contributors	Deferred Members	Pensioners	Dependant Pensioners
01/04/2013 – 31/03/2014	16,133	8,307	8,805	1,562
01/04/2014 – 31/03/2015	15,941	9,026	9,272	1,591
01/04/2015 – 31/03/2016	15,989	10,271	9,862	1,616
01/04/2016 – 31/03/2017	15,748	15,679	10,314	1,671
01/04/2017 – 31/03/2018	16,543	17,822	10,596	1700

Pensioners who were awarded enhanced retirement benefits (ill health):

Period from – to	No. of Enhanced Benefits	Amounts
01/04/2013 – 31/03/2014	26 Members (tier 1 & 2 only)	£883,000
01/04/2014 – 31/03/2015	11 Members (tier 1 only)	£255,000
01/04/2015 – 31/03/2016	18 Members (tier 1 only)	£1,193,000
01/04/2016 – 31/03/2017	27 Members (tier 1 only)	£1,153,000
01/04/2017 – 31/03/2018	34 Members (tier 1 only)	£606,000

Pensioners who were awarded enhanced retirement benefits (other):

Period from – to	No. of Enhanced Benefits	Amounts
01/04/2013 – 31/03/2014	109 Members	£1,918,000
01/04/2014 – 31/03/2015	162 Members	£3,726,000
01/04/2015 – 31/03/2016	111 Members	£3,078,000
01/04/2016 – 31/03/2017	62 Members	£1,191,000
01/04/2017 – 31/03/2018	63 Members	£1,505,000

Internal Dispute Resolution Procedure

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

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

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

If still dissatisfied, members may then take their dispute to the Pension Advisory Service and then onto the Pension Ombudsman. During 2017-18, the Fund received ten applications under the Stage One process; three of these cases moved to Stage Two.

2017/18	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	9	1	7	1
Stage 1 - Against Administering Authority	1	0	1	0
Stage 2 - Against Employers	2	1	0	1
Stage 2 - Against Administering	1	0	1	0

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

National Fraud Initiative (NFI)

Clwyd Pension Fund participates in the NFI every other year. The NFI is a data matching exercise designed to detect and prevent fraud and overpayments across England and Wales. As a public body, we are required by law to protect the public funds we administer.

The Auditor General is responsible for carrying out data matching exercises under his powers under the Public Audit (Wales) Act 2004.

As the use of data by the Auditor General for Wales in a data matching exercise is carried out with statutory authority (Part 3A of the Public Audit (Wales) Act 2004), it does not require the consent of the individuals concerned under the Data Protection Act 1998.

In addition to this, Clwyd Pension Fund uses a mortality screening service provided by Atmos.

Analysis of Pension Overpayments and Write Offs

The Fund has a policy in which it does not seek to recover any overpayments of pensioner payroll payments which are under £100. Details of those are shown below. Every effort is made to recover any payroll overpayments above £100. In some circumstances these may be written off with agreement from the Chief Executive.

	2017/18	2016/17	2015/16	2014/15	2013/14
Amounts under £100	6,164	4,694	6,062	4,228	5,975
Number of cases	150	109	146	108	129
Overpayments Recovered	51,265	30,095	28,126	21,612	19,518
Number of cases	102	81	77	40	57
Overpayments Written Off	990	1,741	1,284	5,647	402
Number of cases	3	5	5	10	2

Participating Employers of the Fund at 31 March 2018

The Fund had 43 bodies who contributed to the Fund during 2017/18, 27 scheduled and 16 admitted. Contributions are paid over to the Fund by the 19th of the following month to the month that the contributions relate to. An analysis of contributions received during 2017/18 is shown below.

There have been six additional bodies admitted to the Fund during 2017/18, all of which are admitted. No bonds or any other secured funding arrangements have been facilitated.

We are able to charge interest on overdue contributions during the financial year. During the year the Fund encountered some issues with some of the employers joining the Fund and an existing Employer. These were monitored for timeliness of contributions and the Fund liaised with employers to overcome any problems they were experiencing. The analysis below shows the number of late contributions made to the Fund, along with the amounts and occasions concerned. The Fund did not exercise its option to charge interest to of the employers during the year but the occurrences were registered in the Fund’s breaches register and reported to the Pension Fund Committee. Three of the nine employers were new to the Fund, the issue with employer G has now been rectified. The total of all late payments was £70,266.05 (0.07% of the total contributions)

Scheduled Bodies	Employer Contribution (£)	Employee Contribution (£)
Wrexham County Borough Council	38,354,045.40	4,002,450.05
Flintshire County Council	21,843,974.81	4,845,167.54
Denbighshire County Council	16,300,500.29	3,722,386.87
Coleg Cambria	5,061,774.56	728,645.31
North Wales Fire Service	2,905,509.08	339,018.61
Glyndwr University	1,913,911.67	488,042.80
North Wales Valuation Tribunal	55,719.99	10,554.04
Rhyl Town Council	41,835.15	8,128.90
Hawarden Community Council	36,308.33	8,336.38
Coedpoeth Community Council	30,915.01	5,426.17
Prestatyn Town Council	27,274.87	8,210.08
Caia Park Community Council	23,132.86	5,747.69
Buckley Town Council	17,408.54	4,671.84
Rhos Community Council	15,081.32	3,651.18
Mold Town Council	15,030.66	4,807.41
Shotton Town Council	7,173.88	1,730.28
Cefn Mawr Community Council	6,284.54	2,250.57
Argoed Community Council	5,230.75	1,134.36
Connah's Quay Town Council	4,894.90	5,867.24
Denbigh Town Council	4,096.44	1,604.07
Acton Community Council	3,595.75	1,064.07
Offa Community Council	2,768.00	1,640.19
Penyffordd Community Council	1,705.00	444.40
Gwernymynydd Community Council	1,388.97	250.56
Bagillt Community Council	1,105.20	456.96
Marchwiel Community Council	1,035.12	296.52
Hope Community Council	911.28	404.16

Admitted Bodies	Employer Contribution (£)	Employee Contribution (£)
Newydd Catering & Cleaning Ltd	540,364.84	168,453.63
Aura Leisure & Libraries Ltd	399,584.98	135,942.88
Careers Wales	344,097.16	82,112.23
Civica UK	223,003.86	70,524.42
Wrexham Commercial Services	185,160.22	60,255.22
Freedom Leisure	148,818.60	49,247.01
Holywell Leisure Ltd	46,556.22	17,113.30
Home Farm Trust Ltd	31,995.18	9,207.90
Aramark Ltd	31,161.66	8,572.47
Cartref y Dyffryn Ceiriog	29,642.99	3,817.87
Cartref NI	15,169.66	3,500.77
Glyndwr Students Union	12,806.50	10,002.98
Bodelwyddan Castle Trust	7,595.19	4,030.38
Chartwells – Compass Group UK	6,845.39	2,209.13
Denbigh Youth Group	5,604.40	1,809.96
Cymryd Rhan	4,942.18	106.71

Employer	Late Occasions	Contributions (£)
A (New Employer)	6	30,812.08
B (New Employer)	1	19,609.22
C	3	7,297.38
D (New Employer)	1	5,078.38
E	1	2,900.00
F	1	2,550.24
G	10	1,109.70
H	1	758.68
I	1	150.37

Administrative Responsibilities:

The Clwyd Pension Fund is solely responsible for the administration of pensioner payroll. The administration for scheme members is mainly the responsibility of the Clwyd Pension Fund although the Employers must adhere to certain standards set out in the Service Level Agreements. For example, the Employers must supply the Clwyd Pension Fund with documents in a timely manner in order for benefits to be calculated as soon as possible. Although the Clwyd Pension Fund has the power to seek compensation from Employers in respect of any breaches of such standards, the Clwyd Pension Fund has not used this power.

Communications

Member Self Service (MSS)

Following the launch of MSS in November 2017, some 5,882 members had registered by March 2018. Registered numbers have since risen to 7790 members (August 2018). A quarter of our membership have online access to their Clwyd Pension Fund accounts.

The number of processes completed on MSS by scheme members, since launch, to 31st August 2018 includes:

Action	Total
Pension Projections	21,668
Expression of Wish Change	1,746
Address Changes (since 01/06/18)	251
Bank Details Change (since 01/06/18)	19

The promotion and marketing of our online facility has been integral to registration numbers rising. Employer promotion by internal emails, intranet and the distribution of posters has enhanced both the Clwyd Pension Fund and MSS brand identity. Campus visits have also successfully increased registration. Encouraging registration and advising members how MSS can benefit them has now become a part of the Fund's generic literature.

During 2017/18, the Clwyd Pension Fund provided the following communications:

Clwyd Catch Up

- Issue 13 was posted in April 2017 notifying pensioner members that we were launching our new website and Member Self Service (MSS) facility. It also included information about pensions increase and pay dates. Issue 14 was subsequently sent in April 2018 and also included features regarding GDPR and vacancy details for the Pension Board Scheme Member Representative. Registered members were notified by email of the newsletters availability via MSS.

Penpal

- Issue 21 sent in Spring 2017 notified active members of electronic Annual Benefit Statements, our website and MSS, annual allowance, pension seminars and pensions increase.
- Issue 21b was included with the active Annual Benefit Statements in August 2017 which is the last complete paper benefit statement project. It included details of the negative cost of living revaluation and methods of increasing pension benefits (AVC's/APC's).

Deferred Diaries

- Issue 1 of Deferred Diaries was included with all deferred annual benefit statements in May 2017. Details of pensions increase, MSS and our new website were provided.

Member Self Service Activation Keys

- Letters were posted to all active, deferred and pensioner members including a unique activation key and instructions about how to register for the online facility.

Additional Voluntary Contributions (AVCs) – Choice of Funds (Prudential)

- In October 2017 a letter was sent to all active and deferred members who hold an AVC account with Prudential in order to notify them of the availability of new AVC funds and the access to manage their AVC account online.

Satisfaction Survey

2018 Satisfaction Surveys were distributed during April 2018 allowing both employers and members to supply feedback on whether we are achieving our aims and objectives as set within the Fund's Administration and Communication Strategies.

The Clwyd Pension Fund…..		Agreed	Target
Administration	… offers documentation, guidance and information in a professional manner?	88%	90%
	… is proactive in their approach to provide a service to members?	85%	
	… gives an appropriately timed service with regular updates?	85%	
	… is customer focused and meets the needs of its members	83%	
	… has provided a high quality service throughout your membership?	81%	
Communications	… promotes the scheme as a valuable benefit and provide sufficient information so you can make informed decisions about your benefits?	88%	
	… communicate in a clear and concise manner?	86%	
	… use the most appropriate means of communication?	85%	

Employer Survey	...offers documentation, guidance and information in a professional manner?	95%	90%
	...is proactive in their approach to provide a service to employers?	95%	
	...gives an appropriately timed service with regular updates?	100%	
	...is customer focused and meets the needs of its employers?	100%	
	... ensures you are aware of your LGPS employer related roles and responsibilities for the administration of the Clwyd Pension Fund?	100%	
	… communicates in a clear and concise manner?	100%	
	… uses the most appropriate means of communication?	100%	

For further information on any Clwyd Pension Fund communications, please refer to our Communication Policy Statement in this Annual Report.

Other Information

The following information is provided to assist in the production of the scheme annual report compiled by the LGPS scheme advisory board.

Analysis of Employers of the Fund

The table below shows a summary of the employers in the fund analysed by scheduled bodies and admitted bodies which are active and ceased.

	Active	Ceased	Total
Scheduled body	27	7	34
Admitted body	16	11	27
Total	43	18	61

Analysis of Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2018.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	122,182	141,814	263,996
Alternatives	154,147	233,049	505,066	892,262
Bonds & LDI	400,005	0	204,372	604,377
Property (Direct)	0	0	0	0
Cash	21,191	0	0	21,191
Total	575,343	355,231	851,252	1,781,826

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

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

Analysis of Investment Income

The table below provides an analysis of the Fund's investment income received as at 31 March 2018.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	0	0	0
Alternatives	2,998	7,045	0	10,043
Bonds & LDI	0	0	0	0
Property (Direct)	0	0	0	0
Cash	17	0	0	17
Total	3,015	7,045	0	10,060

Analysis of Fund Manager Expenses (including underlying fees)

The fees which are disclosed in the statement of accounts within the Annual Report have been disclosed in accordance with the CIPFA guidance which states that fees and expenses should only be included where the Fund has a direct relationship with the investment manager. These fees include the annual management charge as well as additional costs such as operational, administrative and legal expenses. In addition any costs for performance and transaction fees are also disclosed. These are disclosed in Note 10 in the Fund's accounts.

Fees relating to underlying managers are not required to be disclosed in the accounting regulations, however the Fund believes we should provide our stakeholders with all fees relating to our investments.

The Fund has exposures to underlying managers through investments in alternative mandates including Hedge Funds, the "Best Ideas" Tactical Asset Portfolio and Private Equity.

The table below shows the fees and expenses which would have been disclosed if underlying fees and their performance fees were included.

The table also shows an average of the basis points charged for each category of fee for the valuation of core assets, non-core assets and total fund.

Fund Management Fees	Avg bps	2017 £000	Avg bps	2018 £000
CORE (78% of Fund)	**68**	**8,836**	**95**	**13,009**
Total expenses including AMC	34	4,495	41	5.652
Underlying Fees (includes performance)	33	4,258	53	7,239
Performance Fees	0	0	0	0
Transaction Fees	1	83	1	118
NON CORE (22% of Fund)	**343**	**11,874**	**479**	**18,538**
Total expenses including AMC	192	6,648	261	10,109
Underlying Fees (includes performance)	60	2,066	97	3,769
Performance Fees	86	2,976	99	3,837
Transaction Fees	5	184	21	823
TOTAL	**125**	**20,710**	**179**	**31,547**
Total Fees Excluding Underlying	87	14,386	117	20,539
Net Assets (Core)		1,306,388		1,373,439
Net Assets (Non-Core)		345,967		387,196
Total Net Assets (excluding cash)		1,652,305		1,760,635

Assets within the "Core" disclosure include: Active Equities, Unconstrained Fixed Income, Liability Driven Investment, Hedge Fund Managed Account Platform, Diversified Growth Funds and the Tactical Asset Portfolio. These account for 78% of the Fund assets but only 41.2% of the total fees. Assets within the "Non-Core" disclosure include: Private Equity (Direct and Fund of Funds), Property (Open and Closed ended), Infrastructure, Timber and Agriculture. Whilst these account for 22% of the Fund assets the proportion of fees amounts to 58.2%. These figures include the underlying fees. (In comparison, excluding underlying fees, the proportion of fees for core assets is 28.1% (31.8% in 2016/17) and non-core, 71.9% (60.6% in 2016/17)

Non-Core fees have increased as commitments and valuations have increased with further bps increase in underlying fees, particularly the performance fees associated with those fees. Further increased cost transparency from the Hedge Fund and Private Market managers has also been recognised.

It should also be noted that performance is shown net of manager fees and whilst the fees of the non – core assets are considerably higher than the core assets, similarly net returns are expected to be higher in the long term.

CLWYD PENSION FUND ACCOUNTS
for the year ended 31st March 2018

FUND ACCOUNT

2016/17 £000		Note	2017/18 £000
	Dealings with members, employers and others directly involved in the Fund		
(76,439)	Contributions	**7**	(105,079)
(2,797)	Transfers in		(4,839)
(79,236)			**(109,918)**
	Benefits payable :		
54,744	Pensions	**8**	56,739
10,413	Lump sums (retirement)		12,058
1,560	Lump sums (death grants)		1,800
66,717			**70,597**
5,586	Payments to and on account of leavers	**9**	5,689
72,303			**76,286**
(6,933)	**Net (additions)/withdrawals from dealings with members**		**(33,632)**
17,475	Management expenses	**10**	23,538
10,542	**Net (additions)/withdrawals including fund management expenses**		**(10,094)**
	Returns on Investments		
(7,432)	Investment income	**11**	(10,060)
0	Tax on investment income		
(310,601)	Change in market value of investments	**12**	(77,179)
(318,033)	**Net return on investments**		**(87,239)**
(307,491)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(97,333)**
(1,380,675)	**Opening net assets of the scheme**		(1,688,166)
(1,688,166)	**Closing net assets of the scheme**		**(1,785,499)**

NET ASSETS STATEMENT

2016/17 £000s		Note	2017/18 £000s
1,685,928	**Investment Assets**	**13**	1,781,826
1,685,928	**Net Investment Assets**		**1,781,826**
	Long-term debtors	**18**	29
4,545	**Debtors due within 12 months**	**18**	6,225
(2,307)	**Creditors**	**19**	(2,581)
1,688,166	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,785,499**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the actuary's report at page 27.

NOTE 1 - THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND

General

Clwyd Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Flintshire County Council. The County Council is the reporting entity for the pension fund.

The LGPS, is a contributory defined scheme established by statute, which provides pensions and other benefits to employees and former employees of Flintshire County Council and the scheduled and admitted bodies in North East Wales. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The LGPS is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013, as amended;
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, as amended; and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is financed by contributions and investment earnings from the Fund's investments. Contributions are made by active members in accordance with the LGPS Regulations 2013, as amended, and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2018. Employers also pay contributions to the Fund based on triennial funding valuations. The last valuation was at 31st March 2016, the findings of which became effective on 1st April 2017. The valuation showed that the funding level increased from the previous valuation (31st March 2013) from 68% to 76%. The employers' contribution rates are structured to achieve a gradual return to 100% funding level over a 14 year period from April 2018. Currently employer contribution rates range from 8.0% to 30.5% of pensionable pay.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable pay	Each year worked is worth 1/60 x final pensionable pay
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the LGPS became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

In addition Clwyd Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund uses Prudential and Equitable Life as its AVC providers. AVCs are paid to the AVC providers by employers and provide additional benefits for individual contributors.

Governance

Flintshire County Council, as the pension fund administering authority, has delegated management of the Fund to the Clwyd Pension Fund Committee (the "Committee"). The Committee comprises five elected Members from Flintshire County Council and four co-opted members comprising two elected Members from unitary authorities, one other scheme employer representative and one scheme member representative, each with equal voting rights, access to training and to information. The Committee is responsible for both the administration and investment policy of the Fund. Following the separation of the pension fund accounts from the Council's accounts under the Accounts and Audit (Wales) Regulations 2018, the Council's Audit Committee delegated responsibility for approving the annual pension fund accounts to the Pension Fund Committee.

In accordance with the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance of the Pension Fund. The Board met three times in 2017/18 and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

Investment Strategy

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, the Committee approved the Investment Strategy Statement on 21 March 2017. The Statement shows the Fund's compliance with the Myners principles of investment management.

The Committee has delegated the management of Fund's investments to eight core investment managers appointed in accordance the 2016 Regulations, and whose activities are specified in detailed investment management agreements and are monitored on a quarterly basis.

In March 2018, the Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight LGPS pension fund in Wales under the auspices of the Wales Pensions Partnership (WPP). WPP has appointed Link Fund Solutions Ltd (Link) to establish and run a collective investment vehicle for the sole use of the LGPS in Wales.

Membership

Membership of the LGPS is voluntary and employees are free to choose to whether to join the scheme, remain in the scheme or make their own personal arrangement outside the scheme. Organisations participating in the Clwyd Pension Fund include:

- Scheduled bodies, that are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies that are organisations which participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 43 employer bodies within the Fund with active members (including Flintshire County Council) and over 46,000 members are detailed below.

2016/17 No.		2017/18 No.
40	Number of employers with active members	**43**
15,748	Active members	16,543
11,985	Pensioners receiving benefits	12,296
15,679	Deferred Pensioners	17,822
43,412		**46,661**

The scheduled bodies which contributed to the Fund during 2017/18 are:

Unitary Authorities:	Flintshire, Denbighshire, Wrexham.
Educational Organisations:	Coleg Cambria, Glyndwr University.
Town and Community Councils:	Acton, Argoed, Bagillt, Buckley, Caia Park, Cefn Mawr, Coedpoeth, Connah's Quay, Denbigh, Gwernymynydd, Hawarden, Hope, Marchwiel, Mold, Offa, Penyffordd, Prestatyn, Rhosllanerchrugog, Rhyl, Shotton.
Other:	North Wales Fire Service, North Wales Valuation Tribunal,

The admitted bodies contributing to the Fund are:

Aramark Ltd	Chartwells	Holywell Leisure Ltd
Aura Leisure & libraries Ltd	Civica UK	Home Farm Trust Ltd
Bodelwyddan Castle Trust	Cymrhyd Rhan	Newydd Catering & Cleaning Ltd.
Careers Wales	Denbigh Youth Group	Wrexham Commercial Services
Cartref y Dyffryn Ceiriog	Freedom Leisure	
Cartref NI	Glyndwr Students' Union	

NOTE 2 - BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position at year end as at 31st March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. Some comparative figures have been reclassified to present the accounts in line with the 2017/18 Code.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 basis, is disclosed in the actuary's report at page 27 of these accounts.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom:

- **IFRS 9 Financial Instruments**, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to amortised cost. There are not expected to be any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments.
- **IFRS 15 Revenue from Contracts with Customers**, presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Fund does not have any revenue streams within the scope of the new standard.
- **IAS 7 Statement of Cash Flows (Disclosure Initiative)**, will potentially require some additional analysis of Cash Flows from Financing Activities, however since the Fund is not currently required to prepare a Cash Flow Statement it does not anticipate any additional disclosure.
- **IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses)**, applies to deferred tax assets related to debt instruments measured at fair value. Currently the Fund does not hold such financial instruments.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In summary, accounting policies adopted are detailed as follows:

Fund Account – Revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013. Individual transfer values received and paid out have been accounted for on a cash basis.

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Investment income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Fund Account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts dues but unpaid are disclosed in the Net Assets Statement as current liabilities.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold.

As Flintshire County Council is the administering authority for the Fund, VAT input tax is recoverable from all Fund activities including expenditure on investment expenses.

Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Fund discloses its administration, governance and investment management expenses in accordance with the CIPFA Guidance *Accounting for Local Government Pension Scheme Management Expenses* (2016).

Administration, oversight and governance expenses are also accounted for on an accruals basis. All Flintshire County Council staff costs are charged direct to the Fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with Council policy.

Investment management expenses are accounted for on an accruals basis and include the fees paid and due to the fund managers and custodian, actuarial, performance measurement and investment consultant fees.

Net Assets Statement

Financial instruments

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the Fund Account.

Financial liabilities are recognised at fair value on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash held in current accounts is kept to a minimum, all other cash deposits are included as part of investment balances in the net assets statement.

Actuarial present value of promised future retirement benefits

The actuarial value of promised future retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of the Code and IAS26. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a report from the actuary (see page 27).

Additional Voluntary Contributions (AVCs)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds Regulations 2016, but are disclosed as a Note only (see Note 20).

NOTE 4 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension fund liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and set out in the actuary's report at page 27. These actuarial re-valuations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

NOTE 5 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The items in the Net Assets Statement at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (see page 27)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 10% decrease in future investment returns would reduce the current funding level of 76% to 68%. A 10% increase in the current valuation of estimated future pension liabilities would reduce the funding level to 70%, and a combination of the two would reduce the funding level to 60%.

Value of investments at level 3

The Pension Fund contains investments in private equity, hedge funds and pooled funds including property, infrastructure, timber and agriculture, that are classified within the financial statements as level 3 investments in note 15 to these accounts. The fair value of these investments is estimated using a variety of techniques which involve some degree of tolerance around the values reported in the Net Assets Statement. Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.

NOTE 6 - POST BALANCE SHEET EVENTS

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2018. Performance of global financial markets since this date may have affected the financial value of pension fund investments as reported in the Net Asset Statement, but do not affect the ability of the Fund to pay its pensioners.

NOTE 7 - ANALYSIS OF CONTRIBUTIONS RECEIVABLE

By employer

2016/17 £000s		2017/18 £000s
(26,936)	Administering Authority - Flintshire County Council	(27,479)
(48,150)	Scheduled bodies	(74,495)
(1,353)	Admitted bodies	(3,105)
(76,439)	**Total**	**(105,079)**

By type

2016/17 £000s		2017/18 £000s
(14,429)	**Employees contributions**	(14,829)
	Employers contributions:	
(32,257)	Normal contributions	(36,175)
(28,562)	Deficit contributions	(52,570)
(1,191)	Augmentation contributions	(1,505)
(62,010)	**Total employers' contributions**	**(90,250)**
(76,439)		**(105,079)**

The figure of £1.191m in 2016/17 was restated from Other income in the 2016/17 accounts to Contribution income in line with the Code.

NOTE 8 – BENEFITS PAYABLE

By employer

2016/17 £000s		2017/18 £000s
25,206	Administering Authority - Flintshire County Council	27,066
40,605	Scheduled bodies	42,330
906	Admitted bodies	1,201
66,717		**70,597**

By type

2016/17 £000s		2017/18 £000s
54,744	Pensions	56,739
10,413	Lump sums (retirement)	12,058
1,560	Lump sums (death grants)	1,800
66,717		**70,597**

NOTE 9 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2016/17 £000s		2017/18 £000s
5,212	Transfer values paid (individual)	5,316
106	Refunds of contributions	101
268	Other	272
5,586	Total	**5,689**

NOTE 10 – MANAGEMENT EXPENSES

2016/17 £000s		2017/18 £000s
1,633	Oversight and Governance	1,399
14,474	Investment Management Expenses (see Note 10A)	20,570
1,368	Administration costs	1,569
17,475	**Total**	**23,538**

The Oversight and Governance costs include the fees payable to the Wales Audit Office for the external audit of the Fund of £39,000 for 2017/18 (£39,000 in 2016/17).

Note 10A – INVESTMENT MANAGEMENT EXPENSES

2016/17 £000s		2017/18 £000s
267	Transaction costs	941
11,200	Fund Management Fees	15,761
31	Custody Fees	31
2,976	Performance related fees	3,837
14,474	**Total**	**20,570**

Fund management fees increased significantly during the year due to a combination of additional investments being made during the year (which incurred management fees), increases in fees based on the fund value and regulatory requirements.

NOTE 11 - INVESTMENT INCOME

2016/17 £000s		2017/18 £000s
(3,236)	Private equity income	(4,593)
(1,584)	Pooled Investments	(2,509)
(2,501)	Pooled property investments	(2,540)
(111)	Interest on cash deposits	(17)
0	Other income	(401)
(7,432)	**Total**	**(10,060)**

NOTE 12 – RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market Value 1 April 2017 £000s	Purchases £000s	Sales £000s	Change in market value £000s	Market Value 31 March 2018 £000s
Bonds	198,621	0	0	5,751	204,372
Pooled investment vehicles	980,438	470,807	(459,470)	41,785	1,033,560
Pooled Property Funds	114,714	4,701	(12,174)	8,281	115,522
Infrastructure	31,761	13,428	(2,691)	(373)	42,125
Timber and agriculture	29,103	173	(1,908)	(1,596)	25,772
Private equity	170,389	40,675	(41,418)	18,753	188,399
Hedge Fund	127,279	20,000	(972)	4,578	150,885
	1,652,305	**549,784**	**(518,633)**	**77,179**	**1,760,635**
Other investment balances:					
Cash	33,623			0	21,191
Net investment assets	**1,685,928**			**77,179**	**1,781,826**

	Market Value 1 April 2016 £000s	Purchases £000s	Sales £000s	Change in market value £000s	Market Value 31 March 2017 £000s
Bonds	170,331	80,140	(64,003)	12,153	198,621
Pooled investment vehicles	745,393	87,547	(114,384)	261,882	980,438
Pooled Property Funds	109,233	7,968	(11,272)	8,785	114,714
Infrastructure	27,351	2,281	(5,365)	7,494	31,761
Timber and agriculture	25,937	219	(1,758)	4,705	29,103
Private equity	147,822	33,290	(38,335)	27,612	170,389
Hedge Fund	139,221	0	(553)	(11,389)	127,279
	1,365,288	**211,445**	**(235,670)**	**311,242**	**1,652,305**
Other investment balances:					
Cash	15,034			(641)	33,623
Net investment assets	**1,380,322**			**310,601**	**1,685,928**

The categories of asset have been restated in 2016/17 to align with the Code as stated in Note 2.

NOTE 13A – ANALYSIS OF INVESTMENTS

2016/17 £000		2017/18 £000
	Bonds	
	Overseas	
198,621	Corporate unquoted	204,372
	Pooled investment vehicles:	
	Overseas	
29,103	Timber and agriculture - unquoted LLP	25,772
234,467	Managed equity funds - quoted	117,023
3,018	Managed equity funds - unquoted	146,973
	Infrastructure	
13,043	Limited Liability Partnerships - quoted	11,764
18,718	Limited Liability Partnerships - unquoted	30,361
18,137	Liability driven investments - quoted	0
375,721	Liability driven investments - unquoted	400,005
82,747	Multi strategy investments - quoted	80,751
266,348	Multi strategy investments - unquoted	273,431
0	Fixed income funds - unquoted	15,378
	Pooled property investment vehicles	
0	Open-ended unquoted	42,578
114,714	Closed-ended LLP unquoted	72,944
	Private equity	
	Limited Liability Partnerships:	
17,966	Unquoted - Opportunistic funds	30,647
1,013	Quoted private equity funds	0
151,410	Unquoted private equity funds	157,751
123,725	**Hedge Funds unquoted**	150,885
3,554	**Hedge Funds quoted**	0
1,652,305		**1,760,635**
33,623	Cash	21,191
1,685,928	**Total investment assets**	**1,781,826**
1,685,928	**NET INVESTMENT ASSETS**	**1,781,826**

NOTE 13B – ANALYSIS BY FUND MANAGER

2016/17 £000	%		2017/18 £000	%
393,858	23.9	Insight	400,005	22.7
198,621	12.0	Stone Harbor	204,372	11.6
183,475	11.1	Mobius	188,710	10.7
214,022	13.0	Investec	159,306	9.0
127,279	7.7	MAN FRM	150,885	8.6
106,336	6.4	Wellington	122,182	6.9
82,747	5.0	Pyrford	80,751	4.6
0	0.0	Blackrock	67,228	3.8
0	0.0	Permira	15,378	0.9
152,423	9.2	Private Equity	157,752	9.0
114,714	6.9	Property	115,522	6.6
31,761	1.9	Infrastructure	42,125	2.4
17,966	1.1	Opportunistic	30,647	1.7
29,103	1.8	Timber/Agriculture	25,772	1.5
1,652,305	**100.0**	**Total**	**1,760,635**	**100.0**

The UK holdings as at 31st March 2018 account for 31% of total investments at market value.

2016/17 £000	%		2017/18 £000	%
519,585	31	UK	554,152	31
1,132,720	69	Overseas	1,206,483	69
1,652,305	100		1,760,635	100

The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK.

2016/17 £000	%	Manager	Holding	2017/18 £000	%
393,858	23.3	Insight	LDI Active 22 Fund	400,005	22.4
128,862	7.6	Stone Harbour	SHI LIBOR Multi Strategy No2 Portfolio	132,224	7.4
131,149	7.8	Investec	OEIC Global Strategic Equity Fund Sterling GBP	74,586	4.2

NOTE 14 – DERIVATIVES

No derivative instruments were held by Clwyd Pension Fund at 31 March 2018 or 31 March 2017.

NOTE 15 - FAIR VALUE OF INVESTMENTS

Fair Value – Basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Pooled Investment Vehicles	Level 1	Quoted market bid price on the relevant exchange	Not required	Not required
Infrastructure	Level 1	Published bid price ruling on the final day of the accounting period	Not required	Not required
Unquoted bond funds	Level 2	Closing bid-market price for the underlying assets in each sub-fund subject to any premiums or discounts	Net Asset value (NAV)-based pricing set on a forward pricing basis	Not required
Unquoted Pooled Investment Vehicles	Level 2	Closing bid price where bid and offer prices are published. Closing bid price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted pooled investment vehicles	Level 3	Valued quarterly at NAV in accordance with *International Private Equity and Venture Capital Association Guidelines*	Valued net of unrealised gains/losses on hedging	Internal rate of return
Pooled property funds	Level 2	Bid market price	Existing lease terms and rentals, tenant's covenant strength, lease length, transactional activity in the sector	Not required
Hedge Fund	Level 2	Valued monthly using closing bid price where bid and offer prices are published or closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Property Funds	Level 3	Valued quarterly at NAV in accordance with *International Private Equity and Venture Capital Association Guidelines*	EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium	EBITDA achieved compared with forecast
Infrastructure	Level 3	Valued using discounted cashflow techniques to generate a net present value	Discount rate and cashflows used in the models	Rates of inflation, interest, tax and currency exchange
Timber and agriculture	Level 3	NAV of underlying funds using a mixture of cost, income and sales comparison approaches depending on the maturity of the investment. Valued annually, subject to quarterly adjustments based on harvest	Productive area, current and forecast prices and costs, marketing and harvest constraints, growth rates and discount rates	Market price for timber and agricultural product, land values and discount rates
Private equity and hedge fund	Level 3	Valued quarterly at NAV using the market approach using quarterly financial statements in accordance with *International Private Equity and Venture Capital Association Guidelines*	EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium	Valuations could be affected by material events between the date of the financial statements provided and the pension fund's reporting date, changes to cashflows and differences between audited and unaudited accounts

Investments have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1 - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - where quoted market prices are not available, valuation techniques are used to determine fair value.

Level 3 – where at least one input that could have a significant effect on the investment's valuation is not based on observable market data. Sensitivity analysis of Level 3 assets is shown below.

	Assessed Valuation Range (+/-) %	Market at 31 March 2018 £000	Value on Increase £000	Value on Decrease £000
Pooled investment vehicles (incl LDI)	10%	15,378	16,916	13,840
Pooled Property Funds	10%	51,529	56,682	46,376
Infrastructure	10%	30,361	33,397	27,325
Timber and agriculture	7%	25,772	27,576	23,968
Private equity (incl Opportunistic Fund	10%	188,399	207,239	169,559
Hedge Fund	10%	6,645	7,310	5,981
Total		**318,084**	**349,120**	**287,049**

	Assessed Valuation Range (+/-) %	Market at 31 March 2017 £000	Value on Increase £000	Value on Decrease £000
Pooled investment vehicles (incl LDI)	10%	12,768	14,045	11,491
Pooled Property Funds	10%	74,795	82,275	67,316
Infrastructure	10%	18,718	20,590	16,846
Timber and agriculture	10%	29,103	32,013	26,193
Private equity (incl Opportunistic Fund	15%	169,376	194,782	143,970
Hedge Fund	10%	9,634	10,597	8,671
Total		**314,394**	**354,302**	**274,487**

The following tables show the position of the Fund's assets at 31st March 2018 based on the Fair Value hierarchy:

2017/18	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Bonds	0	204,372	0	204,372
Pooled investment vehicles	197,774	820,408	15,378	1,033,560
Pooled Property Funds	0	63,993	51,529	115,522
Infrastructure	11,764	0	30,361	42,125
Timber and agriculture	0	0	25,772	25,772
Private equity	0	0	188,399	188,399
Hedge Fund	0	144,240	6,645	150,885
Total	**209,538**	**1,233,013**	**318,084**	**1,760,635**

2016/17	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Bonds	0	198,621	0	198,621
Pooled investment vehicles	335,351	632,319	12,768	980,438
Pooled Property Funds	0	39,919	74,795	114,714
Infrastructure	13,043	0	18,718	31,761
Timber and agriculture	0	0	29,103	29,103
Private equity	1,013	0	169,376	170,389
Hedge Fund	3,554	114,091	9,634	127,279
Total	**352,961**	**984,950**	**314,394**	**1,652,305**

NOTE 15A: TRANSFERS BETWEEN LEVELS 1 AND 2

£84.720m was transferred from Level 1 to Level 2 following further information about the pricing methodology used for the Investec Diversified Growth Fund.

NOTE 15B: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value 1 April 2017 £000	Purchases £000	Sales £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Realised gains/ (losses) £000	Unrealised gains/ (losses) £000	Market Value 31 March 2018 £000
Financial assets at fair value through profit and loss								
Pooled investment vehicles (incl LDI) [a]	12,768	14,914			(12,768)		464	15,378
Pooled Property Funds	74,795	4,701	(12,174)		(21,415)	734	4,888	51,529
Infrastructure	18,718	13,059	(2,691)			1,989	(714)	30,361
Timber and agriculture	29,103	173	(1,908)			164	(1,760)	25,772
Private equity (incl Opportunistic Funds)	169,376	40,675	(41,418)			9,142	10,624	188,399
Hedge Fund	9,634						(2,989)	6,645
Net investment assets	**314,394**	**73,522**	**(58,191)**	**0**	**(34,183)**	**12,029**	**10,513**	**318,084**

The Fund holds no other assets or liabilities at fair value.

	Market Value 1 April 2016 £000	Purchases £000	Sales £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Realised gains/ (losses) £000	Unrealised gains/ (losses) £000	Market Value 31 March 2017 £000
Financial assets at fair value through profit and loss								
Pooled investment vehicles (incl LDI) [b]	315,530				(302,762)			12,768
Pooled Property Funds	70,245	7,968	(10,774)			2,875	4,481	74,795
Infrastructure	15,934	1,938	(5,227)			727	5,346	18,718
Timber and agriculture	25,937	219	(1,632)				4,579	29,103
Private equity (incl Opportunistic Funds)	145,824	33,290	(37,595)			14,467	13,390	169,376
Hedge Fund	8,013						1,621	9,634
Net investment assets	**581,483**	**43,415**	**(55,228)**	**0**	**(302,762)**	**18,069**	**29,417**	**314,394**

(a) Transferred to level 2 to reflect re-appraisal of pricing data of the fund during the year

(b) Transferred to level 2 to reflect re-appraisal of pricing data of the fund during the year

The categories of asset have been restated in 2016/17 to align with the Code as stated in Note 2.

NOTE 16 - FINANCIAL INSTRUMENTS

NOTE 16A - CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

2016/17 Fair Value through profit and loss £000	2016/17 Loans and receivables £000	2016/17 Financial liabilities at amortised cost £000		2017/18 Fair Value through profit and loss £000	2017/18 Loans and receivables £000	2017/18 Financial liabilities at amortised cost £000
			Financial assets:			
198,621			Bonds	204,372		
980,438			Pooled investment vehicles	1,033,560		
114,714			Property	115,522		
31,761			Infrastructure	42,125		
29,103			Timber and agriculture	25,772		
170,389			Private equity	188,399		
127,279			Hedge Fund	150,885		
	33,623		Other investment assets - cash		21,191	
	250		Debtors		314	
1,652,305	**33,873**	**0**		**1,760,635**	**21,505**	**0**
			Financial liabilities:			
		(531)	Creditors			(760)
0	**0**	**(531)**		**0**	**0**	**(760)**
1,652,305	**33,873**	**(531)**	**Total**	**1,760,635**	**21,505**	**(760)**

NOTE 16B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2016/17 £000		2017/18 £000
	Financial assets:	
311,242	Designated at fair value through profit and loss	77,179
(641)	Loans and receivables	0
	Financial liabilities:	
0	Designated at fair value through profit and loss	0
0	Financial liabilities at amortised cost	0
310,601	**Total**	**77,179**

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Procedures for Managing Risk

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimize the risk to an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows.

Responsibility for the Fund's risk management strategy rests with the Clwyd Pension Fund Committee (the Committee) and is set out in the Investment Strategy Statement (ISS), which is available on the Fund's website (www.clwydpensionfund.org.uk).

The ISS is subject to annual review and has been prepared taking into account advice from the Fund's consultants JLT Group. The Committee manages investment risks, including credit risk and market risk, within agreed risk limits, which are set after taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Committee by regular review of the investment portfolio throughout the year.

The investment objective of the Committee is to achieve and maintain a portfolio of suitable assets of appropriate liquidity equal to 100% of liabilities within the 15 year average timeframe, whilst remaining within reasonable risk parameters.

The current strategy is to hold:

- 81% in return-seeking investments comprising UK and overseas equities pooled funds, investment property funds, hedge funds, private equity, venture capital and infrastructure;

- 19% in investments that move in line with the long-term liabilities of the Fund. This is referred to as Liability Driven Investment (LDI) and comprises UK and overseas government and corporate bonds, and repurchase agreements which allow the Fund to gain unfunded exposure to gilts.

Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rate and credit spreads. The Fund is exposed to market risk all its investment activities. The Committee seeks to manage this risk through diversifying investments across a range of asset classes and markets with low correlations with each other and across a selection of managers. In addition, the Committee sets a strategic benchmark in the ISS for each asset class subject to fixed tolerances which also seeks to diversity and minimize risk through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. The current benchmark is targeted to produce long-term returns of 6.5% with a volatility of around 12.6%.

Market risk is also managed through manager diversification with no single manager managing more than 24% of Fund assets. Currently the maximum holding within any one fund manager is 22.7% with Insight managing the LDI mandate, which is within this limit.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments. The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by an average of 6.69%, which is the three-year price volatility as advised by JLT Group for the Fund's investment strategy.

Assets exposed to price risk	Value £000s	3 year volatility range %	Value on increase £000s	Value on decrease £000s
As at 31 March 2017	1,685,928	7.94%	1,827,458	1,544,398
As at 31 March 2018	**1,781,826**	**8.00%**	**1,902,970**	**1,618,300**

Interest Rate Risk

The Fund invests in cash-based financial instruments for the primary purpose of obtaining a return on investments. Bonds and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The table below demonstrates the change in value of these assets had interest rates varied by 1%. It should be noted that the value of bonds varies inversely to interest rates.

Assets exposed to interest rate risk	Value £000s	Value on 1% increase £000s	Value on 1% decrease £000s
As at 31 March 2017	232,244	230,594	233,894
As at 31 March 2018	**225,563**	**223,731**	**227,395**

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Fund is exposed to currency risk because some of the Fund's investments are held in overseas markets through pooled vehicles. The Committee manages currency risk through its Tactical Asset Portfolio allocation which covers any financial instruments that are denominated in any other currency other than GPB. The following table sets out the Fund's potential currency exposure as at 31st March 2018:

Assets exposed to currency risk	Value £000s	Percentage change %	Value on increase £000s	Value on decrease £000s
As at 31 March 2017	1,132,720	5.95%	1,200,087	1,065,353
As at 31 March 2018	**1,204,394**	**8.85%**	**1,310,981**	**1,097,808**

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk because it invests in pooled investment vehicles and is therefore directly exposed to the credit risk in the pooled investment vehicle and indirectly exposed the credit risks arising on financial instruments held by the pooled investment vehicles.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash is held in financial institutions which are at least investment grade credit rated.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the financial position of its admitted bodies.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cashflows regularly during the year and as part of the triennial funding review and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2018, liquid assets were £1,462m representing 82% of total fund assets (£1,387m at 31 March 2017 representing 82% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

NOTE 18 – DEBTORS

2016/17 £000s		2017/18 £000s
0	**Long-term debtors**	29
	Short-term debtors	
1,129	Contributions due - Employees	1,172
2,572	Contributions due - Employers	3,393
12	H.M. Revenue and Customs	14
582	Administering authority	1,328
0	Prepayments	303
250	Sundry debtors	15
4,545	**Total Short-term debtors**	**6,225**
4,545	**Total**	**6,254**

2016/17 £000s		2017/18 £000s
12	Central Government	17
3,935	Other Local Authorities	5,349
598	Other Entities and individuals	888
4,545	**Total**	**6,254**

NOTE 19 – CREDITORS

2016/17 £000		2017/18 £000
(7)	Contributions received in advance	(9)
(1,259)	Benefits payable	(1,708)
(90)	Added years	(9)
(418)	Administering authority	(531)
(2)	H.M. Revenue and Customs	(4)
(531)	Sundry creditors	(320)
(2,307)	**Total**	**(2,581)**

2016/17 £000		2017/18 £000
(3)	Central Government Bodies	(4)
(508)	Other Local Authorities	(540)
(1,796)	Other Entities and Individuals	(2,037)
(2,307)	**Total**	**(2,581)**

NOTE 20 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Clwyd Pension Fund has engaged two additional voluntary contribution (AVC) providers: Prudential Assurance Company Ltd and Equitable Life Assurance Society. The value of the funds invested with both AVC providers are shown below. AVCs paid directly to the providers are shown below.

In accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

2016/17 £000		2017/18 £000
807	Contributions in the year	**922**
	Value of AVC funds at 31 March:	
5,069	Prudential	5,213
462	Equitable Life	420
5,531	**Total**	**5,633**

NOTE 21 – AGENCY SERVICES

Clwyd Pension Fund pays discretionary pension benefits to former employees of the current unitary authorities and Coleg Cambria shown below together with former local authorities, current town and community councils and other bodies listed below under Other employers. These payments are recharged on a £ for £ basis by the individual employers concerned and do not affect the bottom line of the accounts.

2016/17 £000s		2017/18 £000s
551	Conwy County Borough Council	534
1,823	Denbighshire County Council	1,778
3,209	Flintshire County Council	3,136
22	Powys County Council	21
2,255	Wrexham County Borough Council	2,190
51	Coleg Cambria	57
67	Other employers	58
7,978	**Total**	**7,774**

NOTE 22 - RELATED PARTY TRANSACTIONS

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2018, four Members of the Clwyd Pension Fund Committee had taken this option.

The four Co-opted Members of the Pension Fund Committee receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council.

Flintshire County Council

During the year Flintshire County Council incurred costs of £1.6m (£1.4m restated in 2016/17) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The restatement was to reflect supplies and services costs omitted from the 2016/17 disclosure. The costs have been included within Oversight & Governance costs and administration expenses at Note 10.

Key Management Personnel

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Flintshire Chief Executive and the Flintshire s.151 officer. Total remuneration payable to key management personnel is set out below:

2016/17 £000s		2017/18 £000s
15	Short-term benefits	26
44	Post-employment benefits	6
59	**Total**	**32**

NOTE 23 MATERIAL ITEMS OF INCOME AND EXPENSE

For the purpose of this Note, the Council considers material items of income and expense to be those exceeding £18m. During the year the Fund incurred the following material transactions:

- Sold £70m from the Investec Global Equities Fund and invested £70m in the Blackrock Global Equity Tracker Fund;
- Transferred £385m from the Insight Umbrella Holding to the Insight Liability Driven Investment (LDI) Fund; and
- Invested £20m in the MAN FRM Hedge Fund of Funds.

NOTE 24 - CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31 March 2018, the Fund has contractual commitments of £760m (£672m in 2016/17) in private equity, infrastructure, timber and agriculture, and property funds, of which £523m (£517m in 2016/17) has been deployed, leaving an outstanding commitment of £237m (£155m at 31 March 2017).

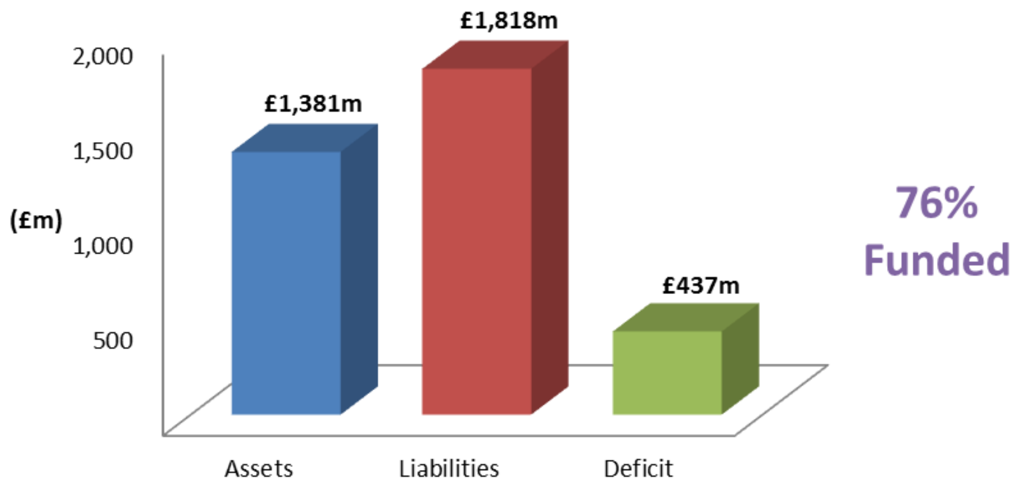
CLWYD PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £1,381 million represented 76% of the Fund's past service liabilities of £1,818 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £437 million.



The valuation also showed that a Primary contribution rate of 15.3% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At the most recent actuarial valuation the average deficit recovery period was 15 years, and the total initial recovery payment (the "Secondary rate") for the three years commencing 1 April 2017 is approximately £29.4 million per annum. For most employers, the Secondary rate will increase at 3.45% per annum, except where phasing has been applied or where it was agreed with the employer to pay a flat contribution. With the agreement of the Administering Authority employers could also opt to pay some of their employer contributions early (after suitably agreed reductions), with either all three years being paid in April 2017 or payment being made in the April of the year in question.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the FSS. Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	**For future service liabilities (Primary rate of contribution)**
Rate of return on investments (discount rate)	4.20% per annum	4.95% per annum
Rate of pay increases (long term)*	3.45% per annum	3.45% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2018 (the 31 March 2017 assumptions are included for comparison):

	31 March 2017	31 March 2018
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum
Rate of CPI Inflation / CARE revaluation	2.3% per annum	2.1% per annum
Rate of pay increases*	3.55% per annum	3.35% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) / Deferred revaluation	2.3% per annum	2.2% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected rate of long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £2,642 million. Interest over the year increased the liabilities by c£66 million, and net benefits accrued/paid over the period also increased the liabilities by c£28 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £107 million due to "actuarial gains" (i.e. the effect of actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £2,629 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2018

Mark Wilson
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2018

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE CLWYD PENSION FUND'S RESPONSIBILITIES

The Pension Fund is required to :-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Pension Fund, this is the Corporate Finance Manager as Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts .

Signed :

Cllr David Hughes
Chair to the Clwyd Pension Fund
Date : 5 September 2018

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Pension Fund's statement of accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Chief Finance Officer has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Chief Finance Officer has also :-

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts presents a true and fair view of the financial position of the Clwyd Pension Fund at 31st March 2018, and the amount and disposition at that date of its assets and liabilities.

Signed:

Gary Ferguson CPFA
Corporate Finance Manager (Chief Finance Officer)

Date: 5 September 2018

The independent auditor's statement of the Auditor General for Wales to the members of the Clwyd Pension Fund on the Annual Report

I have examined the pension fund accounts and related notes contained in the 2017-18 Annual Report of the Clwyd Pension Fund to establish whether they are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts produced by the Clwyd Pension Fund for the year ended 31 March 2018 which were authorised for issue on 7 September 2018. The pension fund accounts comprise the Fund Account, the Net Assets Statement and related notes.

Opinion

In my opinion the pension fund accounts and related notes included in the Annual Report of the Clwyd Pension Fund are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts produced by the Clwyd Pension Fund for the year ended 31 March 2018 which were authorised for issue on 7 September 2018 on which I issued an unqualified opinion.

I have not considered the effects of any events between the date on which I issued my opinion on the pension fund accounts included in the pension fund's Statement of Accounts, 7 September 2018 and the date of this statement.

Respective responsibilities of the Administering Authority and the Auditor General for Wales

The Administering Authority, Flintshire County Council is responsible for preparing the Annual Report. My responsibility is to report my opinion on whether the pension fund accounts and related notes contained in the Annual Report are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts of the Pension Fund. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the pension fund accounts. This other information comprises the Introduction by the Chief executive and Chair of the Clwyd Pension Fund Committee, Governance Structure and Overview of the Clwyd Pension Fund; Independent Advisor Annual Report; Pension Board Annual Report; Financial Reporting; Investment Report; Investment Policy and Performance; Actuarial, Funding and Flight path; Administration Update; Other Information; Regulatory Documents and Best Practice Documents.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
9 November 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Sir y Fflint
Flintshire

FLINTSHIRE COUNTY COUNCIL

Administering Authority for CLWYD PENSION FUND

GOVERNANCE POLICY and COMPLIANCE STATEMENT

September 2018

GOVERNANCE POLICY

Introduction and Legal Requirements

Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund on behalf of its stakeholders; the scheme members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme (LGPS) Regulations.

Flexibility is provided for each Administering Authority to determine their own governance arrangements. However the LGPS Regulations require each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority, and if so:

a) the terms, structure and operational procedures of the delegation,

b) the frequency of any committee or sub-committee meetings,

c) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights

d) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying, and

e) details of the terms, structure and operational procedures relating to the local pension board.

The regulations require Administering Authorities to consult such persons as it considers appropriate when preparing the policy and compliance statement.

This document is the Governance Policy and Compliance Statement for Clwyd Pension Fund that has been prepared to meet the requirement of the LGPS Regulations. The compliance statement required by point (d) is included as Appendix A.

Aims and Objectives

Flintshire County Council recognises the significance of its role as Administering Authority to the Clwyd Pension Fund on behalf of its stakeholders which include:

- around 46,700 current and former members of the Fund, and their dependants
- around 43 employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

Our Fund's Mission Statement is:

- We will be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all our customers.
- We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.
- We will work effectively with partners, being solution focused with a can do approach.

In relation to the governance of the Fund we will aim to:

- Act in the best interests of the Fund’s members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk
- 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
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success

Background to Governance Arrangements

Flintshire County Council reviewed its Governance arrangements for the Clwyd Pension Fund in 2014. Prior to this date, the responsibility for the Clwyd Pension Fund rested with the Head of Finance who reported to the Clwyd Pension Fund Panel made up of elected members from Flintshire County Council, Denbighshire County Council and Wrexham County Borough Council. In addition the panel had non-voting members including an independent adviser and a scheme member representative.

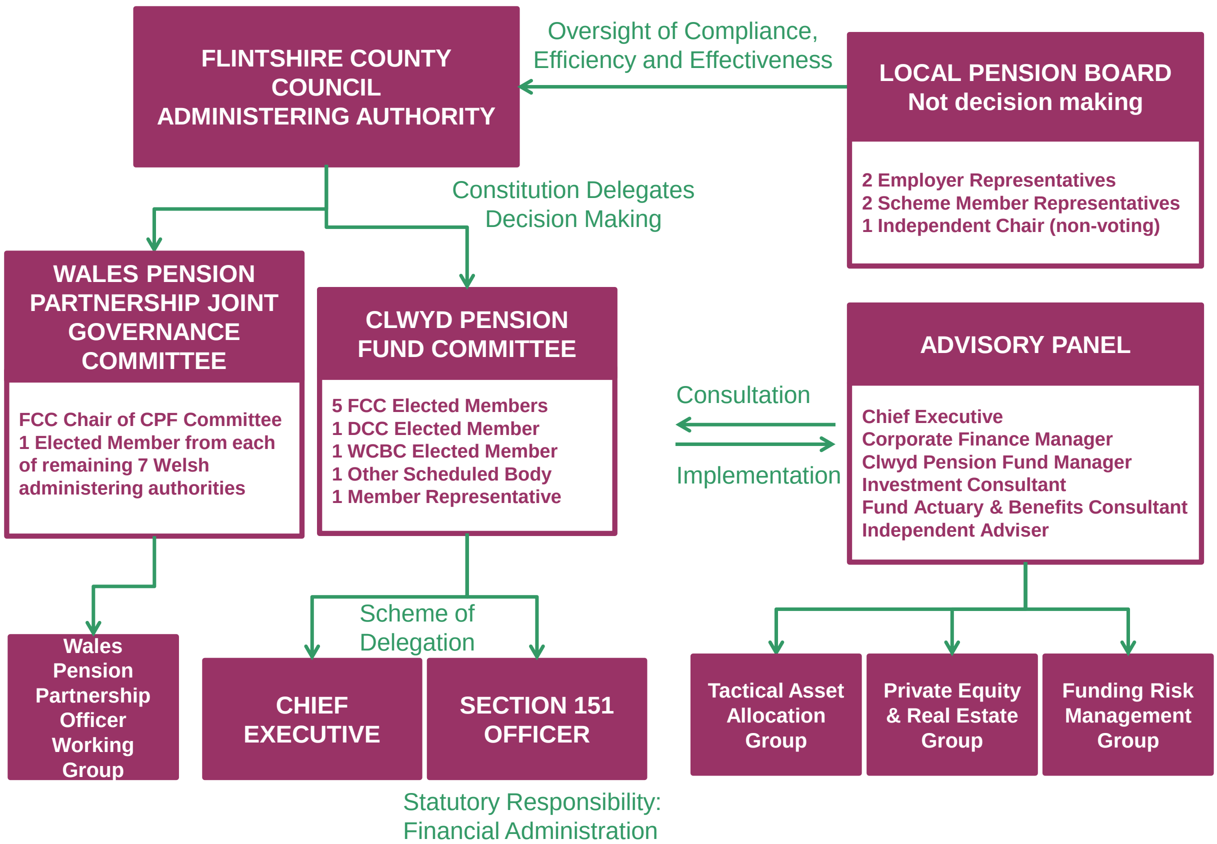
An independent review by CIPFA in 2010 found the governance of the Fund to be very good but recognised that this governance structure did not meet best practice, in particular they recommended:

- Responsibility for the management of the Clwyd Pension Fund should be transferred from the Head of Finance to a newly constituted Committee
- There should be wider representation of stakeholders on the newly constituted committee with voting rights extended to all committee members.

As a result, in May 2014, the Fund's governance arrangements were reviewed and the Council established a formal Pension Fund Committee, supported by a Pensions Advisory Panel. The Corporate Finance Manager is the Section 151 Officer and has a statutory responsibility for the proper financial affairs of Flintshire County Council which include Clwyd Pension Fund matters. In addition, the Council has delegated specific responsibilities to the Chief Executive.

This governance structure was expanded in early 2015 as a result of the requirement by the Public Service Pensions Act 2013 to introduce a local pension board to assist in compliance of pension fund matters. It was then further expanded in March 2017 to establish the Wales Pension Partnership Joint Governance Committee and Officer Working Group and facilitate the move to pooling of pension fund assets across the eight LGPS Pension Funds in Wales.

The Council's governance structure for pension fund matters is as shown below:



Clwyd Pension Fund Committee

The Pension Fund Committee's principal aim is to carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund in accordance with LGPS legislation.

The members on the Clwyd Pension Fund Committee are not trustees of the Fund, however, they do have a duty of care which is analogous to the responsibilities of trustees in the private sector and they could be more accurately described as ‘quasi trustees’. The management of the Clwyd Pension Fund is Non-Political.

The Committee's specific roles as outlined in the Council's Constitution are shown in Appendix B. The Committee may also delegate a limited range of its functions to one or more officers of Flintshire County Council.

No matters relating to Flintshire County Council's responsibilities as an employer participating within the Clwyd Pension Fund are delegated to the Pension Fund Committee.

The Pension Fund Committee meets at least quarterly and is composed of nine members as follows:

- Five Councillors of Flintshire County Council, determined by the Council.

- Four co-opted members comprising:-

  - One Councillor of Wrexham County Borough Council, determined by that Council.

  - One Councillor of Denbighshire County Council, determined by that Council.

  - One Representative of the other Scheme Employers (not admission bodies) in the Clwyd Pension Fund as defined by Schedule 2 of the Local Government Pension Scheme 2013, as amended from time to time, appointed in accordance with procedures agreed by the Chief Executive in consultation with the members of the Pension Fund Advisory Panel.

  - One Representative of the scheme members of the Clwyd Pension Fund, appointed in accordance with procedures agreed by the Chief Executive in consultation with the members of the Pension Fund Advisory Panel.

The Council's Constitution permits named substitutes for Flintshire County Council members only, providing they satisfy the knowledge and skills policy of the pension fund. The terms of reference for the members range from four to six years, and members may be reappointed for further terms.

All members have equal voting rights.

Chief Executive

Under the Council's Constitution, the Chief Executive is responsible for the following matters:

- The day to day management of Clwyd Pension Fund matters including ensuring arrangements for investment of assets and administration of contributions and benefits, excluding matters delegated to the Pension Fund Committee.
- Establishing and Chairing a Clwyd Pension Fund Advisory Panel consisting of officers of the Council and advisors to the Clwyd Pension Fund, to provide advice and propose recommendations to the Pension Fund Committee, and to carry out such matters as delegated to it from time to time by the Pension Fund Committee.

Section 151 Officer – Corporate Finance Manager

Under the Council's current operating model, the Chief Finance Officer (S151) role is designated to the Corporate Finance Manager. The Corporate Finance Manager therefore has a statutory responsibility for the proper financial administration of the Clwyd Pension Fund, in addition to that of Flintshire County Council.

Clwyd Pension Fund Advisory Panel

The Clwyd Pension Fund Advisory Panel has been established by the Chief Executive to provide advice and propose recommendations to the Pension Fund Committee, and to carry out such matters as delegated to it from time to time by the Pension Fund Committee.

Its membership consists of:
- The Chief Executive
- The Chief Finance Officer of Flintshire County Council
- The Clwyd Pension Fund Manager
- Investment Consultant
- Fund Actuary
- Independent Adviser

Wales Pension Partnership Joint Governance Committee

To satisfy the Government's requirements to reduce investment related costs, the eight LGPS administering authorities in Wales, including Flintshire County Council, have entered into an Inter Authority Agreement to pool pension fund assets, a key part of which will be done by appointment of an Authorised Contractual Scheme Operator to make the investments on behalf of the administering authorities. This was agreed at the Flintshire County Council meeting on 1st March 2017. The report and appendices can be found here.

As part of this pooling arrangement, the authorities have also established a Joint Governance Committee with a number of responsibilities including the following:
- Monitoring the performance of the Operator
- Making decisions on asset class sub-funds to be made available by the Operator to implement the individual investment strategies of the eight Funds
- Providing accountability to the participating Funds on the management of the Pool
- Reporting on the Pool to the UK Government and other stakeholders
- Having oversight of an Officer Working Group

Flintshire County Council has determined that the Clwyd Pension Fund representative on the Joint Governance Committee will be the Chair of the Pension Fund Committee. In his or her absence, the Vice Chair will act as the Deputy.

The Pension Fund Committee will determine which officers of Clwyd Pension Fund will represent the Fund on the Officer Working Group.

The Joint Governance Committee meets at least four times each year and is composed of one elected member from each Administering Authority responsible for maintaining an LGPS Pension Fund in Wales. These are:
- Carmarthenshire County Council
- City & County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council

- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council.

Each member present at the Joint Governance Committee is entitled to a vote and all members have equal voting rights.

Carmarthenshire County Council acts as Host Council in relation to the Wales Pension Partnership Inter Authority Agreement. This role includes the following in relation to the management of the pooling arrangements:

- Acting as the main point of contact
- Providing administrative resources and facilities, and governance and administrative services
- Entering into contracts for supplies and services
- Liaising with the Operator.

Wales Pension Partnership Officer Working Group

The Wales Pension Partnership Officer Working Group has been established as part of the Wales Pension Partnership Inter Authority Agreement to support and advise the Joint Governance Committee on such matters as the Joint Governance Committee may reasonably request or any matters relating to the pooling agreement which are raised by any of the authorities' Section 151 Officers or Monitoring Officers.

Each authority delegates to officers to the Officer Working Group. In relation to Clwyd Pension Fund, the Pension Fund Committee determines which of its officers sit on the Officer Working Group. Each authority's Section 151 Officer and Monitoring Officer are entitled to attend the Officer Working Group.

The full list of responsibilities and procedures relating to the Joint Governance Committee, Officer Working Group and Host Council are included in the Inter Authority Agreement.

Pension Board

Each LGPS Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees; as such the Constitution of Flintshire County Council does not apply to the Pension Board unless it is expressly referred to in the Board's Protocol. The Clwyd Pension Board was established by Flintshire County Council in March 2015 and the full Protocol of the Board can be found within the Council's Constitution. The key points are summarised below.

The Pension Board provides oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pension Fund Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers. The Pension Board operates independently of the Pension Fund Committee.

The Pension Board consists of five members as follows:

- Two Employer Representatives
- Two Scheme Member Representatives, one of whom is nominated by the joint trade unions, and one who is a member of the Clwyd Pension Fund
- One Independent Member who acts as chair of the Pension Board.

All Pension Board members, excluding the Independent Member, have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only considered quorate when at least three of the five members are present, including at least one Employer Representative, one Scheme Member Representative and the Independent Member.

Members of the Pension Board are required to declare, on appointment and at each meeting, any interests that may lead to conflicts of interest in relation to Pension Fund matters or agenda items.

The Pension Board meets a minimum of twice and a maximum of four times in each calendar year in the ordinary course of business. Additional meetings may be arranged, subject to approval by the Chief Executive, to facilitate its work.

Training

Flintshire County Council recognises that effective management, administration and decision making can only be achieved where those involved have the requisite knowledge and skills. Accordingly, in relation to the management of the Clwyd Pension Fund, we adopt the key recommendations of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

This means we will ensure that we have formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant LGPS and related knowledge and skills for those responsible for management, administration and decision-making relating to the Fund. These policies and practices will be guided by reference to the framework of knowledge and skills defined within the CIPFA Pensions Finance Knowledge and Skills Frameworks.

The Clwyd Pension Fund's Training Policy can be found on the Fund's website – www.clwydpensionfund.org.uk.

We will report on an annual basis how well this Policy has been adhered to throughout the financial year as part of the Fund's Annual Report and Accounts.

The Council has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Chief Executive, who will act in accordance with the Fund's Policy.

In addition, in accordance with the Wales Pension Partnership Inter Authority Agreement, the Joint Governance Committee is required to prepare, maintain and adhere to a Training and Competence Policy. All members are required to undertake the training that is provided.

Conflicts of Interest

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.
Clwyd Pension Fund's Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management

and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

The Policy can be found on the Fund's website – www.clwydpensionfund.org.uk.

In addition, in accordance with the Wales Pension Partnership Inter Authority Agreement, the Joint Governance Committee is required to prepare, maintain and adhere to a Conflicts of Interest Policy.

Welsh Language Standards

Flintshire County Council has adopted the principle that in the conduct of public business it will treat the Welsh and English languages on a basis of equality. These standards therefore also apply to the governance arrangements for the Clwyd Pension Fund. More information can be found on the Council's website or by contacting the Clwyd Pension Fund Manager.

Monitoring Governance of the Clwyd Pension Fund

The Fund's governance objectives will be monitored as follows:

Objective	Monitoring Arrangements
Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.	• The Independent Adviser undertakes an annual review of the effectiveness of the Clwyd Pension Fund's governance arrangements, the findings of which are reported to the Committee and published. • The Pension Board prepares and publishes an annual report. • In line with the Regulations this document will be filed with the MHCLG.
Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	• A Training Policy is in place together with annual monitoring of all training by Pension Committee members, Pension Board members and key officers. • The Joint Governance Committee has a Training Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.

Objective	**Monitoring Arrangements**
Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	• The employers within the Fund, together with union representatives, are invited to an Annual Joint Consultative Meeting. Attendees receive presentations and have the opportunity to ask questions on the governance of the Fund. • The Pension Fund Committee includes representatives from scheme members and most employers in the Fund. • The Pension Board includes representatives from scheme members and employers in the Fund. • The Pension Board prepares and publishes an annual report which may include comment on decision making. • The Joint Governance Committee prepares an annual business plan which is brought to the Clwyd Pension Fund Committee for agreement.in accordance with the Inter Authority Agreement
Understand and monitor risk	• A Risk Policy and register in place. • Ongoing consideration of key risks at Pension Fund Committee meetings.
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	• The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to Committee. • The Fund has an Independent Adviser and their annual report includes reference to compliance with key requirements. • The Fund maintains a log of all breaches of the law in accordance with the Fund's breaches procedure. • The Pension Board prepares and publishes an annual report which may include comment on compliance matters. • The Joint Governance Committee has a Breaches and Error Policy in place with monitoring arrangements in accordance with the Inter Authority Agreement.

Objective	Monitoring Arrangements
Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success	• All strategies and policies include reference to how objectives will be monitored. • Ongoing monitoring against key objectives at Pension Fund Committee meetings. • Ongoing monitoring of business plan targets at Pension Fund Committee meetings. • Quarterly and annual updates against the Joint Governance Committee's business plan and objectives are provided in accordance with the Inter Authority Agreement.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Pension Fund Committee members, with the assistance of the Clwyd Pension Fund Advisory Panel, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Fund Committee membership, Pension Board membership, Joint Governance Committee and/or key officers resulting in loss of continuity and potentially diminishing knowledge and understanding
- Lack of resource within the Pension Fund Management Team resulting in inability to deliver the appropriate standard of governance
- Lack of resource or lack of buy in to deliver the governance requirements relating to the Welsh Pension Partnership
- Changes in government / legislative requirements meaning insufficient time allocated to ongoing management, either at Pension Fund Committee meetings or as part of key officers' duties
- Ineffective delegation of duties and/or presentation of Pension Fund Committee items resulting in insufficient time spent on key matters
- Insufficient monitoring of the Joint Governance Committee responsibilities
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee members, Board members, Joint Governance Committee members, Advisory Panel members and/or other key officers resulting in a poor standard of decision making and/or monitoring
- Conflicts of interest not being appropriately managed by Committee members, Board members, Joint Governance Committee and/or key officers.

Best Practice Compliance Statement

As required by Local Government Pension Scheme Regulations the statement below compares Clwyd Pension Fund's current governance arrangements with the best practice guidance issued by the Secretary of State for Housing, Communities and Local Government. The statement provides an explanation where the Fund is not fully compliant.

Approval, Review and Consultation

The governance structure of the Clwyd Pension Fund was reviewed in 2014. The employers of the Fund were consulted prior to that review. Employer and scheme member representatives have also been party to proposed changes to the structure including the arrangements for entering into the Wales asset pooling arrangement.

This version of the Governance Policy and Statement was approved at the Clwyd Pension Fund Committee on 21 March 2017 and then amendments approved using officer delegations in September 2018. It will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Governance Policy and Statement, please contact:

Philip Latham, Clwyd Pension Fund Manager, Flintshire County Council
E-mail - Philip.latham@flintshire.gov.uk
Telephone - 01352 702264

Appendix A - Clwyd Pension Fund Governance Compliance Statement

Best Practice	Compliant or not?	Explanatory Note
A. STRUCTURE		
a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**COMPLIANT**	The majority of elements of administration of benefits and strategic management of fund assets are delegated by the Council to Pension Fund Committee. The Wales Pension Partnership Joint Governance Committee has responsibility for some elements of management of the Wales Pension Partnership.
b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	**COMPLIANT**	Representatives covering most employers and scheme members are Co-opted Members of the Pension Fund Committee. The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers. The Wales Pension Partnership Joint Governance Committee is required to liaise with scheme member and employer representatives.

Best Practice	Compliant or not?	Explanatory Note
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**NOT APPLICABLE**	There is no formal secondary committee or panel. However it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate. All Pension Board minutes are circulated around Pension Fund Committee members are soon as they are available as well as being included in Pension Fund Committee reports.
d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**NOT APPLICABLE**	
B. REPRESENTATION		

Best Practice	Compliant or not?	Explanatory Note
a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**PARTIALLY COMPLIANT**	The Pension Fund Committee includes the following Co-opted Members: • employer representatives covering all employers with the exception of admission bodies (as admission bodies make up just a small proportion of the liabilities of the Fund) • a scheme member representative covering all categories of scheme member. In addition, an independent adviser attends all Pension Fund Committee meetings and the Fund's actuary and investment consultant regularly attend meetings on an ad-hoc basis. The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers. The Wales Pension Partnership Joint Governance Committee is required to liaise with scheme member and employer representatives.

Best Practice	Compliant or not?	Explanatory Note
b. That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**COMPLIANT**	All Pension Fund Committee members, including Co-opted Members, are treated equally with full opportunity to contribute to the decision making process and with unrestricted access to papers and training, and with full voting rights. There is no formal secondary committee or panel. However it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate.
C. SELECTION AND ROLE OF LAY MEMBERS		
a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	**COMPLIANT**	This is highlighted via regular training and also when presenting this Governance Policy and Compliance Statement for approval.

Best Practice	Compliant or not?	Explanatory Note
b. That at the start of any meeting committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	**COMPLIANT**	This is no longer a legal requirement but we recognise that potential conflicts of interest can arise between existing roles (e.g. as employer representatives or scheme members) and accordingly we still carry out this practice. The Fund has a Conflicts of Interest Policy outlining the process for identifying and managing actual and potential conflicts of interest.
D. VOTING		
a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**COMPLIANT**	The Council's Constitution and the Fund's Governance Policy and Compliance Statement make it clear that all Pension Fund Committee members have equal voting rights. The Wales Pension Partnership Joint Governance Committee voting arrangements are outlined in the Inter Authority Agreement with one vote per authority.
E. TRAINING / FACILITY TIME / EXPENSES		

Best Practice	**Compliant or not?**	**Explanatory Note**
a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	**COMPLIANT**	The Fund has a Training Policy that applies to all Pension Fund Committee members, Pension Board members and officers. Training is delivered through several avenues including: • An initial induction for new Pension Fund Committee and Pension Board Members • On-going training through written reports or presentations at Committee meetings • Conferences and seminars. The actual costs and expenses relating to approved training are met directly or can be reimbursed from the Clwyd Pension Fund. The co-opted members of the Pension Fund Committee and members of the Pension Board receive payments for attendance at meetings (including training events) as detailed within the Flintshire County Council Members' Remuneration Scheme and the Pension Board Protocol. The Wales Pension Partnership Joint Governance Committee is required to prepare, maintain and adhere to a Training Policy.

Best Practice	Compliant or not?	Explanatory Note
b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**COMPLIANT**	
c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	**COMPLIANT**	A log of individual Member training is maintained. In addition, the Fund has adopted the CIPFA Knowledge and Skills Framework and has a Fund specific Training Policy.
F. MEETINGS (FREQUENCY/QUORUM)		
a. That an administering authority's main committee or committees meet at least quarterly.	**COMPLIANT**	
b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**NOT APPLICABLE**	
c. That an administering authority who do not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	**NOT APPLICABLE**	Even though we do have lay members on our Pension Committee, we also have an Annual Joint Consultative Meeting (AJCM) for employing bodies and scheme members. The Pension Board also provides a forum for stakeholders to be represented.
G. ACCESS		

Best Practice	Compliant or not?	Explanatory Note
a. That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**COMPLIANT**	All Members of the Pension Fund Committee have equal access to papers. In addition, all Pension Board members have access to the same papers. The Joint Governance Committee is a public meeting so all papers (except those classified as exempt) are available to Committee and Board members, as well as members of the public.
H. SCOPE		
a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	**COMPLIANT**	The remit of the Pension Fund Committee covers all Fund matters, including administration, communications, funding, investments and governance. The Pension Board provides further opportunity for these matters to be considered.
I. PUBLICITY		

Best Practice	Compliant or not?	Explanatory Note
a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	**COMPLIANT**	The Fund publishes a detailed Annual Report, newsletters for active and pensioner members, road shows, drop in sessions and an Annual Meeting for Employers and representatives of stakeholders (AJCM). In addition all Pension Fund Committee reports are available to view on the Flintshire County Council website (other than exempt items). Arrangements relating to the Joint Governance Committee are available via this policy, with some information included in Pension Fund Committee papers. In addition the Joint Governance Committee will liaise with scheme member and employer representatives.

Appendix B – Delegated Roles and Functions of the Clwyd Pension Fund Committee

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the Chief Executive and the Fund's professional advisers:

a) Ensuring the Clwyd Pension Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.

b) Ensuring robust risk management arrangements are in place.

c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non statutory best practice guidance in relation to its management of the Clwyd Pension Fund.

d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:

    i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Flintshire County Council and making recommendations to Flintshire County Council about any changes to that framework.

    ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.

    iii) Investment strategy - approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.

    iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.

    v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.

    vi) Discretions – determining how the various administering authority discretions are operated for the Fund.

e) Monitoring the implementation of these policies and strategies on an ongoing basis.

f) In relation to the Wales Pension Partnership Collaboration arrangements:

i) Undertaking the following matters reserved to Flintshire County Council as outlined in the Inter-Authority Agreement:
   - Appointment, termination or replacement of the Operator following the making of a recommendation by the Joint Governance Committee.
   - Approval of additional expenditure not included within the Business Plan which exceeds 30 % of the approved budget in the Business Plan in any one Financial Year.
   - Formulation, approval or revisions of each respective Constituent Authority's investment strategy for the purposes of regulation 7 of the Investment Regulations.
   - Admitting a new administering authority within the LGPS to the Investment Pool as a Constituent Authority.
   - Amendment of the Agreement which is not significant to the operation of the arrangements.
   - Material change to the nature of the Operator Contract.
   - Approval of the initial strategic objectives to allow preparation of the first Business Plan (which objectives shall reflect the objectives set out in the procurement of the Operator).
   - Approval of any evaluation or scoring criteria for any procurement of a replacement Operator.
   - Approval of the Business Plan which shall include approval of the ongoing strategic objectives of the Investment Pool.
   - Determination of the timing of the transition of the assets held by Clwyd Pension Fund into the Pooling Collaboration and the funds or sub-funds operated by the Operator.

Note the Council shall retain the power to terminate the Inter-Authority Agreement or make amendments to the Inter-Authority Agreement that may be significant to the operation of the arrangements.

ii) Delegating powers to Flintshire County Council's own officers and the Host Council where required.

iii) Nominating Flintshire County Council's officers to the Officer Working Group.

iv) Monitoring of the performance of the Wales Pooling Collaboration and its Operator and recommending actions to the Joint Governance Committee, Officer Working Group or Host Council, as appropriate.

g) Considering the Fund's financial statements prior to approval by the Council and agreeing the Fund's annual report.

h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.

i) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

j) Agreeing the terms and payment of bulk transfers into and out of the Fund.

k) Agreeing Pension Fund business plans and monitoring progress against them.

l) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.

m) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

n) Receiving ongoing reports from the Chief Executive and Pensions Advisory Panel in relation to delegated functions.

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

FUNDING STRATEGY STATEMENT

CLWYD PENSION FUND

MARCH 2017

FLINTSHIRE COUNTY COUNCIL

This Funding Strategy Statement has been prepared by Flintshire County Council (the Administering Authority) to set out the funding strategy for the Clwyd Pension Fund ("the Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1 EXECUTIVE SUMMARY

The LGPS Regulations and CIPFA Guidance provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

THE DETAILS CONTAINED IN THIS FUNDING STRATEGY STATEMENT WILL HAVE A FINANCIAL AND OPERATIONAL IMPACT ON ALL PARTICIPATING EMPLOYERS IN THE CLWYD PENSION FUND. IT IS IMPERATIVE THEREFORE THAT EACH EXISTING OR POTENTIAL EMPLOYER IS AWARE OF THE DETAILS CONTAINED IN THIS STATEMENT.

The FSS is a document that must be revised and published whenever there is a material change in either the policy set out in the FSS or the Investment Strategy Statement (ISS). A consultation with employers must take place before the Administering Authority can publish their funding strategy.

The funding strategy is applicable to all types of employer within the Fund and contains a number of policies that employers should be aware of, including the admission and termination policy and the covenant policy. A glossary is included at the end to assist with understanding of the technical terms and definitions.

The drafting of the FSS has been delegated to the Pension Fund Committee by the Administering Authority, following advice from the Fund Actuary. Some aspects have also been delegated to Fund officers.

The FSS is also subject to scrutiny and possible intervention under Section 13(4)(c) of the Public Service Pensions Act 2013 which may place some restrictions on the parameters that can be applied to employers.

Key elements of the funding strategy are as follows:

- Employer covenant and investment strategy will have a major influence on the valuation results.
- Deficit recovery periods will be determined by the Administering Authority with the aim of recovering deficits as quickly as possible and vary by employer. Subject to affordability, existing deficit contribution plans will not be reduced. The average recovery period for the Fund is 15 years. Deficit recovery contributions will be expressed as £s amounts.
- It will be possible for employers to prepay their deficit contributions for the full 3 years or annually at each April which would result in a cash saving.
- The key financial assumption – the discount rate – has been derived by considering the long term expected return on the Fund's investment over and above assumed future Consumer Price Inflation (CPI).
- The demographic assumptions for the whole Fund have been determined by carrying out a bespoke analysis of the Fund's membership along with a review of other LGPS Funds.
- It is strongly recommended that employers consider and understand the Fund policies which primarily relate to employers joining the Fund, ongoing monitoring of the financial strength of employers (covenant) and the approach adopted when employers leave the Fund (termination).

Ensuring that the Clwyd Pension Fund (the “Fund”) has sufficient assets to meet its pension liabilities in the long-term is the fiduciary responsibility of the Administering Authority (FLINTSHIRE COUNTY COUNCIL). The Funding Strategy adopted by the Clwyd Pension Fund will therefore be critical in achieving this.

The purpose of this Funding Strategy Statement (“FSS”) is to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward.

Given this, and in accordance with governing legislation, all interested parties connected with the Clwyd Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

THE FUND’S OBJECTIVE

The Administering Authority’s long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members’ accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund’s investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long-term cost-efficiency implies that the rate must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the pension fund and “long term cost efficiency" of the Scheme so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is 76% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions which would result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period). Full details are set out in this FSS.

The average recovery period for the Fund as a whole is 15 years at this valuation which is 3 years shorter than the average recovery period of 18 years from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation, subject to affordability constraints, the employer may be able to step-up contributions over a period of 3 years. Employers should be aware that if they elect to step-up their contributions, this may have an effect on the level of contributions required in the future. Equally employers will be able to phase in their contributions changes to tie in with their financial year if this does not end on 31 March.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an appendix to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns <u>in excess</u> of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.0% per annum and for determining the future service ("primary") contribution rates is 2.75% per annum.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund taking into account the experience of the wider LGPS where relevant.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition, the asset share maybe restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's approach and polices in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner and their ability to meet their obligations in the short and long term will be considered when determining an individual employer's funding strategy.

The Fund will continue to monitor changes in covenant in conjunction with the funding position over the inter-valuation period which will enable the Fund to anticipate and pre-empt employer any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the relevant appendix in this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in Appendix C. Examples of new employers include:

- Scheme Employers
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to Government bond yields and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

4. Insurance arrangements

The Fund is currently implementing an internal captive ill health insurance arrangement which pools these risks for eligible employers. This arrangement will not affect eligible employer contribution rates at this valuation but may affect them going forward. More details are provided in **Appendix E**.

CONTENTS

APPENDICES

1

INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Clwyd Pension Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the Clwyd Pension Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Clwyd Pension Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including the provision of a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

PRIMARY RATE

The "Primary rate" for an employer is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

The Secondary rate is specified in the rates and adjustments certificate.

For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

2

PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency of the pension fund" and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers’ liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designated and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

4

RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (in particular the Pensions Committee), the individual employers and the Fund Actuary, and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and

- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5
SOLVENCY FUNDING TARGET

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements the Administering Authority’s long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, the employer rate would ultimately revert to the Future Service or Primary Rate of contributions.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long-term cost-efficiency implies that the rate must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the pension fund and “long term cost efficiency" of the Scheme so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**. Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.
In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful, potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation, separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- The Fund does not believe it appropriate for deficit contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.

- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in **Appendix B**). This has resulted in an average recovery period of 15 years being adopted across all employers.

- For any employers assessed to be in surplus, their individual contribution requirements will be adjusted to such an extent that any surplus is used (i.e. run-off) over a 15 year period, subject to a total contribution minimum of zero. If an employer is expected to exit the Fund before this period, contribution requirements will be set to target a nil termination deficit within reasonable expectations (subject to periodic review).

- The employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits
    - the **Secondary rate**: a schedule of lump sum monetary amounts and/or % of pay amendments over 2017/20 in respect of an employer's surplus or deficit (including phasing adjustments)

- Where increases (or decrease) in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, the increase (or decrease) from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years. Any step up in future service contributions will be implemented in steps of at least 0.5% of pay per annum. Alternative patterns of contribution, on grounds of affordability, will be considered on an individual employer basis, subject to the total contribution requirement being met over the 2017/20 period covered by the contribution certificate. Employers should be aware that varying their contribution pattern could have an effect on the level of contributions required in the future.

- For employers that do not have a financial year end of 31 March 2017 (e.g. 31 July 2017), the Fund can allow the employer to continue to pay their current contribution plan until their financial year end date. The new contribution plan would then be implemented after this date (i.e. 1 August 2017 in this case).

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. The termination policy is summarised set out in **Appendix C**.

6

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2016 valuation show the liabilities to be 76% covered by the current assets, with the funding deficit of 24% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

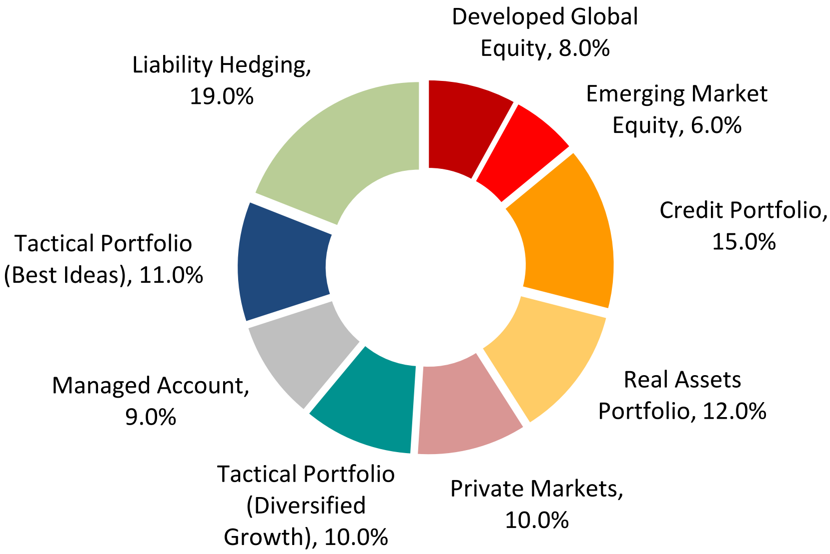
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 52%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The strategic allocation is:



Based on the
investment strategy above and the Investment Consultant's (JLT) assessment of the return expectations for each asset class leads to an overall best estimate average expected return of 4.3% per annum in excess of CPI inflation at the valuation date. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

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IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes a quantification of the key risks in terms of the effect on the funding position.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle
- Employer contributions are unaffordable and/or unstable
- Investment and/or funding objectives and/or strategies are no longer fit for purpose
- Insufficient assets to pay benefits
- Loss of employer income and/or other employers become liable for their deficits

Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under regular review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC

The demographic risks are as follows:-

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements**. Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund. This for example could include insurance of ill-health costs or death in service benefits for members. Further information on the insurance of ill health costs is set out in **Appendix E**.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme,
- Changes to national pension requirements and/or HMRC Rules

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned, it circulated copies of the first draft to all employing bodies for their comments and placed a copy on the Fund’s website. The first draft was approved at the Committee meeting on 5th July 2016 and finalised on 21 March 2017 after the Fund received consultation feedback from the employing bodies and the final document was ratified by the Committee.

The Fund has restructured their governance arrangements with the implementation of the Advisory Panel. The Advisory Panel is made up of Fund Officers, Investment Consultants, an Independent Advisor and the Fund Actuary.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Changes to Committee membership

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. the implementation of iConnect for transferring data from employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.

Full details of the risks and the controls in place are set out in the CPF risk register.

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MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with employing organisations.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of then current economic conditions and will also reflect any legislative changes.

FLIGHTPATH - DE-RISKING STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority has implemented a "Flightpath" risk management investment strategy with effect from 1 April 2014. A Liability Driven Investments (LDI) mandate has also been implemented.

The principal aim of this risk management strategy is to effectively control and limit interest and inflation risks being run by the Fund (as these factors can lead to significant changes to liability values). At the valuation date the level of hedging was approximately 20% in relation to interest rates and 40% in relation to inflation. The intention is that the Fund will achieve a hedge ratio of 80% in the long term for both interest and inflation rates. The overall funding flightpath strategy structure was reviewed in conjunction with the actuarial valuation and a summary of the real yield triggers above CPI is shown below (split by duration of liabilities). In practice the triggers are split into separate interest rate and inflation triggers. Further details are set out in the November 2016 committee report.

		Real rate above CPI			
Proposed triggers	Hedge ratio	15y	20y	30y	40y
Trigger 1	30%	-	-	-	-
Trigger 2	40%	-	-	-	-
Trigger 3	50%	1.40%	1.40%	1.40%	1.40%
Trigger 4	60%	1.60%	1.60%	1.60%	1.60%
Trigger 5	70%	1.80%	1.80%	1.80%	1.80%
Trigger 6	80%	2.00%	2.00%	2.00%	2.00%

FLIGHTPATH – MONITORING/TRIGGER REVIEW

A summary report is provided to the Fund (on a monthly and quarterly basis) which includes a "traffic light" analysis of the key components of the Flightpath and hedging mandate. The "traffic light" indicates whether the Flightpath and hedging mandate are operating in line with expectations or if any actions are required. In particular, a separate fund-wide mechanism has been introduced, such that if the funding level falls more than 5% below the "expected" funding level (based on valuation assumptions), then discussions will follow at the Advisory Panel level as to the continued appropriateness of the funding strategy.

The funding level has materially improved since the valuation date due to strong equity performance in the portfolio including the exposure via the risk management mandate with Insight. There are no formal funding level triggers in place at the time of writing but these are being considered and will be implemented. In addition it has been agreed that the Fund will seek to protect itself against falls in equity markets. This will be done via insurance contracts and it will be put in place to cover only the exposure to equity markets within the Insight mandate. Details of the updated funding level triggers and Equity market protection will be shown in the relevant Committee report and they will then be reflected in the future updates of the FSS.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations as part of the Flightpath monitoring detailed above and regular funding reviews. If considered appropriate, the funding and flightpath strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- if there have been significant changes to the CPF membership, or LGPS benefits
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy e.g. closure to new entrants
- if there have been any significant special contributions paid into the CPF

When monitoring the funding position, if the Administering Authority considers that any action is required, the employing authorities will be contacted to provide an update and details of any proposed remedial actions at the next valuation or earlier if appropriate.

FURTHER INFORMATION

If you require further information about anything in or related to this Funding Strategy Statement, please contact:

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APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets base on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.0% per annum above CPI inflation i.e. a real return of 2.0% per annum and a total discount rate of 4.2% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.25% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for some employers as budgeted in their financial plan. For example for public sector employers this results in a total salary increase of 1% per annum to 2019/20 in line with Government policy. Depending on the circumstances of the employer, the variants on short term pay that have been applied are either no allowance or an allowance of 1% per annum for each year from the valuation date up to 2020.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections with a long-term improvement trend of 1.75% per annum for males, and 1.5% per annum for females.
The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, <u>no allowance</u> will be made for the future take-up of the 50:50 option (an allowance of 5% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.6% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation and is calculated by estimating the level of expenses for the Fund over the period from 1 April 2017 to 31 March 2020. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2016 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.20% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.20% p.a.
CPI price inflation	2.20% p.a.
Long Term Salary increases*	3.45% p.a.
Pension increases/indexation of CARE benefits	2.20% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.20% p.a.
Long Term Salary increases*	3.45% p.a.
Pension increases/indexation of CARE benefits	2.20% p.a.

*short term salary increases of 1% per annum for each year from the valuation date up to 2020 also apply for most employers

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation are set out below:

Current Status	Retirement Type	Mortality Table
Pensioner	Normal Health	99% S2PMA_CMI_2015[1.75%] / 90% S2PFA_CMI_2015[1.5%]
	Dependant	130% S2PMA_CMI_2015[1.75%] / 103% S2DFA_CMI_2015[1.5%]
	Ill Health	99% S2PMA_CMI_2015[1.75%] + 3 years / 90% S2PFA_CMI_2015[1.5%] + 3 years
Active	Normal Health	99% S2PMA_CMI_2015[1.75%] / 86% S2PFA_CMI_2015[1.5%]
	Ill Health	99% S2PMA_CMI_2015[1.75%] + 4 years / 86% S2PFA_CMI_2015[1.5%] + 4 years
Deferred	All	124% S2PMA_CMI_2015[1.75%] / 99% S2PFA_CMI_2015[1.5%]
Future Dependant	Dependant	106% S2PMA_CMI_2015[1.75%] / 98% S2DFA_CMI_2015[1.5%]

Life expectancies at age 65:

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	22.8	25.4
Actives aged 45 now	25.4	28.1
Deferreds aged 45 now	23.5	26.9

Other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B – EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement although employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of recovery periods is summarised in the table below:

Category	Average Deficit Recovery Period (whole years)	Derivation
Unitary Authority Councils	15 years	Determined by reducing the period from the preceding valuation by 3 years.
Other Tax-raising Scheduled and Designating Bodies	11 years	Determined by reducing the period from the preceding valuation on a case by case basis with the intention of reducing by at least 3 years.
Education Bodies (Universities and Colleges)	13 years	Determined by reducing the period from the preceding valuation by at least 3 years.
Admission Bodies (guaranteed by another Scheme Employer within the Fund)	16 years	Subject to agreement with guarantor.

Individual employers have been notified separately of their individual recovery periods when they were provided with their individual valuation results.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;

- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.
- changes in the funding position after the valuation date which is deemed reasonable.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation.

OTHER FACTORS AFFECTING THE EMPLOYER DEFICIT RECOVERY PLANS

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things being equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice. Typically this will be managed primarily through an adjustment to the recovery period and/or phasing/stepping of contributions.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the Fund Actuary, retains ultimate discretion in agreeing final employer contribution plans, and will consider whether any exceptional arrangements should apply to any participating employer within the Fund.

APPENDIX C - ADMISSION AND TERMINATION POLICY

INTRODUCTION

This document details the Clwyd Pension Fund's (CPF) policy on the methodology for assessment of ongoing contribution requirements and termination payments in the event of the cessation of an employer's participation in the Fund. This document also covers CPF's policy on admissions into the Fund and sets out the considerations for current and former *admission bodies*. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS).

- Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

- Scheme Employers have a statutory right to participate in the LGPS and their staff therefore can become members of the LGPS at any time, although some organisations (Part 2 Scheme Employers) do need to designate eligibility for its staff.

A list of all current employing bodies participating in the CPF is kept as a live document and will be updated by the Administering Authority as bodies are admitted to, or leave the CPF.

Please see the glossary for an explanation of the terms used throughout this Appendix.

ENTRY TO THE FUND

Prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. If the risk assessment and/or bond amount is not to the satisfaction of the Administering Authority (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the minimum risk methodology and assumptions.

Some aspects that the Administering Authority may consider when deciding whether to apply a minimum risk methodology are:

- Uncertainty over the security of the organisation's funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;

- If the admitted body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

ADMITTED BODIES PROVIDING A SERVICE

Generally Admitted Bodies providing a service will have a guarantor within the Fund that will stand behind the liabilities. Accordingly, in general, the minimum risk approach to funding and termination will not apply for these bodies.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the actuary to the CPF. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the CPF it must also be satisfied (along with the Administering Authority) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Administering Authority, the level of the bond amount will be subject to review on a regular basis.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund’s general policy as set out in the FSS.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer.

An exception to the above policy applies if the guarantor is not a participating employer within the CPF, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the CPF the Administering Authority may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the minimum risk methodology and assumptions

PRE-FUNDING FOR TERMINATION

An employing body may choose to pre-fund for termination i.e. to amend their funding approach to a minimum risk methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the minimum risk basis.

For any employing bodies funding on such a minimum risk strategy a notional investment strategy can be assumed as a match to the liabilities if agreed by the Administering Authority based on the advice of the Actuary. In particular the employing body’s notional asset share of the Fund will be credited with an investment return in line with the minimum risk funding assumptions adopted rather than the actual investment return generated by the actual asset portfolio of the entire Fund. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

EXITING THE FUND

TERMINATION OF AN EMPLOYER'S PARTICIPATION

When an employing body terminates for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members except where there is a complete transfer of responsibility to another Fund with a different Administering Authority.

In the event that unfunded liabilities arise that cannot be recovered from the employing body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

The CPF's policy is that a termination assessment will be made based on a minimum risk funding basis, unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated).

If, instead, the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities, the CPF's policy is that the valuation funding basis will be used for the termination assessment unless the guarantor informs the CPF otherwise. The guarantor or successor body will then, following any termination payment made, subsume the assets and liabilities of the employing body within the Fund. (For Admission Bodies, this process is sometimes known as the "novation" of the admission agreement.) This may, if agreed by the successor body, constitute a complete amalgamation of assets and liabilities to the successor body, including any funding deficit on closure. In these circumstances no termination payment will be required from the outgoing employing body itself, as the deficit would be recovered via the successor body's own deficit recovery plan.

It is possible under certain circumstances that an employer can apply to transfer all assets and current and former members' benefits to another LGPS Fund in England and Wales. In these cases no termination assessment is required as there will no longer be any orphan liabilities in the CPF. Therefore, a separate assessment of the assets to be transferred will be required.

FUTURE TERMINATIONS

In many cases, termination of an employer's participation is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued and/or the admission agreement is due to cease. Under the Regulations, in the event of the Administering Authority becoming aware of such circumstances, it can amend an employer's minimum contributions such that the value of the assets of the employing body is neither materially more nor materially less than its anticipated liabilities at the date it appears to the Administering Authority that it will cease to be a participating employer. In this case, employing bodies are encouraged to open a dialogue with the Fund to commence planning for the termination as early as possible. Where termination is disclosed in advance the Fund will operate procedures to reduce the sizeable volatility risks to the debt amount in the run up to actual termination of participation. The Fund will modify the employing body's approach in any case, where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

The Fund's standard policy is to recover termination deficits (including interest and expenses) as a one off payment. However, at the discretion of the Administering Authority, the deficit can be recovered over an agreed period as certified by the Actuary. This period will depend on the Administering Authority's view on the covenant of the outgoing employer.

MINIMUM RISK TERMINATION BASIS

The minimum risk financial assumptions that applied at the actuarial valuation date (31 March 2016) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

Minimum risk assumptions	**31 March 2016**
Discount Rate	2.2% p.a.
CPI price inflation	2.2% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

All demographic assumptions will be the same as those adopted for the 2016 actuarial valuation, except in relation to the life expectancy assumption. Given the minimum risk financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption.

The termination basis for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the long term trend of improvement in mortality rates to 2% p.a. from the 1.75% p.a. and 1.5% p.a. used for males and females respectively, in the 2016 valuation for ongoing funding and contribution purposes.

APPENDIX D – COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.
An assessment of employer covenant focuses on determining the following:

> Type of body and its origins
> Nature and enforceability of legal agreements
> Whether there is a bond in place and the level of the bond
> Whether a more accelerated recovery plan should be enforced
> Whether there is an option to call in contingent assets
> Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to the consideration of the above criteria would be made, with further focus given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Greed (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent actuarial basis and investment strategy (e.g. the termination basis)
3. A higher funding target, shortened recovery periods and increased cash contributions
4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX E – INSURANCE ARRANGEMENTS

OVERVIEW OF ARRANGEMENTS

The Fund is setting up an internal captive ill health insurance arrangement which pools these risks for eligible employers. The aim of the arrangement would be that smaller employers, whose funding position could be significantly affected by the retirement of one or more of their members on the grounds of ill health, would pay a premium to the Fund within their future service contribution rate. This arrangement will not affect eligible employer contribution rates at this valuation but may affect them going forward.

INTERNAL CAPTIVE INSURANCE

The internal captive arrangement would operate as follows:

- "Premiums" are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer's primary rate.

- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements i.e. there is no initial impact on the deficit position for employers within the captive.

- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or lower premiums at the discretion of the Administering Authority based on the advice of the actuary.

- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the other employers within the Fund. However the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.

- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

SUMMARY

The relevant employers will be notified of their participation. New employers entering the Fund who fall into the "small employer" category would also be included.
For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements will still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against the allowance certified with recovery of any excess costs from the employer once the allowance is exceeded either at the next valuation or at an earlier review of the contributions due including on termination of participation.

APPENDIX F - GLOSSARY

ACTUARIAL VALUATION: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

ADMINISTERING AUTHORITY: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

ADMISSION BODIES: A specific type of employer under the Local Government Pension Scheme (LGPS) who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

BENCHMARK: a measure against which fund performance is to be judged.

BEST ESTIMATE ASSUMPTION: an assumption where the outcome has a 50/50 chance of being achieved.

BONDS: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

CAREER AVERAGE REVALUED EARNINGS SCHEME (CARE): 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.

MINIMUM RISK BASIS: an approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

CPI: acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

COVENANT: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

DEFICIT: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

DEFICIT RECOVERY PERIOD: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

DISCOUNT RATE: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value i.e. the liabilities. A higher discount means lower liabilities and vice versa.

EMPLOYER'S FUTURE SERVICE CONTRIBUTION RATE ("PRIMARY RATE"): the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

EMPLOYING BODIES: any organisation that participates in the LGPS, including admission bodies and scheme employers.
EQUITIES: shares in a company which are bought and sold on a stock exchange.

EQUITY PROTECTION: an insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

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 OR SOLVENCY LEVEL: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

FUNDING STRATEGY STATEMENT: This is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

GOVERNMENT ACTUARY'S DEPARTMENT ("GAD"): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

GUARANTEE / GUARANTOR: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

HEDGING: a strategy that aims to reduce funding volatility. This is achieved by investing in assets that capture levels of yields based on agreed trigger levels so the assets mimic the change in liabilities.

HEDGE RATIO: The level of hedging in place as a percentage of the liabilities. This can be in relation to interest rates, inflation rates or real rates of return.

ILL HEALTH CAPTIVE: this is a notional fund designed to immunise certain employers against excessive ill health costs in return for an agreed insurance premium.

INVESTMENT STRATEGY: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

LETTING EMPLOYER: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

LIABILITIES: the actuarially calculated present value of all benefit entitlements i.e. scheme cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

MATURITY: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

MEMBERS: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

MINIMUM RISK FUNDING BASIS: more cautious funding basis than the existing valuation basis. The relevant discount rate used for valuing the present value of liabilities is based on the yields from Government Bonds or Swaps.

ORPHAN LIABILITIES: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

PERCENTILES: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

PHASING/STEPPING OF CONTRIBUTIONS: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

POOLING: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

PREPAYMENT: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

PRESENT VALUE: the value of projected benefit payments, discounted back to the valuation date.

PROFILE: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

PRUDENT ASSUMPTION: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

RATES AND ADJUSTMENTS CERTIFICATE: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

REAL RETURN OR REAL DISCOUNT RATE: a rate of return or discount rate net of (CPI) inflation.

RECOVERY PLAN: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

SCHEDULED BODIES: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

SCHEME EMPLOYERS: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Scheme Employers.

SECTION 13 VALUATION: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

SOLVENCY FUNDING TARGET: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

VALUATION FUNDING BASIS: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 SCHEME: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower contribution rate.

Investment Strategy Statement

Flintshire County Council

Administering Authority for the Clwyd Pension Fund

1. Statutory Requirement for an Investment Strategy Statement

Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund (the Fund) on behalf of its stakeholders; the scheme members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme regulations; the regulatory framework is set out below.

The Public Service Pensions Act 2013 (The Act) enables the Secretary of State to make regulations creating schemes of pensions for, amongst others, local government workers.
In England and Wales, such a scheme was created by the Local Government Pension Scheme Regulations 2013 (The Regulations). These Regulations were made by the Secretary of State exercising powers in the Superannuation Act 1972.

Under powers contained in The Act and The Regulations, the Secretary of State made the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which replace the 2009 Investment Regulations. These regulations came into force on 1st November 2016.

Regulation 7(1) requires administering authorities to formulate an Investment Strategy Statement (ISS) which must be in accordance with guidance issue by the Secretary of State, and replaces the existing requirement to produce and maintain a Statement of Investment Principles.

The ISS must include:

(a) A requirement to invest money in a wide variety of investments;
(b) The authority's assessment of the suitability of particular investments and types of investments;
(c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
(d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
(e) The authority's approach on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
(f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments that it will invest in particular investments or classes of investments. This, in effect, replaces Schedule 1 of the 2009 Regulations.

The statement must be published by 1st April 2017 and regularly reviewed and at least every three years. Under transitional arrangements key elements of the 2009 Regulations will remain in force until the ISS is published.

This document is designed to comply with the guidance given by the Secretary of State, is effective from 1 April 2017 and will be reviewed on a regular basis, with any material changes published.

The ISS should be read in conjunction with the following statutory documents:

- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Communications Strategy
- Clwyd Pension Fund Annual Report and Accounts
- Clwyd Pension Fund Actuarial Valuation.

All the above statements and documents can be found on the Fund's web site at http://www.clwydpensionfund.org.uk/

About the Fund

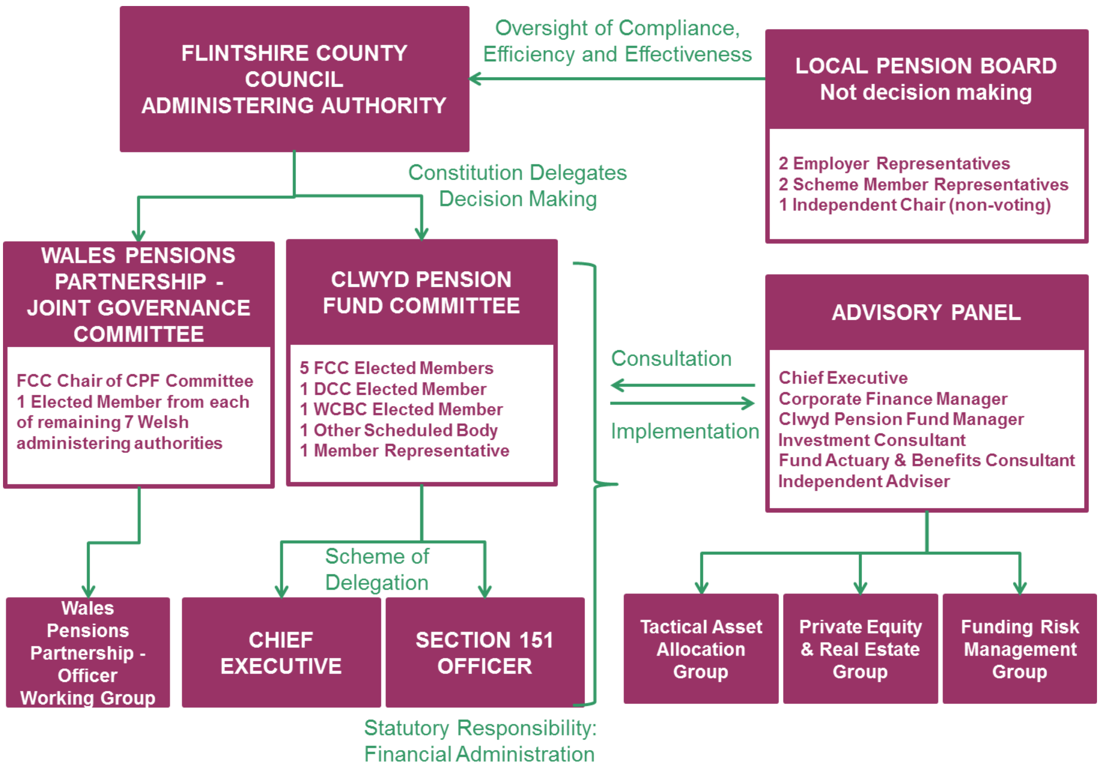
The Clwyd Pension Fund ("CPF") is a £1.8bn Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and fire-fighters) in North East Wales and employees of other qualifying bodies which provide similar services.

Total Fund membership is about 46,700 with about 16,000 active contributors from 43 contributing employers and about 30.500 retired members, widows and deferred members.

Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council ("the Council") to a formal Pension Fund Committee ("PFC"), supported by a Pensions Advisory Panel ("AP"). Before making strategic investment decisions the Clwyd Fund takes advice from a regulated investment consultant; JLT Employee Benefits. The Fund also receives advice from the Risk Management Advisers Mercer. The County Council's Section 151 Officer (Corporate Finance Officer) has a statutory responsibility for the proper financial affairs of the Council including Fund matters. In addition, the Council has delegated specific responsibilities to the Chief Executive.

The Fund's governance structure is illustrated in the diagram below.



Aims and Objectives for the Management of the Fund

In the Management of the Fund there is a Mission Statement and Governance Objectives (shown below). These apply to the approach to investing the Fund's monies as well as managing the overall Fund. These holistic objectives have been developed to guide the management of all aspects of the Fund.

Our Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a 'can do' approach.

The key actions and areas of focus in the Fund's business plan are grouped into the four areas of governance, funding and investments, communications and administration, to align with the key aims and objectives of these strategies and policies. The specific aims relating to the investment management of the Fund are summarised below.

Funding and Investments

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

Investment Strategy of the Clwyd Pension Fund

The following sections details the Fund's investment strategy, which takes into account Regulation 7(2) (a) and 7(2) (b) listed below:

2. Investment of money in a wide variety of investments

Regulation 7(2) (a) requires that administering authorities invest in a diversified portfolio of assets to ensure that risk is appropriately managed and volatility of overall return is reduced. The guidance that accompanies the regulations does not prescribe the specific asset classes over which Fund monies must be invested.

3. Suitability of particular investments and types of investments

Regulation 7(2) (b) requires that in assessing the strategic allocation for the Fund, an administering authority assesses the suitability of particular investments and types of investments against the need to meet pension obligations as they fall due.

In assessing the suitability and variety of investments, and considering the risks, the starting point should be the Fund's overall objectives. These are listed in the previous section "About the Fund".

In order that these primary objectives can be achieved, the following funding and investment principles have been agreed.

Funding Principles

The Clwyd Pension Fund Funding Strategy implemented for three years from 1st April 2017 includes a number of investment return assumptions:

- An investment return (discount rate) for the funding target of CPI inflation plus 2.0% p.a. (assumed 4.2%).
- An investment return for the future service contribution rate of CPI Inflation plus 2.75% p.a. (assumed 4.95%).

Over a three-year period an investment return above these assumptions will contribute to reducing the funding deficit and thus employer contributions, providing that liability assumptions such as longevity and inflation remain on target. The Fund's triennial Valuation considers all these factors when determining employer contribution rates. New employer rates will be implemented from 1st April 2017. The next Actuarial Valuation will be as at 31st March 2019 with implementation from April 2020.

A Funding Strategy Statement (FSS) was prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. The Statement outlines the strategy for recovering the funding deficit over 15 years. A copy of the FSS can be obtained from the Fund's web site at http://www.clwydpensionfund.org.uk/. The funding strategy will be monitored during 2017/20.
In managing the Fund, the key objectives are:

- to aim for a funding level of 100% and
- to aim for long term stability in employers’ contribution rates.

The Clwyd Pension Fund was funded at 76% of liabilities (2016 Actuarial Valuation) and employers' rates are currently structured to achieve a gradual return to 100% funding by 2031.
Whilst stability of costs from the employers' rates has the higher priority, absolute cost to the employer is also important. This implies that:

- the cost of administering the Fund will be constrained by the adoption of best management practice

- employers will adopt appropriate and economic policies in those areas where they have discretion and where the costs of their actions fall on the Fund

- the Fund's overall investment policy will be aimed at superior investment returns relative to the growth of liabilities. This implies that the Fund will continue to take an active risk relative to its liability profile.

The investment principles of the Fund are stated in full below, and are intended to strike the appropriate balance between the strategy most suitable for long-term consistent performance and the funding objectives. A favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

Investment Principles

The key investment objectives for the Fund are to aim for sufficient excess investment returns relative to the growth of liabilities to meet the funding objectives set out above on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives.

The Fund’s overall strategic risk and return profile is currently determined through its strategic asset allocation. In establishing the Fund’s long-term strategic asset allocation, or strategic benchmark, the key factors are the overall level of return being sought, the minimum level of risk consistent with this and the impact of diversification in reducing this risk further. At asset class or mandate level, asset class weightings, appropriate benchmarks and out-performance targets are the key building blocks in framing this overall Fund strategy.

It is Fund policy to carry out a fundamental review of the Fund’s structure and management arrangements at least every four years. The review includes research on market views for the longer-term risk, return and correlation profiles for different asset classes and a more tactical view on the global economic and market environment over the next three to five years. This research is used to determine an optimum future balance between the various assets classes and hence the Fund’s fixed strategic benchmark.
The latest Fund review was undertaken in 2016/17 and changes as a result of this have now been fully implemented. Details of the investment strategy are included in following sections.

Investment Strategy

Setting the Strategy

The Committee have determined their investment strategy to meet the objectives outlined earlier in this Statement. This includes consideration for the Fund's liability profile and the Committee's attitude to risk.

The strategic benchmark highlighted later in this section takes account of the risk and return characteristics of each asset class and provides a reasonable long-term balance appropriate to the liabilities of the Fund. The Clwyd Pension Fund considers the mix of asset classes in forming an overall portfolio and considers the correlation in volatility and return of each.

The Committee recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Committee have appointed investment managers to select and manage the allocations across asset classes, in particular where it would not be practical (or appropriate) for the Committee to commit the resources necessary to make these decisions themselves.

In assessing the suitability of investments required to form the overall portfolio the Committee consider a number of characteristics of each asset class, and sub asset class. These characteristics include potential return, risk/volatility of returns, liquidity, duration and interest rate sensitivity. In setting and reviewing an overall investment strategy for the Clwyd Pension Fund the starting point is always the Actuary's assessment of the liabilities of the Fund. This assessment will include cash flow requirements and an assessment of the required return to ensure the long term solvency of the Fund, and it is essential that the investment strategy is compatible with this.

2016/17 Review

The 2016/17 review showed, using JLT Market Forecast Group output for Quarter 2 2016, that the expected market returns over the coming ten year period would mean that the Fund could be expected to generate a return of 6.5% p.a. (CPI inflation plus 4.5% p.a.). This is equivalent to CPI inflation plus 4.3% p.a. taking the CPI assumed in accordance with 31 March 2016 Actuarial Valuation. Investigations showed that the portfolio was well diversified and did not need a significant overhaul and the de-risking framework and Flight-path was well placed, subject to conclusion of a review by the Fund's consultants.

However, there were opportunities to reduce risk without sacrificing return.

These opportunities led to four main areas of change.

- Global Equity exposure to be split between Active and Smart Beta portfolios.
- Remove allocation to Frontier Market Equity, due to continued geo-political risk and the uncertainty of returns in the medium term;
- A new allocation to Private Credit to take advantage of the current opportunity set;
- Reduce UK Property allocation and increase investment in Infrastructure, in the longer term;

These changes meant that the expected return could be increased by 0.1%, with minimal change to the projected Deficit Risk.

Further details in relation to the investment strategy are outlined in this section.

Investment Decisions

The Committee distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

The Committee takes all such decisions themselves. They do so after receiving advice from their investment consultant. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Fund benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are ultimately the responsibility of the Committee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the respective fund. Furthermore, the Committee have delegated certain powers to the Clwyd Pension Fund Manager taking advice from the Tactical Asset Allocation Group. The purpose of the Tactical Allocation Portfolio, managed by the group is to take advantage of short term (approximately one year) opportunities that are consistent with the long term risk and return goals of the Fund. The Tactical Allocation Group is bound by the Tactical Allocation Portfolio Terms of Reference.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers with which the Fund invests.

Strategic Asset Allocation

In setting the Strategic Asset Allocation for the Clwyd Pension Fund the Regulations require the Committee to invest in a wide variety of investments and in doing so assess the suitability of particular types of investments. Subject to satisfying these elements of the Regulations the Clwyd Pension Fund is not constrained to certain types of investments; the new requirement is for the Committee to set their own limits. The Fund is therefore permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- Agriculture
- Cash (including currency)
- Commodities
- Convertible bonds
- Diversified growth
- Emerging market debt
- Hedge Funds and Managed Futures (including via a managed account platform)
- High yield bonds
- Infrastructure
- Liability driven investment products
- Multi –Asset Credit
- Private credit
- Private equity
- Property
- Timber
- UK and overseas corporate bonds
- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked

Balance between different types of investments

The Regulations require the administering authority to have regard for the diversification of the Fund's investments.

The Fund will, at all times, invest across a diversified portfolio of investments to reduce investment risk. In addition to diversifying by assets, the Fund will invest across a number of managers and via different approaches and styles to investing.

The Fund may invest via pooled and segregated portfolios based on the appropriateness of each portfolio. The Fund can invest across a combination of passive, active and absolute return investment approaches based on return potential, cost and flexibility of implementation.

The investment structure agreed in the 2016/17 investment strategy review is detailed in the table below:

Asset Class	Strategic Allocation (%)
Developed Global Equity	8.0
Emerging Market Equity	6.0
Credit Portfolio	15.0
Multi-Asset Credit (liquid)	*12.0*
Private Credit (illiquid)	*3.0*
Real Assets Portfolio *	12.0
Property	*4.0*
Infrastructure	*8.0*
Private Markets	10.0
Tactical Portfolio	21.0
Diversified Growth	*10.0*
*Best Ideas ***	*11.0*
Managed Account ***	9.0
Liability Hedging	19.0

Notes:

* The Target allocation of the underlying asset classes in the Real Assets portfolio will take some time to achieve due to the illiquidity of the asset classes involved.

**The Best Ideas portfolio is tactically allocated according to shorter-term market views. This can be implemented by increasing the allocation to any of the asset classes listed above or by separate asset classes in any type of investment. This allocation is made through consultation with the Tactical Allocation Group, which is bound by the Tactical Allocation Portfolio Terms of Reference. The objective of the Tactical Allocation Portfolio is to add value to the overall Clwyd Pension Fund return.

*** The managed account includes allocations to Managed Futures and Hedge Funds.

The Fund's investment managers are remunerated either by way of an ad valorem fee, i.e. the fee is a percentage of the value of assets under management, or a combination of an ad valorem and performance-related fee. The principle of performance-related fees is that the base fee is lower and that the manager is only paid a higher fee if the performance objective is met or exceeded.

Asset Allocation and Long Term Expected Return on Investment

The Committee is responsible for setting the strategic asset allocation for the Fund which in turn must be consistent with the investment return assumed in the funding strategy.

The investment strategy reflects the medium to long term nature of the liabilities but must also provide flexibility to manage short term volatility in markets. In addition, the investment strategy must take account of possible changes to cash flows as the membership profile of the Fund or the benefits structure changes.

The investment strategy reflects the differing return and risk profiles of each asset class. However, long term risk and return expectations are not consistently generated over all time frames and, for all asset classes, there can be periods of under- or out-performance compared to the long term expectations.

The strategic framework includes a target allocation against which strategic performance will be monitored ('Strategic Allocation'). In addition there are ranges for each asset category that allow limited deviation within the framework ('Strategic Range'). The ranges enable the Fund to reflect changes in the market outlook and provide greater flexibility to implement cash management and rebalancing.

In addition to the Strategic Allocation and Strategic Ranges, a conditional medium term asset allocation (Conditional Range) exists, to manage major risks to the long term strategic asset allocation which may emerge between Fund reviews.

The Fund's strategic allocation, as set out below, does not assume any outperformance from the investment managers. The expected returns stated in this table are as at the date of the 2016/17 strategic review.

Asset Class	Strategic allocation (%)	Strategic range (%)	Conditional range (%) *	Expected return above Inflation (CPI) p.a.**
Developed Global Equity	8.0	5.0 – 10.0	0 – 30	+4.5%
Emerging Market Equity	6.0	5.0 – 7.5	0 – 15	+5.5%
Credit Portfolio	15.0	10.0 – 20.0	5 - 25	+2.1%
Multi-Asset Credit (liquid)	*12.0*	*10.0 – 15.0*	*5 - 20*	*+1.8%*
Private Credit (illiquid)	*3.0*	*2.0 – 5.0*	*0 - 10*	*+3.5%*
Real Assets Portfolio	12.0	10.0 – 15.0	5 - 20	+4.9%
Property	*4.0*	*2.0 – 6.0*	*0 – 10*	*+4.0%*
Infrastructure	*8.0*	*5.0 – 10.0*	*2 – 12*	*+5.3%*
Private Markets	10.0	8.0 – 12.0	8 – 12	+6.5%
Tactical Portfolio	21.0	15.0 – 25.0	10 – 30	+3.6%
Diversified Growth	*10.0*	*8.0 – 12.0*	*5 – 15*	*+4.2%*
*Best Ideas ****	*11.0*	*9.0 – 13.0*	*5 – 15*	*+3.0%*
Managed Account****	9.0	7.0 – 11.0	5 - 15	+4.0%
Cash	-	0.0 – 5.0	0 – 30	+0.0%
Liability Hedging*****	19.0	10.0 - 30.0	10 - 30	+4.5%

Notes:

* The Conditional ranges are at a total Fund level, including the Tactical Allocation Portfolio but excluding the Liability Hedging mandate.

** Expected return is expressed as an excess long-term return over CPI Inflation to reflect extra risk being taken, excluding active management. This is based on JLT Market Forecast as at the date of the 2016/17 strategic review. CPI Inflation is used as the basis for expected returns as it is a proxy for valuing the liabilities.

*** The Best Ideas allocation is a short term (12 month horizon) tactical allocation based on the JLT's (the Fund's Investment consultant) "best ideas". The portfolio should be liquid and cost efficient.

**** The Managed Account includes allocations to Managed Futures and Hedge Funds

***** The Liability Hedging Portfolio, a combination of Liability Driven Investment (LDI) and synthetic equity instruments, will be managed as part of a de-risking approach. Given the nature of this mandate i.e. protection against liability changes, it is not intended to rebalance the allocation, which can lead to a movement away from the initial strategic allocation of 19% at inception of the mandate.

The inclusion of a diversified range of assets and the scope for tactical allocation in the strategy is expected to reduce the overall volatility of returns without significantly altering the Fund's expected long term return. This was the case when modelling the revised investment strategy in 2016.

Flight path strategy

In March 2014, the Fund established a Liability Hedging programme covering both nominal and inflation linked interest rates.

A Flight path for increasing the level of protection of the hedges was agreed along with other funding level triggers. An LDI manager was appointed to manage this hedging portfolio in relation to market yield triggers and the Funding and Risk Management group monitors the funding level triggers relating to the overall funding and investment risk management.

As part of the 31st March 2016 actuarial valuation and investment strategy review cycle, the officers and Fund consultants (Mercer and JLT) have reviewed the Flight-path and updated the interest rate and inflation triggers.
There are no formal funding level triggers in place although it has been agreed that when the funding level hits 100% or higher consideration will be given to whether the allocation to more liability matching assets should be increased.

The Fund implemented a static equity protection strategy in relation to the LDI mandate protecting against equity market falls on exposure of £330m. This was in place from 24th April 2017 which ran until 24th May 2018.

On 24th May 2018 a new dynamic Equity Protection strategy was put in place. This was after rigorous analysis and value for money considerations. The strategy protects against falls of 15% or more of the average market position over the previous 12 months on the £360m of equity exposure in the LDI portfolio. This will be financed by giving up some potential upside return on a monthly basis. Whilst more complex to set up, the dynamic strategy provides advantages versus the previous static approach as follows:

1. Improved protection levels in upward trending markets
2. Expectation of better long-term risk adjusted returns (after fees and transaction costs) except in some extreme scenarios
3. Improved flexibility and on-going governance as it allows the structure to easily adapt to changing requirements including switching the protection off

Due to the requirements of implementing the strategy on a daily rolling basis, it was agreed that the strategy would be delivered using a counterparty bank rather than an investment manager

Realisation of investments

The Fund's investment policy is structured so that the majority of its investments (in equities, DGFs and bonds) can, except in the most extreme market conditions, be readily realised.

However, the availability of alternative investment vehicles enables the Fund to invest in less liquid asset classes and to build well-diversified portfolios. Investments such as property, infrastructure and private equity/debt are long term investments which the Fund is less likely to be able to realise in a short period. "Lock-up" periods are normal practice in hedge funds (to manage the in/out flows to ensure existing clients' capital is protected) which means that these investments are not readily realisable either.

Notwithstanding this, the Fund maintains sufficient investments in liquid assets to meet its liabilities in the short and medium term as they fall due.

Cash Strategy

From 1st April 2011 the 2009 Investment Regulations required the Pension Fund to have a separate bank account from the Local Authority.

The Pension Fund does not have a strategic allocation to cash for investment purposes but holds surplus cash for paying:

- Benefits and transfers as per the Regulations.
- The administration costs of the Fund.
- The Investment management fees.

- Commitments to real assets and private market investments.

However, in extreme market conditions cash could be used as part of the Conditional Asset Allocation.

The aim is to avoid requiring to borrow for liquidity purposes, although Investment Regulations allow Pension Funds to borrow for a maximum of 90 days.

The cash could be deposited in one of the following, subject to cash flow requirements:

- The Pension Fund bank account with the National Westminster bank for daily liquidity.
- A deposit account with the National Westminster Bank with access up to 180 days' notice.
- The Insight Liquidity Fund for unexpected liquidity requirements or higher rates of return.

The Clwyd Pension Fund Manager will arrange for the daily implementation of the cash strategy.

Stock Lending

The Fund only currently invests in pooled vehicles so cannot undertake any stock lending. The stock lending policy on pooled funds is determined by the individual investment managers. Any income not retained by the fund manager and / or the lending agent is incorporated in the net asset values of each pooled fund.

4. Approach to risk, including the ways in which risks are to be measured and managed

Regulation 7(2) (c) requires that funds describe their approach to risk within their investment portfolio, including summarising the key risks and detailing the approach to mitigate the risk (where possible or appropriate).

Risk Register

The Clwyd Pension Fund has a Risk Management Policy and Risk Register in place.

The Risk Register has a section dedicated to Funding & Investment Risks (including accounting and audit). Specific asset/investment risks highlighted in the risk register include those around investment markets, the failure of managers to achieve their objectives, missing out on market opportunities, and liquidity.

The risk register continually updated and key risks are considered on a regular basis at the Committee and Advisory Panel meetings.

The Committee is aware and seeks to take account, of a number of risks in relation to the Fund's investments, and these are detailed in the following paragraphs.

The main risk for the Fund is the mismatch between its assets and liabilities. As a consequence, if the investment returns are less than that required in the funding strategy the funding level will deteriorate, all else being equal. The main risks within the funding strategy are interest rate, inflation and mortality risks, and investment risk arising from the investment portfolio, which is controlled through diversification of asset holdings. The Fund has a bespoke Flightpath/Risk Management strategy that has established objectives to ensure that the Fund's exposure to interest rate risk and inflation risk is managed and monitored on an on-going basis.

Investment, by its very nature, is a risk based activity where the returns achieved will reflect differing levels of risk. There are a number of investment risks to consider within an investment fund, namely manager, market, credit, currency and liquidity risks. Consideration of financially material non-financial risks is considered in the Fund's Sustainability Policy is later in this document.

In considering the Fund's investment strategy, one must therefore bear in mind this balance between risk and return. In practice, the investment strategy objective will be to achieve the highest possible return whilst minimising downside risk, within agreed parameters.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

Manager Risk (including the Wales Pension Partnership)

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by monitoring and replacing any managers where concerns exist over their continued ability to deliver the investment mandate.
- The aim of the investment strategy and management structure is to manage the appropriate level of risk for the return target which reflects the funding strategy. The Fund's external investment managers are required to invest in line with the investment guidelines set by the Fund. Independent custodians safe keep the assets on behalf of the Fund.

Liquidity Risk

- This is monitored according to the level of cash-flows required by the Fund over a specified period.
- Whilst ensuring that there is the appropriate liquidity within the assets held, the Fund is invests in less liquid investments to take advantage of the "illiquidity premium" offered.
- Despite this the Fund holds an appropriate amount of readily realisable investments. The Fund's assets are invested in pooled funds which are readily realisable and there is a significant amount of liquidity based upon the existing strategic asset allocation.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- The Fund manages this by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Fund's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. The Fund's Sustainability Policy explains the approach in detail, and is included later in this document.

Legislative Risk

- This is the risk that legislative changes will require action from the Committee so as to comply with any such changes in legislation.
- The Committee acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

- The Fund seeks to manage this risk through the strategic policy which ensures diversification of investments across a range of asset classes and markets that have low correlations with each other and across a selection of managers.
- The Fund has a significant weighting to a Tactical Allocation portfolio (TAP) which aims to take advantage of market risk, by making shorter term tactical allocations which suit the specific to characteristics of the Clwyd Fund. This is achieved with an allocation to Diversified Growth (with style diversification across two managers) and via an allocation to a Best Ideas portfolio.
- As most of the portfolio is exposed to market risk, the main risk to the Fund is a fall in market prices. Although market movements cannot be completely avoided, and indeed there are periods when all assets become more highly correlated, the impact can be mitigated through diversifying across asset classes and approaches to investing.
- Market risk comprises of the following three types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In this context, the Fund may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- The Fund seeks to address this within the TAP but does not take a strategic view on currency movements.

Interest rate risk and Inflation risk

This covers the following risks:

Interest rate risk –

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.

Inflation risk –

- This is the risk that the value of the Fund's liabilities which are inextricably linked to Consumer Price Index (CPI) inflation, increase at greater rate than the assets.

- The Committee also acknowledge the interest rate risk and inflation risk related to individual debt instruments. This is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management and investing in assets that move in line with inflation such as Infrastructure.
- Since 2014 the Fund has adopted a Flight-path approach to managing the specific inflation and interest rate risk. The Flight path is regularly reviewed and the appropriate trigger levels set.

Risk Budgets

In formulating the revised investment strategy, expected risk and return figures were utilised for each asset class. The figures used in the 2016/17 strategic review are as follows.

Asset Class	Expected return above inflation p.a. *	Expected Risk (Volatility) p.a. **
Developed Global Equity	+4.5%	14%
Emerging Market Equity	+5.5%	20%
Credit Portfolio	2.1%	6%
Multi-Asset Credit (liquid)	*+1.8%*	*5%*
Private Credit (illiquid)	*+3.5%*	*12%*
Real Assets Portfolio	4.9%	11%
Property	*4.0%*	*5%*
Infrastructure	*5.3%*	*14%*
Private Markets	+6.5%	28%
Tactical Portfolio	+3.6%	9%
Diversified Growth	*+4.2%*	*9%*
*Best Ideas ** *	*+3.0%*	*9%*
Managed Account ***	+4.0%	6%
Liability Hedging	+4.5%	15%

* Expected return is expressed as an excess long-term return over Inflation (measured by CPI) to reflect the extra risk being taken, excluding active management. This is based on JLT Market Forecast as at the date of the 2016 strategic review. CPI is used as the basis for expected returns as they are a proxy for valuing the liabilities.

** Expected risk is based on 10 year historic returns and volatility

*** The managed account includes allocations to Managed Futures and Hedge Funds

Proper advice

In assessing the Fund's strategy, including an assessment of the implicit risks, and setting the maximum limits Flintshire County Council as Administering Authority for the Clwyd Pension Fund has taken proper advice from Officers, JLT Employee Benefits (Investment Consultants) and Mercer (Actuaries and Risk Management Advisers).

As part of the Fund's governance structure, there are regular meetings between the Fund's officers, the Investment Consultants, the Actuaries and Risk Management Advisers and the Fund receives advice from these parties on a continuous basis.

5. Approach to pooling

Regulation 7(2) (d) requires that all authorities commit to a suitable pool to achieve benefits of scale. It also requires that administer ring authorities confirm the chosen investment pool meets Government's investment reform criteria, or to the extent that it does not, that Government is content for it to continue.

The Clwyd Pension Fund is participating in the development of the WALES Pool. The proposed structure and basis on which the WALES Pool will operate was set out in the July 2016 submission to the Government.

The WALES Pool received confirmation from the Minister for Local Government that he was happy that the proposals met the required criteria, with the exception of the size requirement. However, the Minister confirmed in his letter to the Welsh Funds that given the special position of Wales, and the long history of collaboration he was content with the final proposal.

The agreed objectives of the WALES Pool are:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.

In the longer term, subject to the above mentioned objectives being met, the Clwyd Fund is committed to investing all of its assets through the WALES Pool.

Structure and governance of the WALES Pool

The Pool has appointed Link Fund Solutions Ltd to establish and run a collective investment vehicle for the sole use of the LGPS funds in Wales. A diagram showing the governance structure is shown on the next page.

A Joint Governance Committee (JGC) was established in 2017 to oversee the operator. The Committee comprises elected members – one from each of the eight participating funds. It is anticipated that this may be the Chairs of the respective Pensions Committees though administering authorities may choose to nominate alternative members if appropriate. This arrangement provides accountability for the operator back to individual administering authorities.

The JGC is setup formally as a Joint Committee between the participating administering authorities. It will operate on the basis of "One Fund, One Vote", though the intention is that any decisions are reached on a consensus wherever possible. A formal Terms of Reference for the Committee has been agreed.

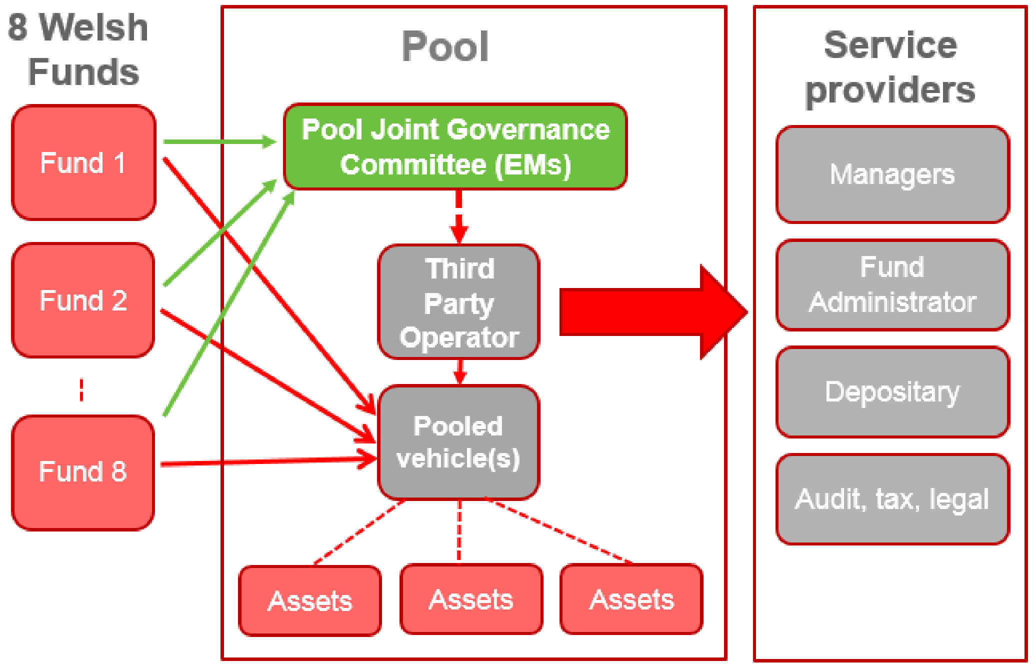
Each authority has committed to the pool by agreeing and signing an Inter-Authority agreement. The agreement sets out the principles behind the WALES pool, and will commit the administering authorities to sharing the costs of setup.

The Wales Pension Partnership Officer Working Group has been established as part of the Wales Pension Partnership Inter Authority Agreement to support and advise the Joint Governance Committee on such matters as the Joint Governance Committee may reasonably request or any matters relating to the pooling agreement which are raised by any of the authorities' Section 151 Officers or Monitoring Officers.

Each authority delegates to officers to the Officer Working Group. In relation to Clwyd Pension Fund, the Pension Fund Committee determines which of its officers sit on the Officer Working Group. Each authority's Section 151 Officer and Monitoring Officer are entitled to attend the Officer Working Group

Each authority has committed to the pool by agreeing and signing an Inter-Authority agreement. The agreement sets out the principles behind the WALES pool, and will commit the administering authorities to sharing the costs of setup.

Governance Structure of the WALES Pool



Link Fund Solutions is responsible for selecting and contracting with investment managers for each of the sub-funds as well as appointing other service providers such as a depository asset servicer, and an external valuer as necessary.

Listed bonds and equities will be invested through a UK based Authorised Contractual Scheme (ACS) in order to benefit from the tax transparent nature of the vehicle. It may be that alternative vehicles are more appropriate for some asset classes. As well as considering the options with Link Fund solutions, advice will be sort of the final proposed approach from a tax efficiency and legal compliance basis.

It is likely that it will take some time for the illiquid asset classes to transition into the Pool, and the process and benefits of doing so will be discussed with the operator. Given the Clwyd Fund has a significant proportion of its assets in alternative, less liquid investments it may be some time before all of the Fund's assets are able to be pooled.

6. Approach to Environmental, Social and Governance issues

And

7. Policy on exercising voting rights

Regulation 7(2)(e) requires administering authorities to demonstrate that it considers any factors that are financially material to the performance of the fund's investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

Regulation 7(2) (f) requires administering authorities to explain their policy on exercising rights (including voting rights) attaching to investments. The guidance refers to the Financial Reporting Council's UK Stewardship Code and requires that funds explain, where appropriate their policy on stewardship with reference to the Stewardship Code.

Responsible Investing Policy

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Fund has delegated responsibility for voting rights to the Fund's external investment managers and expects them to actively engage with companies, and to vote. Due to the Fund investing mainly in pooled funds it is not possible to impose the Fund's own voting policy, but on appointment the Fund ensures that the fund manager has voting guidelines in line with the Clwyd Fund's policies.

The Clwyd Pension Fund recognises that there is a link between good environmental, social, ethical and governance practices and long-term sustainable business profitability and in its investment strategy aims to place a strong focus on this. It is recognised that, whilst there are links, the three main sustainability areas, environmental, social and ethical, each raise their own issues, although the approaches and guidelines appropriate to each are similar.

As part of this the Fund, subject to fiduciary duties, makes selective investments in environmentally supportive areas such as clean-technologies, clean energy, environmental infrastructure and forestry

The Fund regularly meets with existing and new managers to discuss opportunities within the environmental area.

At the strategic level, a manager's approach to identifying and managing RI risks and opportunities is evaluated as part of the tender process for appointing new managers. It is also incorporated into the on-going process of monitoring the investment managers' performance.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) whose primary aims are to seek improvements in the corporate governance of the companies in which member funds invest, and also to promote Socially Responsible Investment (SRI) on environmental issues and issues relating to overseas employment standards. This very much reflects the principles built into the Fund's own Sustainability Policy.

The Fund is also a member of the Pension and Lifetime Savings Association (PLSA) which also provides further guidance on Governance and Social Responsibility issues as well as the wider pension issues.

The Clwyd Pension Fund has incorporated these areas and others into its Sustainability Policy (below).

Sustainability Policy

Definition

At its simplest, sustainability is about focusing attention on longer-term issues. More specifically for pension fund investors, it concerns delivering the long-term returns required to fund long-term liabilities by ensuring that the long-term risks inherent in investments are recognised and, where possible, addressed. These risks are many and varied but include environmental, social, ethical and governance issues.

Legal Framework, Constraints & Considerations

In framing a Sustainability Policy, the following are pertinent –

- There already exists a requirement for the Fund to include within its Investment Strategy Statement (ISS) details of its policy on social, ethical and environmental issues. This Sustainability Policy encompasses such issues and will be updated as required to take account of relevant new regulatory requirements.
- The Fund is required to fulfil its overriding fiduciary duty to focus as a primary consideration on financial performance and the maximisation of Fund returns, after taking full account of all existing and future financial risks. Such risks increasingly include sustainability issues.
- Whilst the financial criterion is maintained as a key investment decision criterion, this has now been broadened to include non-financial criteria, subject to certain caveats, and the Fund is required to give an explanation of the extent to which non-financial factors will be taken into account and its approach to social investments.
- The investment industry tends to focus on short term factors in terms of company interaction, shares prices and performance, and fund managers incentives tend to reflect this rather than being aligned with the longer-term objectives of pension fund investors.

Objective

<u>Objective</u>

Within the above legal framework, constraints and considerations, the Clwyd Pension Fund's objective aim will be to –

- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability;
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.

United Nations Principles for Responsible Investing (UNPRI)

Given the constraints outlined above and particularly the pooled nature of many of the Fund's investments, it would be difficult for the Fund to become a formal signatory to the UNPRI.

> United Nations Principles for Responsible Investing (UNPRI)
>
> The Clwyd Pension Fund –
>
> - Is committed to the principles underlying the United Nations Principles for Responsible Investing (UNPRI) and will be an active supporter of these;
> - Will encourage its external managers to become signatories to the UNPRI.

The Fund Objective stated above already encompasses most of the UNPRI.

Application of Sustainability Principles

In order to achieve its stated objective, the Clwyd Pension Fund will apply a series of guidelines covering most aspects of pension fund investment under the following headings –

- Sustainability approach
- Investment strategy (UNPRI 1)
- Company engagement & voting (UNPRI 2)
- Investment management & performance monitoring (UNPRI 3)
- Investment manager selection & contracts (UNPRI 4)
- Collaboration (UNPRI 5)
- Reporting & disclosure (UNPRI 6)
- Review

The paragraphs below set out the Fund's thought processes in establishing such guidelines and detail the guidelines adopted as part of this Sustainability Policy document.

Sustainability Approach

In framing an approach to sustainability, the key focus has to be on the UNPRI principles 1 and 2 as these underlie most investment and governance processes. Sustainability-related issues have been considered on a regular basis for many years, with broad corporate governance policy guidelines in place from 1996. More recently these form part of the Fund's ISS and are reviewed annually.

The Clwyd Pension Fund approach has always been and continues to be based upon "active engagement". This involves the Fund's managers researching and forming a view on the sustainability credentials of companies, taking this into account in investment decisions and, where there are sustainability concerns, on environmental, social, ethical or governance grounds, engaging with companies to seek and achieve positive change.

<u>Sustainability Approach</u>

The Clwyd Pension Fund believes in an active engagement approach to the pursuit of its sustainability objectives and, on this broad basis, it –

- Will not adopt a negative approach to sustainability which involves screening and excluding investment opportunities;
- Will not invest in pooled vehicles constructed using this same approach;
- Will encourage its managers to adopt a long-term approach that involves working with companies to encourage improvement in all sustainability areas;
- Will monitor the performance of managers in pursuing such objectives;
- Will invest directly in specific vehicles and investment areas that clearly match its sustainability objectives.

Investment Strategy

The Clwyd Pension Fund recognises that there is a relationship between good environmental, social, ethical and governance practices and long-term sustainable business profitability and in its investment strategy aims to place a strong focus on this. It is recognised that, whilst there are links, the three main sustainability areas, environmental, social and ethical, each raise their own issues, although the approaches and guidelines appropriate to each are similar.

Environmental

The impact of poor environmental practices on profit sustainability is very clear. There are direct costs in terms of fines for pollution etc. and increasingly now for carbon-charging and waste disposal that can have major impacts on business models. In addition there are potential indirect costs from bad publicity and reputational risk. On the positive side, however, there are opportunities to promote sustainability through investment in new technologies aimed at cleaner solutions.

Social

This concerns areas such as employee relations, community relations and health & safety and again can lead to direct financial costs from health and safety breaches and strike action etc., as well as more subtle risks to company operations, reputation and long-term profitability.

Ethical

This is a difficult area as ethical views can vary considerably but there are some areas that are widely accepted for inclusion. These include supply chain issues that reflect potential breaches of human rights and especially the employment of children, bribery and corruption and operations in certain world areas such as Zimbabwe.

Investment Strategy

On forming and implementing its investment strategy, the Clwyd Pension Fund –

- Will encourage its managers to use their own resources or specifically-focused research agencies to identify at company level actual or potential financial risks attributable to sustainability issues – environmental, social or ethical;
- Will seek, through its managers, to engage with companies that have questionable environmental, social or ethical practices in order to seek improvements;
- Will seek, through its managers, to engage with companies that have a carbon-intensive or water-intensive focus in order to promote alternative approaches and longer-term reductions;
- Will encourage the adoption of the best environmental standards amongst its property and infrastructure managers;
- Will, subject to fiduciary duties, make selective investments in environmentally supportive areas such as clean-technologies, clean energy, environmental infrastructure and forestry etc.

Company Engagement & Voting

Getting the Board right with the right behaviours and structures means that better decisions are more likely and this adds value over the longer-term. The Fund's former broad corporate governance policy guidelines, whilst touching upon environmental, social and ethical issues, were largely designed to address these Board factors and related voting issues. Myners' Principle 5 is also relevant here. This requires that trustees adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. The Institutional Limited Partners Association (ILPA) has authored the ILPA Private Equity Principles, a document that contains best practice concepts and that speaks to issues relating to the alignment of interest between general partners and limited partners, fund governance, transparency and reporting guidelines in order that these can be taken account of in their investment management decision-making processes.

In order to monitor the performance of external managers in terms of their degree of compliance with the guidelines and the performance of underlying investments with the Fund's sustainability objectives, there needs to be regular reporting and disclosure on sustainability issues, particularly areas of concern, as well as actions taken to address these.

Company Engagement & Voting

The Clwyd Fund –

- Will aim to comply with the Myners' Principle 5 on shareholder activism and become more engaged as an active investor, especially with companies where sustainability factors are a matter of concern;
- Will ensure that its managers adopt or ascertain their level of compliance with the ISC Statement of Principles on the responsibilities of shareholders/agents;
- Will ensure that its managers adopt or ascertain their level of compliance with the ILPA private equity principles;
- Will, wherever practical, exercise voting rights through its managers based upon the following broad criteria –
  - The prime consideration must be financial and the protection of the Fund's assets in the long term;
  - There should be a properly structured Board including an appropriate number of contributing independent non-executive directors;
  - Unless there are strong arguments to the contrary and adequate safeguards guidelines, no director should hold the posts of Chairman and Chief Executive at the same time or be in a position of unaccountability by virtue of having absolute control;
  - All Directors should be subject to at least three-yearly re-election;
  - In view of their stewardship role, non-executive directors should normally be independent in terms of other links to the company and other directorships;
  - The issue of shares with reduced or non-existent voting rights often disadvantages the majority of shareholders and should not normally be supported;
  - Existing shareholders in a company should have a right to subscribe for new equity capital raised by a company, normally in proportion to their existing share of the company's equity capital;
  - Unless financial criteria dictate otherwise, the general policy on take-over bids should be to support incumbent management in good standing;
  - Directors' remuneration packages in different companies should reflect relative performance taking business size and complexity into account;
  - A properly constituted Remuneration Committee is the best judge of what is necessary to recruit, train and motivate;
  - If not already in place, companies should be working towards one year fixed term contracts for executives;
  - There should be a properly constituted Audit Committee;
  - No return that is rightfully the Fund's should be diverted to political donations;
  - Charitable donations are acceptable if they are reasonable and have public relations values.
- Will periodically review these criteria and inform investment managers of changes, should there be any.

Investment Management & Monitoring of Performance

Investment managers need to made aware of the Fund's Sustainability Policy

<u>Investment Management & Monitoring of Performance</u>

The Clwyd Pension Fund –

- Will endeavour to ascertain the extent to which its fund managers are formal signatories to, support and comply with the UNPRI;
- Will encourage its fund managers to produce policy statements on sustainability issues and report formally on these.
- Will seek, through its managers, to ensure the full disclosure of environmental, social and ethical policies and practices by companies in which the Fund is invested;
- Will ask investment managers for statements on their degree of compliance with the ISC Statement of Principles on the responsibilities of shareholders and agents;
- Will request policy statements and practical evidence of the adoption of the best environmental standards amongst its property and infrastructure managers;
- Will ask private equity managers for statements on their degree of compliance with the ILPA private equity principles;
- Will ensure that investment managers regularly report records of voting on the Fund's investment and periodically produce statements on compliance or otherwise with the broad corporate governance elements of the Fund's Sustainability Policy;
- Will, subject to appropriate return targets, invest directly in funds focused upon environmental and social objectives.
- Will, where feasible, gather data on the environmental and social impact of these and other funds;
- Will assess the performance of managers both in terms of financial returns and on sustainability issues over a time frame that adequately reflects the Fund's sustainability objectives.

Investment Manager Selection & Contracts

The Fund's standard selection process for managers has always incorporated broad questions on sustainability issues but the main focus has been on investment philosophy, process, personnel and performance. Within this process, there has been some limited focus on sustainability inputs to investment decision-making but risk has tended to be quite narrowly defined and linked to shorter-term financial rather than longer-term sustainability considerations. As a result, sustainability has never been a main factor in the comparative assessment of managers prior to appointment or in the formal appointment process itself. This approach has now been reviewed with a view to incorporating into the selection and contracting process a far greater focus on sustainability issues.

<u>Investment Manager Selection & Contracts</u>

As an active part of this process, the Clwyd Pension Fund –

- Will require from potential managers formal statements of their objectives, policies and practices on sustainability and related factors;
- Will ascertain from potential managers the degree to which sustainability factors are taken into account in the investment decision-making process;
- Will seek from potential managers details and the level of in-house tools, agency inputs and other resources on sustainability factors used in their investment processes;
- Will review with potential managers the quality, integration and impact of such research on their investment processes and performance;
- Will ascertain the ability of potential managers to assess and quantify the environmental and social impact of their investments;
- Will consider the record of potential managers on active engagement with companies, voting and governance issues generally;
- Will, in the assessment of potential managers, give appropriate weight to all these sustainability and related factors;
- Will, where relevant and appropriate, build elements of the Fund's Sustainability Policy and detailed guidelines into investment management agreements.

Collaboration

The Clwyd Pension Fund is already a committed member of the Local Authority Pension Fund Forum (LAPFF), a body that seeks improvements in corporate governance, promotes socially responsible investing (SRI) and, with the Fund's active encouragement, is devoting considerable resources to environmental issues and climate change in particular. LAPFF is already a signatory to the UNPRI. The Fund has also had contact with other relevant bodies on sustainability issues both directly and through its managers.

Collaboration The Clwyd Pension Fund – ▪ Will join and/or collaborate with organisations that are relevant to pursuit of the Fund's sustainability objectives; ▪ Will, subject to regulatory and operational constraints, seek relevant information from and share relevant information with such organisations in order to further the effective delivery of its Sustainability Policy.

Reporting & Disclosure

The Clwyd Pension Fund Annual Report already includes copies of various regulatory documents, including various policy statements and the Fund's ISS. The latter includes details of the Fund's current policy statements on social, environmental and ethical considerations and corporate governance issues. The Annual Report is circulated widely and all these documents are also published on the Fund's website. It is already accepted that approaches on sustainability and other policy areas tend to evolve and develop over time. It is essential therefore to keep policies and practices under continual review so as to improve their efficacy.

Reporting & Disclosure The Clwyd Pension Fund – ▪ Will, through its quarterly meeting procedure, report regularly and as appropriate on relevant sustainability issues; ▪ Will, periodically, report formally on managers' level of compliance with the its Sustainability Policy, progress made in the year and areas where further progress needs to be made; ▪ Will, once a year, review its Sustainability Policy in the light of best practice and agree any proposed changes through its governance procedure; ▪ Will circulate this revised document to relevant bodies and particularly its managers; ▪ Will incorporate this revised document into its ISS and publish its contents both in the Annual Report and on its website.

UK Stewardship Code

The Financial Reporting Council (FRC) first published the UK Stewardship Code in 2010, and revised it in 2012. The Code aims to enhance the quality of engagement between asset managers and companies to help improve long-term risk-adjusted returns to shareholders. The Code sets out a number of areas of good practice to which the FRC believes institutional investors should aspire. Since December 2010 all UK-authorised Asset Managers are required by the Financial Conduct Authority to produce a statement of commitment to the Stewardship Code or explain why it is not appropriate to their business model.

The Stewardship Code has seven principles, and the ISS guidance requires that administering authorities become signatories to the Code, and state how they implement the principles on a "comply or explain" basis.

The Fund applied and was approved as a Tier One signatory in March 2018, and can be seen on the FRC website: **https://www.frc.org.uk/investors/uk-stewardship-code/uk-stewardship-code-statements/asset-owners** .
The compliance position is shown in Appendix 2.

In practice the Fund applies the Code both through its arrangements with its asset managers and through membership of the LAPFF. In the future as a member of the WALES Pool, the Committee expects that both the Pool and the underlying fund managers to comply with the Stewardship Code.

Social investments

The Government guidance also addresses the issue of "social investments"; meaning those that deliver a social impact as well as a financial return. The Government considers that social investments are appropriate for LGPS funds where either the social impact is simply in addition to the financial return. It also considers that investments where some part of the financial return is forgone in order to generate the social impact are also appropriate, where the administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Much of the Fund's approach is set out in the Sustainability Policy contained earlier in the document, but a specific response to this issue is set out below.

Approach

The Clwyd Pension Fund is a strong believer in sustainability across all areas, including environmental, social and governance, and fully embodies these non-financial factors in its decision-making and monitoring processes. More specifically, it –

- Will endeavour to ascertain the extent to which potential fund managers are formal signatories to, support and comply with the UNPRI and seek to ensure full disclosure of the environmental, social and ethical policies and practices of such managers;
- Will, as part of its appointment process, give full consideration to a manager's philosophy, people and investment process, as well as its track record in terms of financial returns;
- Will give an appropriate weight to all such non-financial factors, including a manager's environmental, social and governance standing, as part of its decision-making process;
- Will encourage existing and long-standing managers to adopt the best environmental, social and governance standards and monitor progress, as appropriate;
- Will, subject to fiduciary considerations, make selective investments in environmentally supportive areas such as clean-technologies, clean energy, environmental infrastructure and forestry etc.
- Will, subject to fiduciary considerations, make selective investments in managers with a social and environment impact focus whose aim is to "do good as well as doing well commercially".
- Will look for investment opportunities across all sectors that offer potential for catalysing economic growth, particularly in deprived areas.

Impact

The Clwyd Pension Fund is eager to ascertain the impact of such this approach and is eager to assess and quantify, where feasible, the outcomes from its investments. More specifically, it -

- Will monitor the performance of managers in pursuing such objectives and specifically seek information on relevant environmental and social factors at all meetings with them;
- Will encourage managers to assess and quantify, where feasible, the impact of such factors in terms of employment, health and well-being and education and training, environmental impact and regeneration etc.
- Will monitor the outcome data of managers investing directly in companies and areas that match the Fund's environmental and social objectives.

Further Information

This Investment Strategy Statement was agreed by the Clwyd Pension Fund Committee on 21 March 2017, and minor amendments have been made to update in August 2018

If you require further information about anything in or related to this Investment Strategy Statement, please email:

Philip Latham, Clwyd Pension Fund Manager, Flintshire County Council
E-mail - Philip.latham@flintshire.gov.uk

Appendix A – Myners Principles – 2017/18 Compliance

Principle 1

Administering authorities should ensure that:

- Decisions are taken by persons or organizations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation, and
- Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Key Areas and Guidance	Comment & Actions	Compliance
It is good practice to have an investment sub-committee, to provide the appropriate focus and skills on investment decision-making.	The administering authority delegates investment decisions to the Clwyd Pension Fund Committee. The Committee delegate functions to Officers who take investment advice as required from a Pension Advisory Panel who provide appropriate focus and skills on investment decision making. Further, a Tactical Allocation Group has been formed to take advantage of short term opportunities that are consistent with the long term risk and return goals of the Fund. Representatives and roles are defined in the ISS. This new governance structure was implemented from May 2014.	Full
The board should have appropriate skills for effective decision-making.	Training is given priority status through compliance with CIPFA Knowledge and Skills Code of Practice for elected members and ongoing sessions provided regularly through managers, collaboration and seminars. The Fund has produced a training policy for Members and Senior Officers. A needs assessment process will be introduced for members of the new Committee.	Partial
There should be sufficient internal resources and access to external resources for trustees and boards to make effective decisions.	The Committee has access to experienced and trained officers and an Advisory Panel of professionals qualified to provide proper advice.	Full

There should be an investment business plan with progress regularly evaluated.	The three year business plan includes an investment business plan, which is approved by the Committee who then receive updates on progress each Committee.	Full
The remuneration of trustees should be considered.	Remuneration and expenses are reviewed, considered and set by Council.	Full
Particular attention should be paid to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).	The Investment Consultant, Actuary and Independent Adviser all have contracts which are regularly reviewed. Performance of the Investment Consultant and Actuary will be monitored by the Independent Adviser. The Investment Consultant and Independent Adviser contracts were tendered in 2013/14 and new provider contracts commenced in April 2014, and will be formally retendered in 2019.	Full

Principle 2

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Key Areas and Guidance	Comment & Actions	Compliance
Benchmarks and objectives should be in place for the funding and investment of the scheme.	The Fund's ISS sets out its investment and funding objectives as well as its overall strategic customized benchmark, asset class targets and Conditional Asset Allocation.	Full
Fund managers should have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.	Fund managers operate to detailed written mandates based in the main on 3-year rolling performance objectives, some market-based with others more absolute return in nature. The Liability Hedging portfolio has a liability based benchmark.	Full
Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates.	The Fund has always looked very widely at available asset classes and its extremely diversified structure reflects this. Whilst competitive deals are always sought with managers, fee levels have been less of a consideration on the grounds that, in optimizing structures, returns have always been considered on a net basis and that such costs are anyway offset by minimal additional performance. Other fund costs are very carefully considered and monitored.	Full
Trustees should consider the strength of the sponsor covenant.	The Fund is effectively Government-backed but the Fund impact on stakeholders receives appropriate attention. The Fund monitors each of the participating LGPS employers and admitted bodies.	Full

Principle 3

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Key Areas and Guidance	Comment & Actions	Compliance
Trustees should have a clear policy on willingness to accept underperformance due to market conditions.	Most managers have market-related benchmarks. There is clear acceptance of the fact that markets can be volatile in the short term. The setting of the Fund's strategic benchmarks is based upon the probable long-run performance of specific asset classes. Similarly, whilst the Fund's aim is that managers will outperform their benchmarks at all times, periods of under-performance are accepted as long as longer-term performance remains intact. A Tactical Allocation Portfolio, which looks to take advantage of short term opportunities that are consistent with the long term risk and return goals of the Fund, form part of the new investment strategy.	Full
Trustees should analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.	At each Fund Review exercise, optimization techniques are used that take account of probable performance and risk factors as well as asset class correlations and the Fund's actuarial position. The implementation of the flight-path strategy now requires regular monitoring of the funding position Such issues will be looked at again as part of the next Fund Structure review.	Full
Trustees should take into account the risks associated with their liabilities' valuation and management.	These risks are considered as part of the Fund's flight-path strategy for managing funding risks such as interest rates and inflation. Each Fund Review exercise is aimed at achieving an overall long-term rate of return adequate to cover liability growth (pay/price inflation, interest rate changes and mortality) and to return, in time, to full funding status.	Full
Trustees have a legal requirement to establish and operate internal controls.	Committee members receive regular independent reports from Internal Audit and External Audit on internal controls. Any actions recommended by these bodies are actioned promptly.	Full
Trustees should consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.	The Fund's investment strategy is considered as part of the regular actuarial process used to review and set employers' rates of contribution and consistency between the two is an important factor.	Full

Principle 4

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Key Areas and Guidance	Comment & Actions	Compliance
There is a formal policy and process for assessing individual performance of trustees and managers.	The performance of the Committee is assessed by the Independent Adviser and published in the Annual Report. In line with the ISS, the performance of the Fund and its fund managers is formally monitored by the Investment Consultant and Officers. The Investment Consultant provides regular performance monitoring reports to both the Advisory Panel and Committee.	Full
Trustees should demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).	Records of attendance at Committee and training events are maintained and reported in the Annual Report. Participation is recorded in the Committee minutes.	Full
The chairman should address the results of the performance evaluation.	All current performance evaluation documents (Training records, Independent Adviser, risk, Audit) are brought to Committee. The Chairman has a key role in this, but also taking input from Officers and the Advisory Panel, with appropriate actions being agreed. .	Full
There should be a statement of how performance evaluations have been conducted.	Investments and Investment Managers are monitored on a quarterly basis by Committee and Advisory Panel. All advisers have fixed term contracts and the performance of contract specifications is reviewed annually as part of the overall governance review.	Full
When selecting external advisers, relevant factors including past performance and price should be taken into account.	Advisers are selected competitively, based on performance, price and other factors.	Full

Principle 5

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.

Key Areas and Guidance	Comment & Actions	Compliance
Policies regarding responsible ownership should be disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.	The Fund's Sustainability Policy and its Statement on Non-financial Factors and Social Investing are included as part of the ISS The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which considers responsible investment on a collaborative basis. The Fund is Tier One signatory to the UK Stewardship Code.	Full
Trustees should consider the potential for engagement to add value when formulating investment strategy and selecting investment managers.	In formulating investment strategy, the Fund is always mindful of sustainability issues and these are an increasing focus for the Fund across all asset classes. Similarly, when appointing managers, questions are asked about engagement and sustainability although this is probably not given sufficient weight in the evaluation of managers for selection. To ensure best practice, the Fund has produced its own Sustainability Policy which is regularly monitored and managed. In all manager selection exercises undertaken, the sustainability policy that fund managers apply to their investments is reviewed.	Full
Trustees should ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.	The Fund is aware of the voting policies of its underlying managers. A questionnaire is issued periodically to all fund managers on their sustainability policy and their replies explain their approach.	Full
Trustees ensure that Investment Consultants adopt the ISC's Statement	The Investment Consultant supports and adheres to the standard agreed with the investment consulting industry	Full

Principle 6

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate.

Key Areas and Guidance	Comment & Actions	Compliance
Reporting ensures that the scheme operates transparently and enhances accountability to scheme members and best practice provides a basis for the continuing improvement of governance standards.	Details of the Fund's Communication Policy Statement and all other key reports – ISS, Annual Report, Corporate Governance Policy Guidelines, Funding Strategy Statement, Governance Compliance Statement and Myners' Principles Compliance Statement are all published on the Fund's website. A newsletter is also published periodically. The other two main Scheduled Bodies (Denbighshire and Wrexham) have representation on the Committee along with an employee representative and other employer representative to ensure transparency.	Full

Appendix B – FRC UK Stewardship Code – Compliance

Principles	Comment & Actions	Compliance
Principle 1		
Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.	The Clwyd Pension Fund takes its responsibilities as a shareholder seriously, and is a Tier One signatory to the UK Stewardship Code. It seeks to adhere to the Code and encourages its appointed asset managers to do so too. In practice the Fund's policy is to apply the Code both through its arrangements with its asset managers and other agents and through membership of collaborative groups. The Fund makes this explicit through its Sustainability Policy document. The Fund's investment strategy seeks long-term returns from investing in a highly diversified portfolio of assets and appoints asset managers who best reflect this long-term sustainability approach in their investment philosophy and process.	Full
Principle 2		
Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.	Through its Sustainability Policy, the Fund encourages the asset managers it employs to have effective policies addressing potential conflicts of interest, when it comes to matters of stewardship. The Fund requires all those who are directly involved in its management and governance to disclose any interest in any company, or other entity, in which the Fund has an ownership interest.	Full
Principle 3		
Institutional investors should monitor their investee companies.	Day-to-day responsibility for managing our equity holdings is delegated to the Fund's appointed asset managers. The Fund expects them to monitor companies, and intervene where necessary, and to report back regularly on activity undertaken. Regular review meetings with the Fund's asset managers provide an opportunity for particular company issues to be discussed. Under the Fund's Sustainability Policy, managers are required to report any areas of concern.	Full
Principle 4		

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.	Whilst there is broad guidance in the Fund's ISS and Sustainability Policy, as noted earlier responsibility for day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code.	Full
Principle 5		
Institutional investors should be willing to act collectively with other investors where appropriate.	The Fund seeks to work collaboratively with other institutional shareholders in order to maximize the influence that it can have on individual companies. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which engages with companies on environmental, social and governance issues on behalf of its member authorities. The LAPFF is a signatory to the United Nations Principles for Responsible Investing.	Full
Principle 6		
Institutional investors should have a clear policy on voting and disclosure of voting activity.	Whilst all the Fund's holding are through pooled voting, it takes its voting responsibilities seriously and its voting policy is detailed as part of its ISS and in its Sustainability Policy document. Within this constraint, the Fund seeks to exercise the voting rights attaching to all its UK equity holdings and, where practical, its overseas stocks. A summary of manager voting is included in the Fund's Annual Report.	Full, but further improvements are possible
Principle 7		
Institutional investors should report periodically on their stewardship and voting activities.	The Fund reviews its ISS and Sustainability Policy document on an annual basis and publishes these both in the Annual Report and Accounts and on the Fund's web site. In addition, the activity undertaken by the LAPFF is reported to the Pension Fund Advisory Panel as are summary voting records from managers. All managers provide details of voting activity and a summary is provided in the Fund's Annual Report.	Partial

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Sir y Fflint
Flintshire

FLINTSHIRE COUNTY COUNCIL

Administering Authority for Clwyd Pension Fund

COMMUNICATIONS STRATEGY

September 2018

COMMUNICATIONS STRATEGY

Introduction and Background

This is the Statement outlining our Pension Communication Strategy for the Clwyd Pension Fund ("the Fund") and has been developed following consultation with employers in the Fund, scheme member representatives, Pension Board members and other interested stakeholders.

The aim of this Communication Strategy is to ensure that scheme members appreciate the benefits of the scheme and all stakeholders are kept informed of developments within the Pension Fund, and effective communications will also help to maintain the efficient running of the Scheme.

Flintshire County Council (the "administering authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme ("the LGPS"). The Fund comprises around 43 employers with active members, and approximately 46,700 scheme members (including active members, deferred and pensioner members).

The Statement sets out who we will communicate with, how this will be done and how the effectiveness of that communication will be monitored. It outlines the type of communications the administering authority would like to provide to it stakeholders.

The Clwyd Pension Fund recognises that there are several distinct stakeholder groups, such as;

- Scheme Members (active, deferred, pensioner and dependant members) and prospective Scheme Members
- Scheme Employers and prospective Scheme Employers
- Pension Fund Committee and Pension Board members
- Pension Fund Staff
- Other interested organisations including Government Departments, Scheme Advisory Board and Advisors to the Pension Fund.

The main means of communication with these key stakeholders are outlined in this statement, which includes making more use of technology to provide quicker and more efficient communications for the Fund's stakeholders.

Implementation

The Clwyd Pension Fund's business plans for 2016/17 to 2019/20 include a number of projects which will improve communications and help meet the aims and objectives of this Statement.

These include:

- a major review of the Fund's website
- implementing self-service web functionality to scheme members

- implementing new software that will allow employer data to be loaded directly, and therefore more efficiently, into the pension administration software – this in turn will assist in more timely communication with scheme members.

Regulatory Basis

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 61 of the Local Government Pension Scheme Regulations 2013, reproduced below, provides the conditions and regulatory guidance surrounding the production and implementation of Communications Strategies:

Statements of policy concerning communications with members and Scheme employers

61. (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with —

(a) members;

(b) representatives of members;

(c) prospective members; and

(d) Scheme employers.

(2) In particular the statement must set out its policy on —

(a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;

(b) the format, frequency and method of distributing such information or publicity; and

(c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

This statement has been developed to include the information required by those provisions and to describe our approach in relation to meeting these requirements in the delivery of communications.

The Clwyd Pension Fund ensures it complies with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

Our Aims and Objectives

Mission Statement

The Clwyd Pension Fund Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a ‘can do’ approach.

In addition, we have specific aims and objectives in relation to our communication responsibilities as set out below.

Communication Aims and Objectives

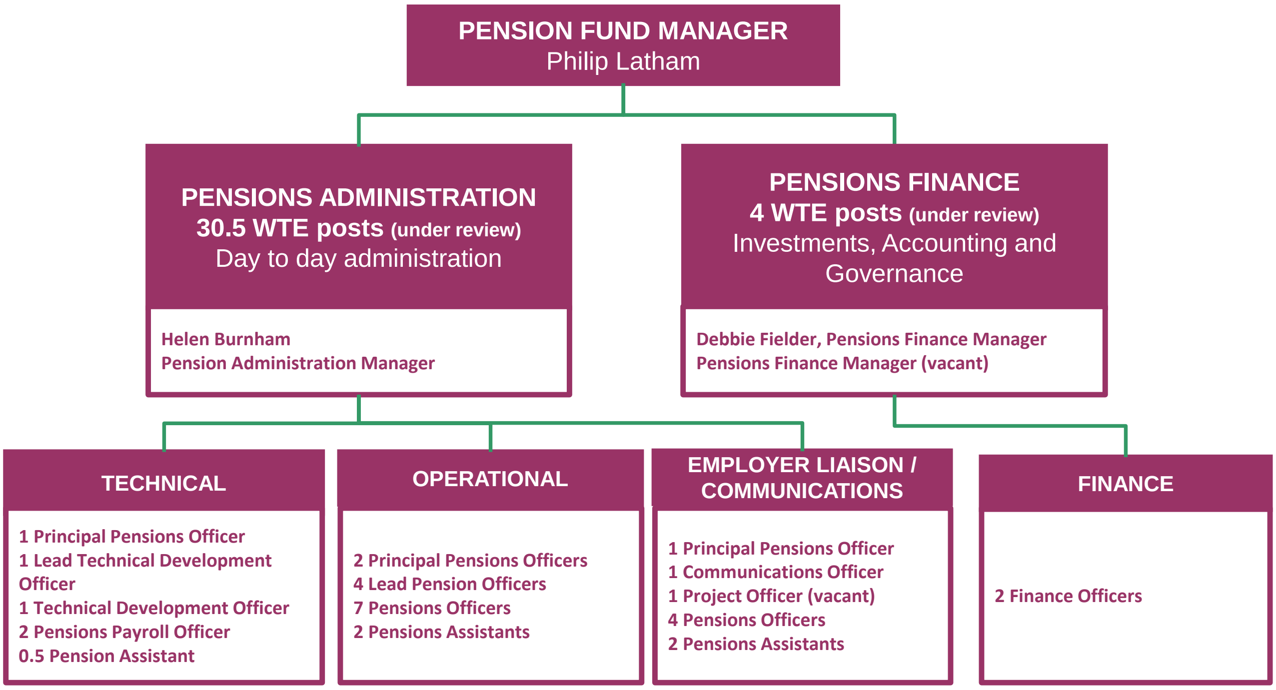
This Communications Strategy has a number of specific objectives relating to how we communicate with our stakeholders, as follows;

- Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- Communicate in a clear, concise manner
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- Look for efficiencies in delivering communications through greater use of technology and partnership working.
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

Delivery of Communications

Flintshire County Council has delegated responsibility for the management of the Pension Fund to the Clwyd Pension Fund Committee, taking into consideration advice from the Pensions Advisory Panel and the Pensions Board. The Committee will monitor the implementation of this Strategy on a regular basis as outlined later in this statement.

The communication aspect of the Fund is undertaken ‘in-house’ by a dedicated Communications Officer. The operational structure of the Clwyd Pension Fund is illustrated in the schematic diagram below. This structure is being reviewed during 2018/19.



The Clwyd Pension Fund may consider using external means to provide some of their communication services. In particular, the Pension Administration Section will look for opportunities to work collaboratively with other funds so as to reduce development costs and enhance the quality of information. This might include:

- Working with other funds through the Pensions Officer Group networks or the All Wales network to produce communications, which can then be customised further where necessary to the needs of the Clwyd Pension Fund
- Participating in joint training sessions with other funds.

How we Communicate

Ensuring that key stakeholders are well informed about the LGPS is of paramount importance. The Fund recognises that communicating in a clear informative style is vital in achieving this aim.

Diversity and Effectiveness of Communication

The Clwyd Pension Fund always aims to use the most appropriate communication medium for the audience receiving the information. This may involve using more than one method of communication based on the intended audience.

The frequency of each communication is not restricted and may vary depending on the urgency of the information being conveyed.

All of the Clwyd Pension Fund's generic scheme member communication material is bi-lingual. Scheme members are also able to receive all personal correspondence in Welsh should that be their preferred language. The Fund's information is also available in alternative formats for example, Braille, large print, BSL Video/DVD, audio tape and other languages on request.

Methods of Communication

a) With Scheme Members and Prospective Scheme Members

Effective communication promotes the LGPS as a benefit, therefore reducing the impact of misleading media information.

Website	The Fund's website (http://www.cronfabensiynauclwyd.org.uk (Welsh) or http://www.clwydpensionfund.org.uk (English)) is available to everyone. It contains information about the Fund and the LGPS. Members are able to download scheme literature and forms. More detailed information on the scheme can also be obtained at http://www.lgps2014.org/.
Annual Benefit Statements	These statements are currently distributed annually to all active and deferred scheme members at their home addresses in order to comply with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. The format of the statement has recently been reviewed in order to accommodate the new scheme information requirements and is presented as a single sheet with brief notes and an extended set of notes available online and on request.
Newsletters	The Fund issues a periodic newsletter called Penpal to contributing members, bringing to their attention information such as changes to scheme rules, and including important Facts & Figures from the Annual Report. The Fund also sends an annual newsletter to its pensioners entitled Clwyd Catch Up. This is sent with the annual pensions increase notification and explains how their new annual rate of pension has been calculated. It also includes topical information such as relating to the budget and State benefits. Both newsletters are currently distributed to home addresses or via employers where appropriate in order to comply with the disclosure regulations. In the future the Fund hopes to be able to email members direct with generic information. In addition, Pensions Extra is a newsletter that is used to notify members of urgent issues concerning the LGPS. All newsletters are available to view on the website.
Pension Presentations/ Road-shows/Drop-in Sessions	The Fund offers LGPS presentations, Road-shows, and drop-in sessions throughout the year on pension related matters as part of pre-retirement planning. Employers can also request for an Officer from the Fund to visit and speak with their staff about the LGPS. The information given out at these events is constantly reviewed to ensure that it is up-to-date and takes into account any changes in the pension regulations. LGPS literature, ranging from scheme booklets to death grant expression of wish forms, is always available at these events.
Telephone and email	All members and prospective members have the opportunity to telephone the pension helpdesk, fax or email the Fund for information. This is in addition to the other lines of communication open to them.

Pre-Retirement Courses	The Communication Officer attends regularly organised pre-retirement courses to inform members who are approaching retirement age about Local Government retirement procedures. The courses are run in partnership with Gwynedd County Council and are offered to all North Wales LGPS employers.
Literature	The Fund ensures pension-related literature is available to scheme members, including: • A Short Scheme Guide to the Local Government Pension Scheme, which is sent to all members upon joining the Clwyd Pension Fund. • A retirement pack sent to all members about to retire. • Your Pension at Retirement, which is distributed to all new employees alongside their contract of employment. • Fact-sheets on numerous areas including ill-health retirement, maternity leave, flexible retirement and commutation. They are produced on an All Wales basis. All Fund literature is available on the website enabling 24 hour access.
Pensions Taxation Correspondence	Where appropriate, letters are distributed to all higher earning members, explaining changes to taxation rules and how this may affect their pension savings. This allows members to plan any action required to ensure they do not have pension savings in excess of the Annual and Lifetime Allowances. The Fund facilitates services offered by Prudential to offer presentations at Senior Management Team level.
Annual Report	The Annual Report is published to highlight how the Fund has performed during the previous financial year. It also includes statements with regards to investment principles, funding strategy, risk, governance, audit and administration. It is available on the Fund's website.

b) With Employers

Effective communication between the Fund and its employers reduces errors, improves efficiency and leads to good working relationships. The main means of communication with employers are outlined below.

Employer key contact officers and meetings	We expect each employer in the Fund to designate a named individual to act as their key contact officer; this individual will be the main contact with regard to any aspect of administering the LGPS and the employer must keep the Fund aware of the contact details for that person. The Operations Section consists of teams led by Principal Pensions Officers. Each team is responsible for the day to day operations for specific employers. The designated Principal Pensions Officer, will contact, and where relevant, meet with the employer's key contact officer to discuss any issues relating to the LGPS and/or raise any issues around the performance of the employer or services provided by the Fund. Further meetings will be arranged if necessary, and may be escalated to include the Pensions Administration Manager.

Annual Employer Meeting	Employers have the opportunity to meet with members of staff from the Clwyd Pension Fund and receive updates and presentations from selected speakers who address the current issues and changes to the LGPS. This meeting takes place on the morning of the Annual Joint Consultative Meeting.
Annual Joint Consultative Meeting (AJCM)	The AJCM invites employers and Trade Union representatives to discuss the latest pension issues and to keep up-to-date with Local Government Pension Scheme regulations. The AJCM is attended by the Fund Actuary and Investment Managers and includes presentations summarising the main aspects of the Fund's annual report and accounts.
Training Sessions	Training sessions are offered to each employer. The sessions include training on the LGPS regulations and administration procedures and are offered to all relevant staff.
Administration Strategy	Introduced in April 2016, the administration strategy provides an overview of how the administering authority and employers will work together to achieve a high quality service. It sets out, in detail, the obligations and responsibilities of both the Fund and the employer to achieve set performance standards. The performance standards are set in order to comply with the Local Government Pension Scheme Regulations 2013 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. This is available on the Fund's website.
Service Level Agreements (SLAs)	SLAs ensure best practice and also comply with audit requirements. The SLA sets out, in detail, the obligations and responsibilities of the Employer, concerning all aspects of LGPS administration. These Agreements are reviewed and updated annually taking into account changes made to the regulations and feedback from the Fund's employers.
Website	All Employers have access to the Fund's website (http://www.cronfabensiynauclwyd.org.uk (Welsh) or http://www.clwydpensionfund.org.uk (English)) which includes a range of information relating to the scheme benefits and also management of the Clwyd Pension Fund. The employers also have their own website section (www.cronfabensiynauclwyd.org.uk/Employers (Welsh) or (www.clwydpensionfund.org.uk/en/Employers (English)) that they can visit to find out how to implement LGPS regulations. They are able to download password protected pensions forms which must be completed by the employer in order for pension benefits to be calculated.
Email Updates	The Fund communicates with employers using an email distribution list including key staff from all employers. This distribution list is used to highlight general updates about the LGPS and to remind employers of facilities available to them and their staff, i.e. pension presentations and drop-in sessions. The Fund emails employers to inform them when a news alert is added to the website.

Employer Bulletins	The Clwyd Pension Fund Employer Bulletin is emailed to employers annually to inform them of important LGPS issues. It is also used to summarise all of the LGPS changes for the past 12 months and also includes updates on any major changes expected. Additional Employer Bulletins are issued throughout the year if urgent information needs to be sent to our employers.
i-Connect	i-Connect is the software that the larger employers in the Fund will be required to use to submit information to the Pension Administration Section. The system provides for efficient and timely data submission due to the automated validation it provides. Any employer (once i-Connect has been made available to them) not providing data using i-Connect will be charged additional administration costs due to the fact that other methods can result in great time spent validating data and hence significant delays in processing, which in turn impact the quality and timeliness of information provided to scheme members. On request, training will be provided by the Technical Team to ensure all employer key contact officers understand how to use the system. i-Connect will be rolled out to the larger Fund employers during the years 2016 and 2017, after which we will roll it out to other Fund employers.
Employer specific events	A Fund Officer is available to attend any employer specific events to assist employers understand their responsibilities.

c) With Pension Fund Committee and Pension Board members:
Effective communication ensures that Pension Fund Committee and Pension Board members are appropriately knowledgeable and able to act in the best interests of the Fund and its members.

Members are provided with regular reporting on all areas relevant to pensions, including investment, funding, audit, governance, administration and risk. This is communicated in a variety of formats including via the external website, the infonet, the annual report and accounts, through committee meetings and through regular training in line with the Fund's training policy. The majority of reports provided to Pension Fund Committee members, together with the meeting minutes, are available on the Council's website - http://cyfarfodyddpwyllgor.siryfflint.gov.uk/ieListMeetings.aspx?CId=445&Year=0&LLL=undefined.

d) Information for Fund Staff:
Effective communication ensures that Fund staff are confident and prepared to undertake their role, as follows:

Clwyd Pension Fund Manager	The Clwyd Pension Fund Manager maintains an open-door policy and is available to all Fund staff. In addition, staff have unrestricted access to their supervisors and senior colleagues to discuss and resolve work related issues.

Pensions Administration/Finance Manager	The Pensions Administration/Finance Managers maintain an open-door policy and are available to all Fund staff. In addition, staff have unrestricted access to their supervisors and senior colleagues to discuss and resolve work related issues.
Administration Section Meetings	Held on a monthly basis to discuss operational and technical issues, ensuring there is a shared understanding of any issues and developing a consistent approach towards addressing them. In addition, the Pensions Administration Management team meet fortnightly.
Appraisal and Training	All new members of staff undergo an induction procedure to acquaint them with the operational running of the Fund. Subsequently, all pension staff also receive both in-house and external training. Staff at all levels in the Fund have annual assessments, with a mid-year review, during which there are open discussions of work issues and areas for development. This dialogue is supplemented by regular one-to-one meetings within team structures.

e) Communicating with other bodies:

There are a number of other interested parties with whom we communicate as required, including:

The Department for Communities and Local Government (DCLG)	The Fund has regular contact with DCLG as a responsible LGPS Fund, participating and responding to consultations, as required.
Scheme Advisory Board (SAB)	The national SAB was established following the Public Services Pensions Act 2013. It provides advice to the Fund and Local Pension Boards in relation to the effective and efficient administration and management of the Scheme and their funds. We therefore liaise with the SAB as appropriate.
The Pensions Regulator	The Pensions Regulator's remit has been extended to the Public Sector as a result of the Public Services Pensions Act 2013. The Fund liaises with the Regulator as required to ensure that it is compliant with the Pensions Regulator's Code of Practice.
Trade Unions	The Fund works with relevant trade unions to ensure the Scheme is understood by all interested parties. Efforts are made to ensure all pension related issues are communicated effectively with the trade unions. The trade unions are represented on the Pension Fund Committee and Pension Board.
Employer Representatives	The Fund communicates with relevant employer representative bodies to ensure that the Fund's views are represented to employer

	groups. Employers are represented on the Pension Fund Committee and Pension Board.
AVC Provider	Additional Voluntary Contributions (AVC) are held and invested separately from the LGPS. The Fund's current AVC providers are Prudential and Equitable Life (closed). The Communication Officer and other Pensions Officers meet with the Prudential for a quarterly update.
Pension Fund Investment Managers, Advisers and Actuaries	The Clwyd Pension Fund Manager and Finance Managers have regular meetings with; – the Fund Managers who invest funds on behalf of the Fund – Investment Advisers who provide help and advice on the asset allocation and investments of the Fund – the Fund Actuary to discuss funding levels, employer contributions and valuation of the assets and liabilities of the Fund The Independent Advisers, the Fund Actuary and the Investment Adviser are all members of the Pension Fund Advisory Panel, and attend all Pension Fund Committee meetings.
Welsh Government	The Fund sometimes needs to liaise with Welsh Government on matters that might impact the delivery of the LGPS, such as local government reorganisation.
Wales Pension Partnership	The Fund is represented on the Joint Governance Committee by the Chair of the Pension Fund Committee and on the Officer Working Group by an Officer determined by the Pension Fund Committee. As a result of this the Fund will have ongoing relationships with a number of LGPS Funds and organisations within this and other asset pools. Regular reports on the performance of and decisions made by the pool will be presented at Committee meetings and to members via the Fund's annual report and accounts.
Pension Fund Custodian	The Fund's Custodian ensures the safekeeping of the Funds investment transactions and all related share certificates.
Pensions and Lifetime Savings Association (PALSA)	The Fund is a member of PALSA, which provides an opportunity for administering authorities to discuss issues of common interest and share best practice.
Class User Group	The Pension Administration Manager and other Pensions Officers attend the Class User Group meetings twice a year to discuss software issues and required upgrades.
Local Authority Pension Fund Forum (LAPFF)	The Fund is a member of LAPFF which was established to help local authority funds share information and ideas about socially responsible investing.

Regional Forums	The Shrewsbury Pension Officers Group takes place quarterly. It is an opportunity for the Pensions Administration Managers and other Pension Officers from LGPS Funds in the region, to share information and ensure uniform interpretation of the LGPS, and other prevailing regulations.
Partnership Meetings with the 8 Pension Funds in Wales	The Pensions Administration Manager and other Pension Officers regularly meet representatives from the other LGPS Pension Funds in Wales to discuss best practice, to ensure that all Welsh Funds have a consistent approach to their administration procedures. In addition, all of the Communication Officers from the Welsh Pension Funds meet annually to share ideas about forms of communication.
Shared Services Communications Group	The Communication Officer and other Pension Officers also attend a Communication Group in the Midlands, on a quarterly basis, to ensure continuity and share ideas about forms of communication.
Requests for information	Requests for information either under the Freedom of Information Act or otherwise, will be dealt with as openly and swiftly as allowed providing that such information does not breach confidentiality, by the Flintshire County Council Freedom of Information Officer.
Consultations	There are occasions when the Fund will consult with interested parties either as a result of potential changes to the regulations governing the LGPS or specific policy changes relating to the Fund. In these instances, the most effective way of communicating with interested parties is to hold a period of consultation, during which, they are given the opportunity to respond to specific changes. Interested parties and representative groups will be approached to provide feedback to the policy changes before amendments are enacted.
Press releases and comments	Press releases or comments regarding the Clwyd Pension Fund are made either via the Corporate Communications team within Flintshire County Council or in collaboration with them.

Measuring whether we meet our Communication Objectives

The Fund will monitor success against our communication objectives in the following ways:

Objectives	Measurement
Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits.	Annual satisfaction surveys with scheme members achieving 90% of scores in positive responses in these areas.
Communicate in a clear, concise manner.	Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.
Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders.	Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.
Look for efficiencies in delivering communications including greater use of technology and partnership working.	Evidence of consideration given towards available technology solutions. Proof of utilising partnership opportunities relating to communications with other LGPS Funds with similar values and approaches.
Regularly evaluate the effectiveness of communications and shape future communications appropriately.	Satisfaction survey is undertaken annually (as a minimum). Results from satisfaction survey are thoroughly analysed and investigated, and trends monitored from previous years. Detailed analysis of survey results is used to identify areas to improve communications in future.

An overview of our performance against these objectives will be reported within the Fund's annual report and accounts and also reported on an ongoing basis to the Pension Fund Committee and Pension Board.

If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the Fund will formulate an improvement plan. This will be reported to the Funds' Pension Fund Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Clwyd Pension Fund Manager, the Pensions Administration Manager and other officers will work with the Pensions Advisory Panel, Pension Fund Committee and Pension Board in monitoring these and other key risks and considering how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day to day delivery
- Significant external factors, such as national change, impacting on workload
- Issues in production of annual benefits statements, e.g. wrong address and printing errors due to external supplier
- Issuing incorrect or inaccurate communications
- Failure to maintain employer database leading to information not being sent to correct person
- Lack of clear communication to employers, scheme members and pensioners

Approval, Review & Consultation

This Strategy Statement was approved in March 2016 by the Clwyd Pension Fund Committee and further minor amendments approved using officer delegations in September 2018.

It will be formally reviewed and updated at least every three years or sooner if the communication management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

In preparing this Strategy we have consulted with the relevant employers, the scheme member and employer representatives on the Clwyd Pension Board and other persons considered appropriate.

This Strategy Statement will be included within the Fund's Annual Report and Accounts and available on our website.

Costs

All additional costs relating to this Strategy Statement are met directly by the Fund unless mentioned otherwise.

Further Information

Any enquiries in relation to the Fund's communications or the principles or content of this Strategy Statement should be sent to:

Helen Burnham, Pensions Administration Manager
Flintshire County Council
County Hall,
Mold,
Flintshire
CH7 6NA

email - helen.burnham@flintshire.gov.uk

Telephone – 01352 702872

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Sir y Fflint
Flintshire

FLINTSHIRE COUNTY COUNCIL

Administering Authority for Clwyd Pension Fund

BUSINESS PLAN 2018/19 TO 2020/21

March 2018

Introduction

This is the business plan for the Clwyd Pension Fund, which is managed and administered by Flintshire County Council. The business plan details our priorities and areas of key focus in relation to the Clwyd Pension Fund for 2018/19, 2019/20 and 2020/21. This business plan was approved at the Clwyd Pension Fund Committee meeting on 21st March 2018. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background and objectives of Flintshire County Council for the management of the Clwyd Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide staff, partners and customers with a clear vision for the next three years.

In addition, this business plan includes a budget for expected payments to and from the Clwyd Pension Fund during 2018/19 including the resources required to manage the Fund.

Further Information

If you require further information about anything in or related to this business plan, please contact:

Philip Latham, Clwyd Pension Fund Manager, Flintshire County Council
E-mail - Philip.latham@flintshire.gov.uk
Telephone - 01352 702264

Background to the Clwyd Pension Fund

The Clwyd Pension Fund ("CPF") is a £1.8bn[1] Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in North East Wales and employees of other qualifying bodies which provide similar services.

Total Fund membership is about 46,500 (45,000) with about 16,000 (16,000) active contributors from 41 (39) contributing employers and about 30,500 (29,000) retired, survivor, deferred and other members. The figures shown in brackets were as at March 2017.

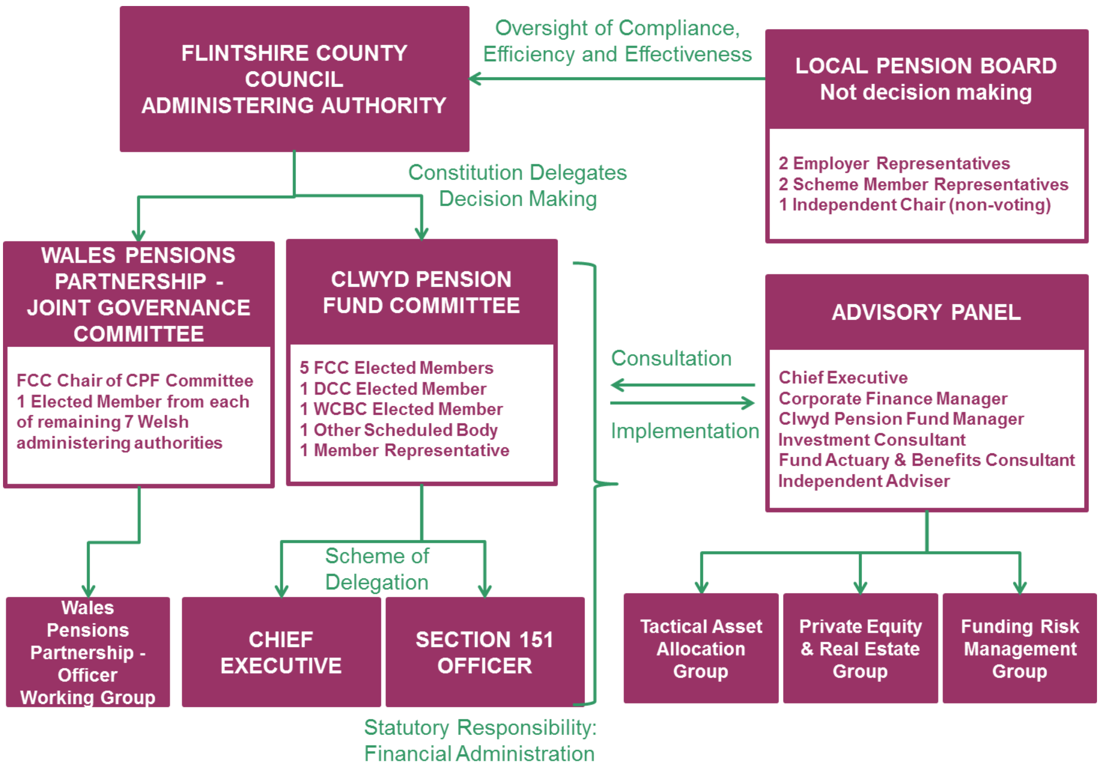
Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council ("the Council") to a formal Pension Fund Committee ("PFC"), supported by a Pensions Advisory Panel ("AP"). the Corporate Finance Manager is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters. In addition, the Council has delegated specific responsibilities to the Chief Executive.

A Local Pension Board is in place to assist in:

- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

This structure is illustrated below.



[1] Information correct as at February 2018.

The Joint Governance Committee (JGC) for the Wales Pool is a joint committee of the eight participating administering authorities. An inter-authority agreement has been agreed which delegates certain investment decisions to the JGC. The JGC will be advised by an Officer Working Group on which each of the administering authorities will be represented.

The Pension Fund Management Team

The day to day operations of the Fund are managed by the Clwyd Pension Fund Manager. He is supported by two sections:

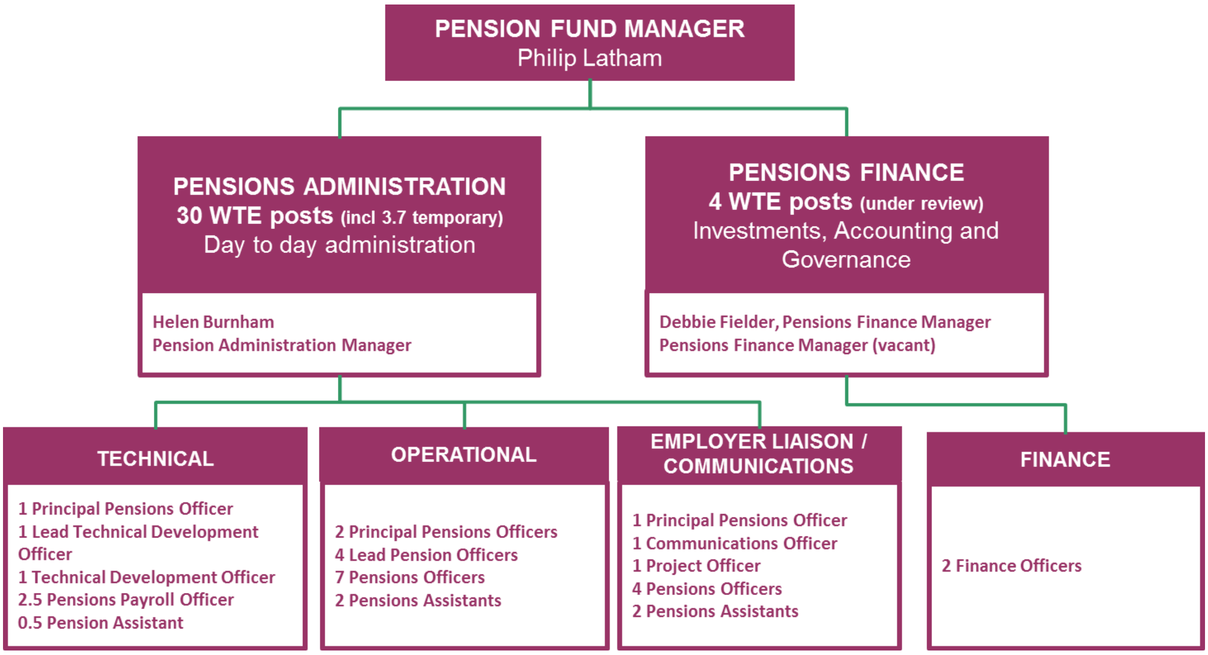
- The Pensions Administration Section which is responsible for the day to day administration of pension benefits and is headed by Pension Administration Manager. The section is split between an Operational Team and a Technical Team. The Operational Team delivers a pensions service for approximately 46,500 scheme members and 41 employing bodies. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team implements and maintains the pension software systems, reconciles employer records, and a pensioner payroll service for 13,600 pensioners, survivors and dependents.

- Additionally within the Pensions Administration Section there is an Employer Liaison Team that will be undertaking employer responsibilities which will be recharged to the employer through their employer contribution rate. This team was created in late 2016/17 and will continue to be developed depending on the number of employers which take up the option of using the service. Two of the unitary authorities have currently agreed to use this service. The communication service is also included as part of this team but is provided to all employers and members as it is a Pension Fund responsibility.

- The Pensions Finance Section which is responsible for accounting, investment and governance matters, is headed by two Pension Finance Managers (one post currently vacant). The section is responsible for the day to day accounting and closure of the accounts. Additionally, the section is responsible for the monitoring of 7 core external fund managers as well as 45 non-core external fund managers responsible for around 120 separate funds[2]. The Pension Finance Manager is involved with management of the Fund's assets working with the Wales Pension Partnership and is also responsible for sourcing and recommending new in-house investments. Due to the implementation of asset pooling and the departure of a previous Pension Finance Manager, the Pensions Finance Section structure is currently being reviewed.

[2] Information correct as at March 2018

The structure as at March 2018 is illustrated below.



The pension fund management team and Pension Fund Committee are assisted by a range of specialist consultants, suppliers and fund managers.

Aims and Objectives for the Management of the Fund

Our Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a ‘can do’ approach.

Our key strategies and policies which guide the management of the Fund are listed below and can be found on our website at www.clwydpensionfund.org.uk

- Governance Policy and Compliance Statement
- Training Policy, Conflicts of Interest Policy, Risk Management Policy and Reporting and Recording Breaches of the Law Procedure
- Investment Strategy Statement and Compliance Statement
- Funding Strategy Statement
- Administration Strategy
- Communications Strategy
- Employer Service Level Agreements including Employer Liaison and Communications Team agreements

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the areas of governance, funding, investments, and administration, communications and employer liaison team to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk
- 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
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success.

Funding and Investments

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

Administration

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- 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
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

Communications

- Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- Communicate in a clear, concise manner
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders

- Look for efficiencies in delivering communications through greater use of technology and partnership working
  Regularly evaluate the effectiveness of communications and shape future communications appropriately.

Employer Liaison Team

- Provide a high quality, professional, proactive, timely and customer focused service to the Employer
- Provide the agreed service in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Employer is aware of and understands their role and responsibilities under the LGPS regulations and the Fund's Administration Strategy
- Ensure that accurate member information is provided to the Fund, in the correct format, within the agreed timescales
- Ensure data is protected and has authorised use only.

Business as usual

The appendix to this business plan highlights what our key priorities are for the next three years. This focusses on areas of change and project like tasks which are in addition to our day to day “business as usual” duties. On a day to day basis our focus is on the following key elements of Fund management:

- Paying pension benefits to all our beneficiaries, as prescribed by the LGPS regulations
- Communicating with our scheme members about their membership of the Fund
- Ensuring we receive all the pension contributions paid by active members of the Fund, again as prescribed by the LGPS regulations
- Ensuring all the employers in the Fund pay their pension contributions
- Safeguarding the money in the Fund (the Fund’s assets)
- Investing any Fund assets that are not currently needed to pay benefits
- Working with the actuary so, every three years, he determines how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future
- Understanding the continuing pressure on resources and budgets for employers and the administering authority, Flintshire County Council has established an Employer Liaison team which can provide assistance to employers by carrying out a number of the employer responsibilities on the employers' behalf.

Managing this on a day to day basis involves a wide range of processes and procedures, some of which are outlined below and all of which have been designed around achieving our Fund’s objectives as outlined in our strategies and policies. The pension fund is large, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

Governance

- Setting the agenda, reporting and presenting to the Pension Fund Committee, Local Pension Board and Advisory Panel
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk management policy, breaches of law procedure and The Pension Regulator’s Code of Practice
- Ensuring we adhere to Council and legal requirements for procurement, health & safety and data protection
- Procurement of and payment for, advisers and other services
- Assisting internal and external audit in their role
- Replying to Freedom of Information requests
- Participation at the Joint Governance Committee and Officer Working Group of the Wales Pension Partnership.

Accountancy

- Preparing and publishing the Fund’s Annual Report
- Completing the Annual Accounts and assisting with external auditors
- Preparing and quarterly monitoring of the Annual Budget
- Preparation of statutory and non-statutory returns as required
- Monthly bank reconciliations
- Quarterly cash flow and treasury management

- Monthly monitoring of income and expenditure including employer and scheme member contributions
- Quarterly invoicing of employers for pensions strain and added years.

Funding

- Agreeing the funding strategy with the actuary every three years, consulting with employers and monitoring continued appropriateness annually
- Assisting the actuary with the triennial Actuarial Valuation by providing membership data and presenting results and explanations to employers of future employer contributions and deficit payments
- Arranging through the Actuary data required by the Government Actuary Department (“GAD”)
- Monitoring the employer’s covenant including their ability to pay contributions and managing any employers who wish to join or leave the Fund.

Investments

- Carrying out a fundamental review of the investment strategy every three years
- Appointing, monitoring and dismissing of fund managers including within a pooling environment
- Quarterly monitoring and reporting on investment performance
- Monthly monitoring and reporting on the Fund’s funding position and implementation of our funding risk management strategy (‘Flight-path’) with annual ‘health checks’
- Monthly monitoring and implementation of the tactical asset allocation decisions
- Procurement and monitoring of over 100 investments in private equity, property, infrastructure, agriculture and timber funds
- Working with other LGPS funds in Wales and nationally to pool investments through our role within the Joint Governance Committee and Officer Working Group.

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund
- Calculating and notifying entitlement to pension and death benefits
- Providing quotations of retirement benefits including any additional costs to employers
- Providing information on how scheme members can increase their pension benefits
- Maintaining scheme member records
- Providing a scheme members’ help line for ad-hoc enquiries
- Administering the Fund’s Internal Dispute Resolution Procedure.

Payroll

- Calculating and paying monthly pensions to all pensioners and beneficiaries
- Issuing payslips (where net pay has changed)
- Issuing P60’s
- Investigating returned payments and dealing with any under or overpayment of pensions
- Updating and maintaining accuracy of pensioner member details.

Communication

- Providing Annual Benefit Statements to all active and deferred scheme members
- Providing information to members via one to ones, workshops and newsletters
- Maintaining the Fund’s website and member's self-service facility
- Provide new employers with information about their Fund responsibilities

- Providing ongoing training and technical updates to employers
- Running an Annual Meeting for Employers and members reps.

Technical

- Maintaining and updating the pensions software system, including overseeing the monthly employer returns
- Providing guidance on changes in processes following legislation updates
- Developing reporting to provide information on progress against key performance indicators and daily work management
- Providing reports and extracts for the Fund Actuary and GAD
- Reporting and making payments to HMRC
- Processing bulk updates to data such as annual pensions increases and year end employer returns.

Employer Liaison Team

- Providing notifications regarding new starters, personal/employment changes and leavers/retirements in the Fund
- Undertaking estimates of benefits for scheme members and the employer
- Undertake response to outstanding requests for information in order to cleanse the pension records
- Providing information to the Fund's actuary as required for new alternative delivery models for employer services.
- Undertake work as necessary to clear outstanding year-end or other data queries.

The plan for the next three years

Key Challenges and Influences

This decade has seen and continues to see an unprecedented amount of external factors that impact or could impact the management of the Fund on top of major changes that have been implemented to the Fund in recent years, such as:

- Implementation of a new governance structure, including creation of a Pension Fund Committee, Advisory Panel and Local Pension Board in 2014/15/16.
- A fundamental review of the investment strategy in 2014/15, to ensure a closer relationship with the funding strategy through implementation of a flight-path risk management plan, which was refreshed in 2016/17.
- The implementation of the new Local Government Pension Scheme from April 2014 and each year introducing innovative ways of working within the Administration Section.
- Contributing towards the development of the governance arrangements for the Wales Pension Partnership since 2016/17.

This puts us in a strong position to meet the challenges ahead. The following are just some of the key areas of focus for the Fund over the next three years:

- Determining which assets will transition and then transitioning these assets to the Operator (Link) who has now been appointed by the Wales Pensions Partnership.
- Continuing to implement and promote improved communications, with a focus on on-line facilities and reducing paper.

- Finalising the roll-out of improved systems to our employers, allowing more timely submission of data and in a more automated manner.
- Implementing any required changes to the benefit structure or scheme member contribution rates as a result of the national LGPS Cost Control mechanisms.

These, and other priorities for the next three years, are articulated in more detail in the appendix to this business plan, split into four sections; governance, funding and investments, administration and communications and employer liaison team.

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. The following shows the expected income and expenditure to the Fund (cash flow) as well as the expected operating costs.

Cash flow projection for 2018/19

	Estimated 2017/18 £000s	Budget 2018/19 £000s	Budget 2019/20 £000s	Budget 2020/21 £000s
Opening Cash	(13,623)	(20,916)	(4,016)	(5,214)
Payments				
Pensions	57,729	59,280	60,040	61,200
Lump Sums & Death Grants	14,188	15,000	15,000	15,000
Transfers Out	5,772	3,200	3,200	3,200
Expenses (excluding investments)	3,313	3,400	3,400	3,400
Support Services	129	130	130	130
Total Payments	81,131	81,010	81,770	82,930
Income				
Employer Contributions	(38,627)	(35,200)	(36,000)	(36,700)
Employee Contributions	(11,245)	(14,000)	(14,000)	(14,000)
Employer Deficit Payments	(52,571)	(18,123)	(18,247)	(18,247)
Transfers In	(4,737)	(2,000)	(2,000)	(2,000)
Pension Strain	(1,306)	(1,200)	(1,200)	(1,200)
Income	(24)	(40)	(40)	(40)
Total Income	(108,510)	(70,563)	(71,487)	(72,187)
Cash-flow Net of Investment Income	-27,379	10,447	10,283	10,743
Investment Income	(3,619)	(3,000)	(3,000)	(3,000)
Investment expenses	3,288	3,000	3,000	3,000
Total Net of In House Investments	(27,710)	10,447	10,283	10,743
In House Investments				
Draw downs	70,348	86,790	62,328	63,146
Distributions	(49,450)	(80,337)	(73,809)	(68,109)
Net Expenditure /(Income)	20,898	6,453	(11,481)	(4,963)
Total Net Cash-Flow	(6,812)	16,900	(1,198)	5,780
Rebalancing Portfolio	(481)			
Total Cash Flow	(7,293)	16,900	(1,198)	5,780
Closing Cash	(20,916)	(4,016)	(5,214)	566

Operating Cost Budget 2018/19

	Budget 2017/18 £000s	Estimate 2017/18 £000s	Budget 2018/19 £000s
Governance Expenses			
Employee Costs (Direct)	238	229	243
Support & Services Costs (Internal Recharges)	8	15	15
Premises	7	3	3
IT (Support & Services)	9	5	5
Other Supplies & Services	50	70	87
Audit Fees	40	40	40
Actuarial Fees	202	173	324
Consultant Fees	399	438	589
Advisor Fees	187	198	178
Legal Fees	40	33	24
Pooling		55	224
Total Governance Expenses	1,180	1,259	1,732
Investment Management Expenses			
Fund Manager Fees	11,878	15,248	16,593
Custody Fees	34	31	31
Performance Monitoring Fees	58	66	66
Pooling			50
Total Investment Management Expenses	11,970	15,345	16,740
Administration Expenses			
Employee Costs (Direct)	762	649	776
Support & Services Costs (Internal Recharges)	42	43	43
Outsourcing	900	199	1000
Premises	33	23	23
IT (Support & Services)	250	323	413
Member Self Service	75	15	0
Other Supplies & Services)	70	133	106
Total Administration Expenses	2,132	1,385	2,361
Employer Liaison Team			
Employee Costs (Direct)*	144	163	194
Total Employer Liaison Team	144	163	194
Total Costs	**15,426**	**18,152**	**21,027**

*Costs incurred by the Employer Liaison Team will be recovered from the participating employers making use of the service through their employer contribution rate.

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis within the pension fund management team and the Pension Fund Advisory Panel
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board
- as part of these quarterly updates:
    - highlight any areas where we are exceeding or failing to achieve our targets and the reasons why, and identify any changes to the planned priorities as a result of this
    - highlight any significant additional spend or underspend in relation to the agreed budget as it is becomes apparent.

Key Risks

The Clwyd Pension Fund has embedded risk management into the governance of the Fund. The Committee has approved a Risk Management Policy and a detailed Risk Register is maintained. Changes to the level of risk are reported at each Committee.

Given that many pension fund risks are outside of our control, our risk management focusses on measuring the current risk against the Fund's agreed target risk (which may still be relatively high) and identifying the further controls and actions that can be put in place. This risk management process is integral in identifying actions that are then included in the Fund’s Business Plan.

On the whole the next few years will be challenging for those involved in the governance, management and operation of the Fund. The risks discussed below are documented in the Risk Register which will continue to be updated at each Committee meeting as circumstances change. The risks shown are those risks which are currently identified as amber i.e. with moderate consequences that are considered a possible occurrence, or higher, and where we are not currently meeting the target risk exposure.

Key:

Risk Exposure	Impact/Likelihood
Black	Catastrophic consequences, almost certain to happen
Red	Major consequences, likely to happen
Amber	Moderate consequences, possible occurrence.
Yellow	Minor consequences, unlikely to happen.
Green	Insignificant consequences, almost very unlikely to happen.

Governance

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	Inappropriate or no decisions are made			1 - Ongoing delivery of training for PFC/PB based results of training needs self-assessment 2 - Ensure timely induction training for new PFC/PB members
Externally led influence and change such scheme change and asset pooling	The Fund's objectives/legal responsibilities are not met or are compromised - external factors			1 - Regular ongoing monitoring by AP to consider if any action is necessary 2 - Ensure Board requests to JGC/OWG are responded to
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.	Services are not being delivered to meet legal and policy objectives			1 - Complete and implement Finance team restructure

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions			1 -The level of hedging will be monitored and reported regularly via FRMG
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	Investment and/or funding objectives and/or strategies are no longer fit for purpose			1 - Ensure proactive responses to consultations etc.
Employer ceasing to exist with insufficient funding (bond or guarantee)	Loss of employer income and/or other employers become liable for their deficits			1 - Employer risk management framework to be finalised

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues			1 - Ongoing training 2 - Ongoing bedding in of aggregation team and use of Mercers with backlogs 3 - Ongoing monitoring of ELT and Ops resource/workload for backlogs
Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues			1 - Ongoing roll out I-connect 2 - Ongoing monitoring of ELT resource/workload
Communications are inaccurate, poorly drafted or insufficient	Scheme members do not understand or appreciate their benefits			1 - Continue with website development 2 - Ongoing promotion of website and member self service 3 - Ongoing identification of data issues and data improvement plan 4 - Review of effectiveness of new website/iConnect planned for 2018/19
Systems are not kept up to date or not utilised appropriately, or other processes inefficient	High administration costs and/or errors			1 - Ongoing roll out of iConnect 2 - Ongoing identification of data issues and data improvement plan 3 - Review of effectiveness of new website/iConnect planned for 2018/19 4 - Implementation of other Altair modules in 2018/19 business plan

Training Plan

A Clwyd Pension Fund Training Policy has been established to aid Pension Fund Committee, Pension Board members and senior officers in performing and developing personally in their individual roles, with the ultimate aim of ensuring that Clwyd Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The following training plan has been developed for 2018/19 to assist in meeting that aim and is particularly focussed on the results of the Training Needs Self-Assessment completed by all Pension Fund Committee and Pension Board members during January 2018.

Title of session	Training Content	Timescale	Audience
Internal training day	Day 1: Investments: ▪ Back to basics ▪ CPF specific strategy	11/4/2018	Committee, Pensions Board and Officers
Internal training day	Day 2: Governance and Funding	25/4/2018	Committee, Pensions Board and Officers
PLSA Local Authority Conference, Gloucestershire	Various topical presentations spanning all fund matters	21-23/05/2018	Committee, Pensions Board and Officers
Internal training day	Day 3: Agenda to be confirmed (based on further self-assessment identified topics)	To be confirmed – possibly June 2018	Committee, Pensions Board and Officers
CIPFA and Barnett Waddingham: Local Pension Boards Annual Seminar	Update by key players together with a focus on the Scheme's financial viability and the problem of managing data.	27/6/2018	Pensions Board
LGPS Trustees Conference, Bournemouth	Various topical presentations. Agenda not yet available.	To be confirmed	Committee, Pensions Board and Officers
Internal training day	Day 4: Agenda to be confirmed (based on further self-assessment identified topics and only if required)	To be confirmed – possibly September 2018	Committee, Pensions Board and Officers
LGC Investment Summit, Newport	Various topical presentations. Agenda not yet available.	5-7/9/2018	Committee, Pensions Board and Officers
LAPFF, Bournemouth	Various topical presentations around the work of the LAPFF	5-7/12/2018	Committee, Officer
LGC Investment Seminar, Carden Park	Various topical presentations. Agenda not yet available.	Expected March 2019	Committee, Pensions Board and Officers

Appendix - BUSINESS PLAN 2017/18 - 2019/20 – Key Tasks

Governance

Ref	Key Action –Task	2018/19 Period				Later Years	
		Q1	Q2	Q3	Q4	2019/ 20	2020/21
G1	Data protection changes	x					
G2	Review appointment of Pension Fund Committee Representatives and Local Board Members	x				x	x
G3	Review of Governance Related Policies	x		x		x	x
G4	Cybercrime	x	x	x			
G5	Structure Review of Finance Team	x	x	x			
G6	Review/ Tender Actuarial Contract	x	x	x			
G7	Review/Tender Investment Consultancy and Independent Adviser Contracts			x	x		
G8	Review/Tender Custodian Contract				x	x	
G9	Review pension administration system contract					x	x

G1 – Data Protection Changes

What is it?

The General Data Protection Regulation is an EU regulation which will come into force from 25th May 2018, building on the existing Data Protection Act. This new regulation introduces stricter compliance requirements and much higher fines for non-compliance.

The main areas affecting the LGPS include the need to keep records of processing activities; enhanced privacy notices for members; privacy impact assessments where there is a high risk to the rights and freedoms of individuals; and the need to redraft any service level agreements to take account of new mandatory provisions. Funds must also put in place a data breach handling procedure as the new rules will require reporting of a breach within 72 hours.

Further information is available from the website of the Information Commissioner's Office.

Timescales and Stages

Understand implications and update processes	2018/19 Q1

Resource and Budget Implications

It is expected that all internal costs will be met from the existing budget.

G2 - Review appointment of Pension Fund Committee Representatives and Local Board Members

What is it?

The employer and scheme member representatives on the Local Board are appointed for a period of three years. This period may be extended to up to five years. The currently appointments will be subject to review as follows:

- Two scheme employer representatives – July 2020 (five year point)
- Scheme member representative (trade union) – October 2020 (three year point)
- Scheme member representative (non-trade union) – July 2023 (assumed three year point but appointment still in progress)

The representative members (for other scheme employers and scheme members) on the Pension Fund Committee are appointed for a period of not more than six years. The existing representative members were appointed in July 2014 and may be reappointed for further terms. However their existing appointments will need reviewed by July 2020.

Timescales and Stages

Finalise appointment of new Pension Board scheme member representative (non-trade union)	2018/19 Q1
Review and recruit current Pension Board (2 x employer plus trade union scheme representative)	2019/20 Q4 & 2020/21 Q1/2
Review existing Pension Fund Committee representatives	2019/20 Q4 & 2020/21 Q1/2

Resource and Budget Implications

It is expected this will mainly involve the Pension Fund Manager taking advice from the Independent Adviser. All costs are being met from the existing budget.

G3– Review of Governance Related Policies

What is it?

The CPF has a number of policies focusing on the good governance of the Fund, as follows:

- Conflicts of Interest Policy - March 2015
- Procedure for Recording and Reporting Breaches of the Law - November 2015
- Training Policy – November 2015
- Risk Policy – September 2017
- Governance Policy and Compliance Statement – March 2017

All of these policies are subject to a fundamental review at least every three years. In addition, the reviews will incorporate any changes as a result of the move to asset pooling with the Wales Pensions Partnership.

Timescales and Stages

Conflicts of Interest Policy - March 2015	2018/19 Q1
Procedure for Recording and Reporting Breaches of the Law & Training Policy - November 2015	2018/19 Q3
Governance Policy and Compliance Statement – March 2017	2019/20 Q1
Risk Policy – September 2017	2020/21 Q2/3

Resource and Budget Implications

It is expected this will mainly involve the Pension Fund Manager taking advice from the Independent Adviser. Estimated costs are included in the budget.

G4 – Cybercrime

What is it?

With large volumes of personal and financial data processed within a relatively less sophisticated security environment by comparison to other financial institutions, pension schemes are an increasingly attractive target for cybercriminals. LGPS funds predominantly rely on the processes and security of their parent local authorities due to the IT systems sitting on local authority infrastructure.

Flintshire County Council currently have a programme of work considering the risk of cybercrime. It is planned that the pension team will be part of this work but will then expand it as required to give appropriate assurances on the security of the pension systems, and a better understanding of any ongoing work required to ensure the appropriate level of security remains.

Timescales and Stages

Ongoing work with FCC on council's cybercrime programme	2018/19 Q1 to Q2
Understand and develop any ongoing CPF specific cybercrime requirements	2018/19 Q1 to Q3

Resource and Budget Implications

It is expected this will mainly involve the Pension Administration Manager working with Council staff. No additional budget has been assumed for external parties at this point.

G5 – Structure review of Finance Team

What is it?

As a result of the retirement of a Finance Manager, the impact of asset pooling, the increased work associated with Governance, and the need to reduce the risk associated with key persons within the structure, the Finance Team is being restructured.

Timescales and Stages

Finalise structure and carry out recruitment	2018/19 Q1 to Q3

Resource and Budget Implications

To be led by Pension Fund Manager with FCC Human Resources Team. All internal costs are being met from the existing budget albeit any necessary changes to staffing levels or numbers may impact on the budget and these are not yet included in the proposed budget. Additional costs that may arise as a result of greater use of consultants during the period of implementation and whilst posts remain vacant are estimated in the proposed budget.

G6 – Review/Tender Actuarial Contract

What is it?

The Council needs to review its current actuarial contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. This review should include Funding Risk Management and Benefit Consultancy Services. Following this review, and discussions with procurement, the Council needs to put the actuarial contract out to tender. Due to the triennial actuarial valuation of the Fund during 2016/17 and the ongoing need to prioritise work around asset pooling, this was deferred.

Timescales and Stages

Review current actuarial contract and identify tender process	2018/19 Q1
Conduct tender for actuarial services	2018/19 Q2/3

Resource and Budget Implications

To be led by Pension Finance Manager. All internal costs are being met from the existing budget.

G7 – Review/Tender Investment Consultancy and Independent Adviser Contracts

What is it?

The Fund's investment consultancy and independent Adviser contracts reached their initial break point on 31 March 2017 albeit, due to Government changes to investment regulations, including pooling, and also the implications of MIFID II, they were extended for 2 years (to 31 March 2019) to provide stability and consistency of approach. For these reasons the contracts will be reviewed during 2018/19. This will initially involve a review of whether the existing services should be retendered in their current format or whether there is a more appropriate consultancy contracts that could be put in place. Note that, as a result of pooling, it may be preferred to look for options to extend these contracts for a further short period, so as to identify the most appropriate services going forward.

Timescales and Stages

Review appropriateness/decide format of future contracts	2018/19 Q3
Conduct tender for services	2018/19 Q4

Resource and Budget Implications

To be led by Pension Finance Manager within existing budget.

G8 – Review/Tender Custodian Contract

What is it?

The Council needs to review its current custodian contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. The introduction of asset pooling could also impact on the type and scope of service to be provided by the Fund's custodian. Following this review, and discussions with procurement, the Council will need to put the custodian contract out to tender.

Note that, as a result of pooling, it may be preferred to look for options to extend these contracts for a further short period, so as to identify the most appropriate services going forward.

Timescales and Stages

Review current custodian contract and identify tender process	2018/19 Q4
Conduct tender for custodian services	2019/20 Q1

Resource and Budget Implications

To be led by Pension Finance Manager. All internal costs are being met from the existing budget.

G9 - Review administration system contract

What is it?

The CPF has a rolling one year contract with Aquila Heywood in relation to their Altair administration system. It has not been subject to a full review through tender for a number of years and it would be good practice to carry this out in the near future. However, due to significant projects involving the administration system (e.g. 2016 actuarial valuation, implementing I-Connect and scheme/GMP reconciliation) and to tie in with end dates of existing add-on modules within Altair, it was agreed as part of the 2017/18 business plan to defer this until 2019/20. Since then, it has been highlighted that a national framework is likely to be put in place for LGPS administration systems. It is therefore recommended that the tender for the administration system is deferred until the national framework becomes available which may be in 2019/20 or 2020/21.

Timescales and Stages

Conduct tender for administration system	2019/20 or 2020/21

Resource and Budget Implications

To be led by Pension Administration Manager. Any associated costs or assistance from advisers will be considered nearer the time.

Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2018/19 Period				Later Years	
		Q1	Q2	Q3	Q4	2019/ 20	2020/ 21
F1	Asset Pooling Implementation	x	x	x	x	x	
F2	Flightpath Review	x				x	x
F3	Interim Funding Review		x	x			
F4	Employer Risk Management Framework		x	x			
F5	Review of Investment Strategy					x	
F6	Triennial Actuarial Valuation and associated tasks					x	

F1 –Asset Pooling Implementation

What is it?

To enable the Wales funds to pool assets an operator has been appointed to provide the investment infrastructure and advice for the Wales Pensions Partnership ("WPP"). A plan will be developed in relation to what and when assets will transition. Then we will need to adapt internal processes and methods as assets transition, and ensure reporting received from the Operator and WPP. The timescales shown below are best estimates and subject to change when the WPP business plan and asset transition plan have been developed.

Timescales and Stages

Develop and agree on initial asset transition plan (reserved matter)	2018/19 Q1
Understand and feed into the development of the role, responsibilities and discretions of the Operator	2018/19 Q1/2
Identify impact on and develop internal processes and resources	2018/19 Q1
Approve the WPP's business plan (reserved matter)	2018/19 Q1 (to be confirmed)
Review and feed into suitability of reporting and performance monitoring templates (including meeting the Fund's Responsible Investment Policy and Cost Transparency requirements)	2018/19 Q1/2
Review of how accounts and finances relating to investments - recording, preparation and publishing	2018/19 Q1 - 4, and 2019/20 Q1/2
Understand infrastructure opportunities	2018/19

Develop process to capture WPP cost versus existing costs to identify benefits and savings of asset pooling	2018/19
Develop and agree any supplementary transition plans (reserved matter)	2018/19 (to be confirmed)

Resource and Budget Implications

2018/19 and future budgets will include the cost of the Operator. For 2018/19 a provisional amount of £50k has been included for a proportion of the year. Along with budgeted WPP costs of £24k. The Consultant and Adviser budgets include an additional estimated amount of £192k for expected ongoing advice during the transitional period. The remaining costs will be covered within the internal resource budget.

F2 –Flightpath Review

What is it?

The Administering Authority implemented a "Flightpath" risk management investment strategy with effect from 1 April 2014, with the aim of more effectively controlling and limiting interest and inflation risks (as these factors can lead to significant changes to liability values and therefore the deficit). The overall funding Flightpath strategy is to consider and structure the investment strategy to determine a balance between return-seeking and risk-hedging assets. Further details are in the Fund's Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS).

A regular review is carried out to ensure its aims remain appropriate and it is still fit for purpose. As a result monitoring of the restructuring of the mandate is done on a monthly basis. This will continue to be reviewed in conjunction with insight to maximise operational efficiency and the delivery of further added value to the mandate. The current equity protection contract expires on 26th April 2018. The review and implementation of a replacement contract or other arrangement will be undertaken prior to the expiry. The main objective is to protect contribution outcomes for the employers of the Fund at the 2019 and potentially subsequent valuations.

Timescales and Stages

An annual health-check of flightpath structure	Q1 2018, 2019 and 2020
Review of Equity protection structure	Q1 2018, 2019 and 2020

Resource and Budget Implications

To be resourced through the Funding Risk Management Group, which will result in additional costs that are estimated within the budgets provided.

F3 – Interim Funding Review

What is it?

It is important for the Fund to consider the possible implications that the 2019 valuation will have on employers, especially as employer budgets are often set well in advance of the valuation year. The review will allow for the latest market outlook and investment returns. It will also incorporate:

- Any membership changes / movements for employers including large outsourcings
- the potential impact of any removal of pay restraint for Councils
- appropriate updates to Fund policies
- updated cash flow projections
- outcomes for individual employers (as necessary) to feed into budgets and also the employer risk management framework.

This will enable major employers to plan for any contribution changes and capture any affordability concerns in advance of the 2019 valuation and facilitate further discussions.

Timescales and Stages

Results and discussion with employers	Q2/3 2018/19

Resource and Budget Implications

This exercise will be performed by the Fund Actuary. It is an important exercise for the Fund and will involve input from both the Clwyd Pension Fund Administration and Finance teams. It will also involve discussions with the Fund's employers. The Fund Actuary's costs in relation to this exercise have been included in the budget.

F4 – Employer Risk Management Framework

What is it?

The Fund is subject to funding risks in respect of employers on an ongoing basis and in particular who cease to participate without being able to recover the full exit contributions due under the Regulations. The Fund is in the process of setting up a monitoring framework to capture any employers that pose a significant risk. The framework will categorise employers into different risk profiles based on their covenant and funding positions. This will allow officers to identify any potential risk of unrecoverable debt and affordability restraints on contribution requirements,

The framework will also consider the outcome of the tier 3 review performed by the Scheme Advisory Board which is expected during 2018 (tier 3 employers are those that do not have tax-payer backing; i.e. colleges, universities, housing associations, charities, admission bodies that do not have a guarantee from a Council, etc.). For the Fund, the potential impact is restricted to colleges and universities.

Timescales and Stages

Monitoring will be performed alongside the 2018 interim review	
Preliminary Covenant Work	Q1 2018/19
Further development of risk framework	Q2&3 2018/19

Resource and Budget Implications

Managing employer risk will require support from the Fund Actuary. It will involve the officers gathering financial information from all employers regularly to monitor covenant strength and funding positions to inform on which employers pose the greatest risk to the Fund and the remedial actions necessary. The Fund Actuary costs in relation to this exercise have been included in the budget.

F5 – Review of Investment Strategy

What is it?

This relates to the triennial review of the Investment Strategy once the Actuarial Valuation has been finalised and the Funding Strategy agreed. If required, there may be a need to undertake a light touch review (asset modelling scenarios) of the Fund's strategy and asset allocation position to feed into the actuarial valuation process.

Timescales and Stages

Triennial review	2019/20

Resource and Budget Implications

The majority of work will be carried out by JLT as Investment Adviser together with the CPF Manager and Finance Manager(s) prior to final submission of proposals to Advisory Panel and Pension Fund Committee. Costs of the review are included within the budgets shown.

F6 – Triennial Actuarial Valuation

What is it?

It is the formal actuarial valuation of the Fund detailing the solvency position and other financial metrics. It is a legal requirement of the LGPS Regulations. It determines 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. The exercise will include cash flow projections.

Timescales and Stages

Effective date	31 March 2019
Initial whole Fund results (expected)	Q2 2019/20
Individual Employer results (expected)	Q2&3 2019/20
Deadline for agreement of all contributions and sign-off	31 March 2020

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and it will determine contribution requirements for all participating employers from 1 April 2020. It is a major exercise for the Fund and will take a lot of input from the Administration and Finance teams. Employers will be formally consulted on the funding strategy as part of the process. The Fund Actuary's costs in relation to this exercise will be included in the 2019/20 budget.

Administration (including Communications)

Ref	Key Action -Task	2018/19 Period				Later Years	
		Q1	Q2	Q3	Q4	2019/ 20	2020/ 21
A1	Additional Payroll Functionality	x					
A2	Move to Electronic Annual Benefit Statements	x	x				
A3	iConnect	x	x	x	x	x	
A4	Expanded Backlog to 31 March 2014	x	x	x	x		
A5	Aggregation Project	x	x	x	x	x	
A6	Electronic and Centralised internal procedures	x	x	x	x	x	
A7	Data Improvement Plan Development	x	x	x	x		
A8	GMP Reconciliation	x	x	x	x	x	
A9	Trivial Commutation	x	x	x	x	x	
A10	LGPS Legal Timescales Analysis		x	x			
A11	National Pensions Dashboard			x	x	x	
A12	Workforce Review				x	x	
A13	Employer Relationship Manager (ERM)					x	
A14	Consider success of website, on-line tools and interactive functionality					x	
A15	Review Administration & Communications Strategy Statements					x	
A16	Other Expected National Changes (dates unknown)						

A1 – Additional Pensioner Payroll Functionality

What is it?

Currently lump sum payments (i.e. retirement lump sums, transfer payments and death grants) are made via the Council's main financial system. The Altair pensioner payroll system which is used by the Pensions Administration Team has the functionality to allow these payments to be made through it. This reduces the reliance on systems outside of the control of the pension administration team and it would also result in quicker payments to scheme members. .

Timescales and Stages

Testing and implementation	2018/19 Q1

Resource and Budget Implications

All internal costs are to be met from the existing budget. External costs amount to £3,800 one off cost.

A2 – 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 planned for the 2018 statements. This includes other annual electronic communications such as pensions increase letters for pensioners.

Timescales and Stages

Deferred Benefit Statements	2018/19 Q1
Active Benefit Statements	2018/19 Q2

Resource and Budget Implications

All internal costs are to be met from the existing budget. Printing and mail costs will reduce in 2018/19 and future years.

A3 - iConnect

What is it?

iConnect is the on-line computer module that allows information to be submitted by employers more directly and efficiently into the pension administration system (Altair). It involves employers uploading data directly into iConnect from their payroll systems. iConnect is to be rolled out to all employers of the Fund on a phased basis. For each employer being transitioned onto iConnect, the first stage is ensuring that the correct member records are held on the Altair administration system before entering into testing and live roll out of iConnect. This will be done on a phased basis by employer. The project commenced in 2017/18 and Denbighshire County Council, Bodelwyddan Castle Trust, Prestatyn Town Council, Careers Wales, Cartref NI Ltd Flintshire County Council, Aura and Newydd have been successfully implemented.

Timescales and Stages

Other employers	2018/19 Q2/Q3/Q4
WCBC	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. The roll out of iConnect, particularly to WCBC will involve significant internal resources which may impact on other day to day work.

A4 – Expanded Backlog to 31 March 2014 (Mercers)

What is it?

A backlog of tasks prior to 31 March 2013 has been expanded to 31 March 2014 and approximately 350 additional member cases have been identified for completion by Mercers.

Timescales and Stages

Clear cases externally and eliminate backlog	2018/19

Resource and Budget Implications

Resource provided by Mercer. The costs in relation to this exercise have been included in the budget.

A5 – Aggregation Project

What is it?

When members move/leave employments there are a number of options available to them and all of these options need to be conveyed to the members concerned. There are approximately 3,500 cases (as at 30 September 2017) where members need to either be informed that their records have been aggregated or be provided with their respective options. Software providers are still developing calculations to accommodate these changes. The recent recruitment and creation of the Aggregation Team has facilitated procedures to be put in place to address this backlog and maintain these cases as “business as usual” going forward. Whilst still in the planning stages it is expected that approximately 1700 of these cases may be outsourced to Mercers for the initial stage of the process to be actioned and returned to the Aggregation Team for completion.

Timescales and Stages

This is a high priority project and will be completed as soon as possible.

Ongoing progress with data cleansing	2018/19
Clear cases and eliminate backlog	2018/19 & 2019/20

Resource and Budget Implications

An additional £13,683 for changing Pensions Assistants to Pensions Officers is included within the budget (previously agreed in 2017/18. There will also be further costs relating to the work which may be outsourced to Mercers and an estimated cost for 2018/19 has been included in the budget figures.

A6 – Electronic and Centralised internal procedures

What is it?

This relates to the development of an on-line procedures manual for use by the Pensions Administration staff. This will amalgamate, expand and update current procedure documents, and ensure consistency, easy access and efficient working as well as providing a useful training tool. These updated procedures will also be linked into staff competencies and training plans.

Timescales and Stages

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

Develop, collate, update and maintain	2018/19 & 2019/20

Resource and Budget Implications

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

A7 – Data Improvement Plan Development

What is it?

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they expected to be adopted by private sector pension schemes to consider data. This referred to checks being expected on ‘common’ data (e.g. Name, Address, Date of Birth, National Insurance number). TPR also outlined ‘conditional’ data checks but did not set prescriptive targets as the data is deemed to be scheme-specific (e.g. Member data – divorce, transfers in, AVCs, deferred information). The guidance did target pension scheme trustees to ensure that ‘reasonable endeavors’ were undertaken to provide evidence of assessment and measurement, together with an action plan to meet the scheme specific targets (i.e. a data improvement plan). From 2018/19, TPR is expecting all pension schemes to review their common and conditional (now called scheme-specific) and score the quality of that data.

To assist customers in undertaking this practical assessment of their data, both common and /scheme specific Aquila Heywood offers a Data Quality service. The LGPS Scheme Advisory Board will also be providing guidance on what LGPS scheme specific data should be (to provide consistency in checks between administering authorities) but this is unlikely to be available until later in 2018/19.

In addition to measuring and capturing the results of the common and scheme specific data reviews, the Fund will develop a data improvement plan to capture any other elements of data that they consider to be inaccurate and ongoing plans.

Timescales and Stages

Run reports and ascertain data quality	2018/19 Q1
Research and correct any data anomalies where practical*	2018/19 Q1 – Q4
Review scheme specific data checks based on national LGPS requirements	2018/19 Q3/4 (to be confirmed)

*Where not practical, a timescale will be included in the Fund's data improvement plan.

Resource and Budget Implications

To be carried out by the Pensions Administration Team. This may also require input/information from the employers (subject to findings). The data reports are provided at an annual cost of £5,000 (assuming this is taken over at least three years).

A8– GMP Reconciliation

What is it?

The government removed the status of "contracted-out" from pension schemes in April 2016. Prior to then, contracted-out pension schemes had to ensure the benefits they paid met a minimum level and one element of this was a Guaranteed Minimum Pension (GMP) figure that accrued individually for each scheme member up to April 1997. Historically pension schemes would go to HMRC to get confirmation of the GMP amount on retirement. However, as a result of the demise of contracted-out status, HMRC will no longer be maintaining GMP and other contracting out member records. This means that the onus will be on individual pension schemes to ensure that the contracting out and GMP data they hold on their systems matches up to the data held by HMRC. All GMP's and national insurance information must be reconciled by March 2019, the date the HMRC will cease to provide their services.

Initial work has identified that there was 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. Clwyd Pension Fund decided to outsource this exercise in 2017/18 to Equiniti and the project commenced during that year. The timescales below are subject to change depending on the magnitude of the work.

Timescales and Stages

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

Resource and Budget Implications

All costs to be met from the existing budget which includes expected costs for Equiniti who are carrying out the work. This is likely to impact internal resources in relation to any adjustments to be made to current pension amounts (i.e. under or overpayments) but the impact of this is not yet known.

A9 - Trivial Commutation

What is it?

This is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment. A project will be carried out to identify any pensioners and dependents who may be eligible for trivial commutation and to offer it to them. This will reduce the administrative burden on the Fund paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective. The government has a limit for members to trivially commute their pension in relation to their single pension (£10,000 value – called a "small pot") and total benefits (£30,000 – called "trivial commutation"). As well as reducing the number of pensioner payments that require ongoing payment this could also have a positive impact on the funding level as it removes the liabilities for these members. It will also be welcomed by a number of pensioners who would prefer a one-off lump sum payment rather than ongoing smaller payments of little value.

Timescales and Stages

Timescales below are indicative and subject to prioritisation of other administration work streams.

Identify members eligible to commute under £10,000	2018/19
Communicate with eligible members and pay lump sums	2018/19
Identify members eligible to commute under £30,000:	2019/20
Communicate with eligible members and pay lump sums	2019/20

Resource and Budget Implications

The majority (if not all) of this work may be outsourced to Mercer or another external provider to assist with resourcing. The precise cost of this is as yet unknown but a contingency has been included for 2018/19 within the budget to cover potential costs. It will also require input by the Technical Team with some assistance from the Operational Team, with any such input being focused on the later stages of the project. All internal costs are to be met by existing budget.

A10 – LGPS Legal Timescales Analysis

What is it?

Following the implementation of monitoring performance against the seven key legal timescales (as part of the monthly Key Performance Indicators (KPIs) reporting), a full review is being undertaken of our workflow systems and data quality to enable monitoring against a wider range of legal deadlines such as those relating to refunds and divorce.

Timescales and Stages

Develop further legal timescales reporting process	2018/19 Q2/Q3

Resource and Budget Implications

All internal costs are to be met by existing budget. It may be effective to outsource some of the development work to Aquila Heywood but this is not expected to be a material cost, and it is not included in the budget.

A11 – National Pensions Dashboard

What is it?

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all pension savers in the UK access to view the values of all of their pension pots, including state pension, through one central platform. A basic prototype was developed in 2017 and the full launch is planned for 2019. The implications on public service pension schemes, including whether they will be required to participate and the cost, and resource implications, is not yet known. The timescales below are therefore estimated.

Timescales and Stages

Development expected	2018/19 Q3/4 & 2019/20
Launch	2019/20

Resource and Budget Implications

Resource and budget implications cannot be determined until more detail is available.

A12 - Workforce Review

What is it?

Following ongoing system improvement, backlog work and other efficiencies, it is appropriate to review whether the structure of the Administration Team (including the Employer Liaison Team) is effective and fit for purpose taking into consideration the new processes. As part of this, the ongoing cost will be considered, including whether the administration objective relating to cost is achievable.

Timescales and Stages

Review temporary contracts	2018/19 Q4
Wider review of appropriateness and effectiveness of structure	2019/20

Resource and Budget Implications

All internal costs will to be met from the existing budget.

A13 – Employer Relationship Manager (ERM)

What is it?

This is a tool within the Altair administration system that acts as a directory for all individual employer information. ERM will streamline where information is held and make it more accessible to the Administration Team. This will reduce paper files and is easier to keep up to date and maintain than existing processes.

Timescales and Stages

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

Develop, collate, update and maintain	2019/20

Resource and Budget Implications

All internal costs are to be met from the existing budget.

A14 – Consider success of website, on-line tools and interactive functionality with employers and scheme members

What is it?
Consider the success of new systems that have been implemented, including the new website, Member Self Service and iConnect, and decide if any further development or systems should be put in place.

Timescales and Stages
Identify outcomes and any further development	2019/20

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

A15 - Review Administration and Communication Strategies
What is it?
The CPF Administration Strategy and Communications Strategy were approved at the March 2016 PFC. The Administration Strategy was updated in March 2017. They must be reviewed at least once every three years to ensure they remain relevant and up to date. Given the close relationship between the two strategies, it is advantageous to review them at the same point.

Timescales and Stages
Review of Strategies	2019/20 Q4

Resource and Budget Implications
This will be led by the Pensions Administration Team.

A16 - Other Expected National Changes
What is it?
There are a number of national changes that are expected in due course. Given the focus on Brexit, it is not expected that many, if any, changes will take place during 2018. Areas where change may be forthcoming in due course could include:

- Scheme Changes as a result of the Cost Management Process
- Changes in Exit Payments
- Indexation of GMP's for members reaching SPA from December 2018
- GMP equalisation
- Fair Deal
- LGPS amendment regulations in relation to drafting problems or other areas of improvement (e.g. ill health provisions and aggregation)
- Welsh income tax changes

Timescales and Stages

To be determined

Resource and Budget Implications

Any significant changes will be reported to PFC when more information becomes available.

Employer Liaison Team

Ref	Key Action –Task	2018/19 Period				Later Years	
		Q1	Q2	Q3	Q4	2019 /20	2020 /21
E1	Design financial reporting and recharge procedures	x	x				
E2	Data preparation for iConnect	x	x	x	x	x	
E3	Development of workflow reporting to employers		x	x			
E4	Review of Agreements				x	x	x
E5	Liaise with other employers for potential agreements					x	

Understanding the continuing pressure on resources and budgets for employers and the administering authority, the Clwyd Pension Fund have made provision to provide assistance to Fund Employers in providing accurate and complete notifications to the Fund (and other Employer duties) in a timely manner. The Employer Liaison Team (ELT) mainly assists in providing notifications regarding new starters, personal/employment changes and leavers/retirements in the LGPS. It also undertakes outstanding requests for information in order to cleanse the pension records. The ELT will be monitored and progress reported on a regular basis. All costs will be met by employers through their employer contribution rate, following the task reporting process.

E1 – 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

Develop charging structure and information	2018/19 Q1
Finalise first year end charges to be built into valuation recharge costs	2018/19 Q1/2

E2 – Data preparation for iConnect

What is it?

The supply (manually) of significant volumes of missing data, in order to match records between the employer's payroll system and the iConnect software in preparation for automatic monthly uploads going forward.

Timescales and Stages

Reviewing inconsistencies, working through spreadsheets (WCBC)	2018/19 Q1 to Q4
Continuous refining of mismatches going forward (WCBC)	2019/20 Q1/2

E3 – Development of workflow reporting to employers

What is it?

Developing the standard reports that will be sent out on a monthly basis to employers who use ELT.

Timescales and Stages

Review and recommend updates:	2018/19 Q2/3

E4 – Review of Agreements

What is it?

Periodic review of the scope of the ELT agreements and service level agreements for each employer

Timescales and Stages

Whistle-stop review to address any issues/new requirements FCC/WCBC	Each Q4

E5 – Liaise with other employers for potential agreements

What is it?

The implementation of iConnect will have a major impact on how employers transmit information to the administering authority. It is therefore suggested that no further employers should be brought into the ELT service until iConnect is rolled out so that employers can better understand any challenges that they face. This will also allow ELT to focus on providing a high quality service to their existing employer customers, including being integral to ongoing data cleansing and providing information so that backlogs can be worked on.

Timescales and Stages

Consider benefits for other employers to join ELT service post iConnect implementations	2019/20

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Sir y Fflint
Flintshire

FLINTSHIRE COUNTY COUNCIL

Administering Authority for Clwyd Pension Fund

ADMINISTRATION STRATEGY

September 2018

ADMINISTRATION STRATEGY

Introduction and Background

This is the Statement outlining our Pension Administration Strategy for the Clwyd Pension Fund (“the Fund”) and has been developed following consultation with employers in the Fund, Pension Board members and other interested stakeholders.

The aim of the administration strategy is to ensure both the Administering Authority (“AA”) and the employers are fully aware of their responsibilities under the Scheme, and to outline the performance standards they are expected to meet to ensure the delivery of a high-quality, timely and professional administration service. These performance standards are explained further in the employer service level agreement.

Flintshire County Council (the "administering authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme (“the LGPS”). The Fund comprises around 43 employers with active members, and approximately 46,700 scheme members (including active members, deferred and pensioner members).

Delivery of a high standard of administration service is not the responsibility of one person or organisation, but rather of a number of different parties, who between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership.

This Strategy applies to all employers in the Fund. The Statement sets out the expected levels of administration performance of both the administering authority and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

Implementation

This Strategy was first agreed in April 2016, and it outlines the level of service the administering authority would like to provide to scheme members and employers, as well as the role employers will need to play in providing that quality of service. It is recognised that the aims and objectives in this Strategy are ambitious in some cases and meeting these is dependent on the implementation of some quite radical changes in the existing ways of working, not least introducing some major new on-line functionality and also reviewing our resources to ensure they are appropriate. This Strategy is being implemented during a time which continues to present a number of challenges, not least:

- a continuing upward trend in the workload being received, much of which is as a result of the new LGPS CARE scheme which was introduced in April 2014
- ongoing work to clear administrative backlogs accumulated during recent years
- the need to carry out a major scheme reconciliation exercise as a result of the introduction of the new State Pension
- continuing pressure on resources and budgets for employers and the administering authority

As part of the 2016/17 and 2017/18 business plans, progress has already been made in implementing improvements in the Clwyd Pension Fund Administration Section including:

- implementing i-Connect with a number of employers including two major employers (i-Connect is new software that will allow employer data to be loaded directly, and therefore more efficiently, into the pension administration software)
- reviewing the pension administration system work flow functionality
- developing more advanced work flow and management reporting functionality within the administration system
- a major review of the Fund's website
- implementing self-service web functionality to scheme members.

The 2018/19 business plan includes further work to help deliver this Strategy including implementing i-Connect with most other employers and further promotion of the self-service web functionality.

Regulatory Basis

The LGPS is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 provide the conditions and regulatory guidance surrounding the production and implementation of Administration Strategies.

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004 and 2011 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Data Protection Act 2003
- Finance Act 2013 and
- Relevant Health and Safety legislation.

As a result of the Public Service Pensions Act 2013, the Pensions Regulator now has responsibility for oversight of a number of elements of the governance and administration of Public Sector pension schemes including the LGPS. The Regulator has the power to issue sanctions and fines in respect of failings caused by the administering authority and also where employers in the Fund fail to provide correct or timely information to the administering authority. Should this happen, the administering authority would recharge any costs back to employers as set out later in this strategy.

More information relating to requirements of the Local Government Pension Scheme Regulations is included in Appendix A. This statement has been developed to include the information required by those provisions and to describe our approach in relation to meeting these requirements in the delivery of administration.

Our Aims and Objectives

Mission Statement

The Clwyd Pension Fund Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused, reputable and credible service to all customers
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget
- to work effectively with partners, being solution focused with a ‘can do’ approach

In addition, we have specific aims and objectives in relation to our administration responsibilities as set out below.

Administration Aims and Objectives

The purpose of this strategy statement is to set out the quality and performance standards expected of Flintshire County Council in its role of administering authority and employer, as well as all other employers within the Fund.

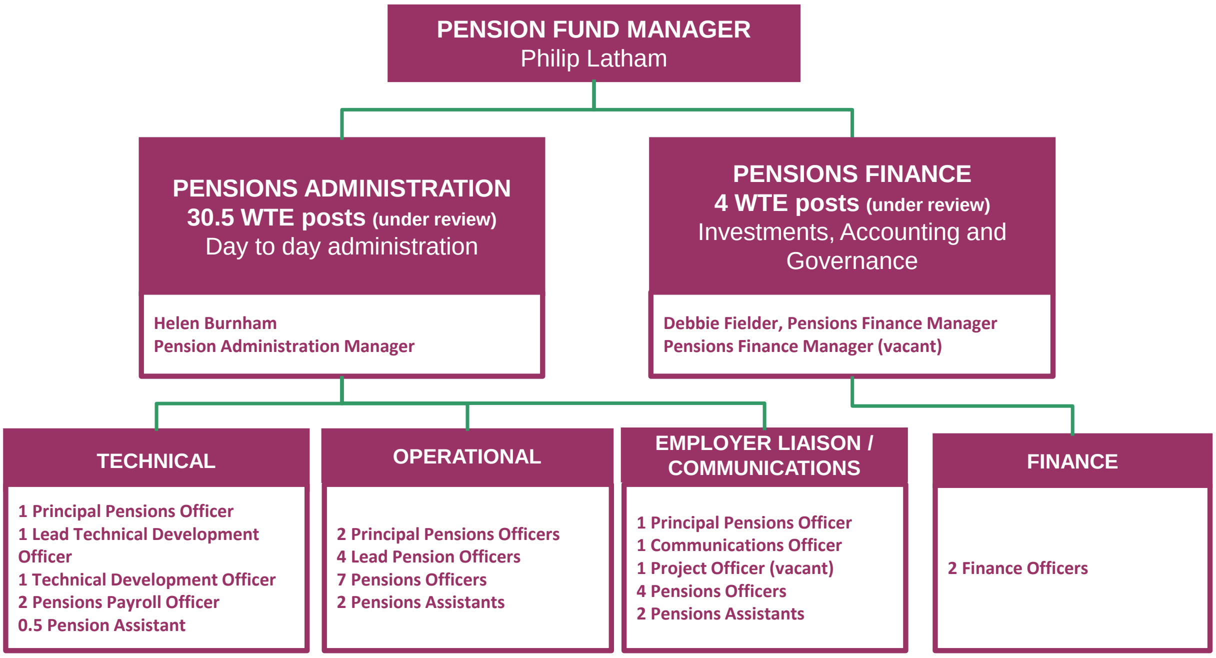
The Administration Strategy has a number of specific objectives, as follows;

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- 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
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

Delivery of Administration

Flintshire County Council has delegated responsibility for the management of the Pension Fund to the Clwyd Pension Fund Committee, taking into consideration advice from the Pensions Advisory Panel and the Pensions Board. The Committee will monitor the implementation of this Strategy on a regular basis as outlined later in this statement.

Operationally, the administration of the Fund is undertaken 'in-house' within the Fund. The operational structure of the Pension Fund is illustrated in the schematic diagram below. This structure is being reviewed during 2018/19.



Most LGPS administering authorities provide the administration service from internal teams, although some have outsourced (or partially outsourced) their administration, and some utilise shared service administration arrangements across more than one Fund. The Administering Authority may, in exceptional circumstances, consider outsourcing some of those services.

In addition, the Administration Section will look for opportunities to work collaboratively with other administering authorities so as to reduce development costs and enhance the quality of information. This might include:

- working with other administering authorities through the Pensions Officer Group networks or the All Wales network to produce communications, which can then be customised further where necessary to the needs of the Fund
- participating in joint training sessions with other administering authorities.

Performance Standards – Quality

Local Standards

The legislative and regulatory requirements are set out previously and in Appendix A. On top of these, the Fund and employers ensure that all administration functions and tasks are carried out to agreed local quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the employer service level agreement and this Administration Strategy Statement
- information to be provided in the required format and/or on the appropriate forms contained within the employer service level agreement
- information to be legible and accurate
- communications to be in a plain language style
- information provided or actions carried out to be checked for accuracy* by an appropriately trained member of staff
- information provided or actions carried out to be authorised by an agreed signatory, and
- actions carried out, or information provided, within the timescales set out in this strategy statement

* accuracy is defined as when we have received information, for example, from an employer, with **all** required areas completed ***and*** with no contradictory information which needs to be queried.

Secure Data Transfer

The Fund and its employers follow Flintshire County Council's data security guidelines when sending any personal data. Flintshire County Council uses Egress Switch to securely send data when required, which offers a combination of policy based gateway and desktop email encryption software to secure and control information sent to third parties. Egress Switch also uses;

- an authentication process
- password protection, and
- confirmation of receipt

to prevent any sensitive information from being accidentally sent to unauthorised recipients.

A key method of data transfer relating to the Fund's administration is the receipt of information from employers in relation to scheme members. In order to meet the requirements set out in this document in a secure and efficient way (for both employers and the administering authority), Clwyd Pension Fund has been implementing a secure data system known as i-Connect for its employers. Any employers not submitting data using this data system, once it is made available to them, may risk compromising data security and may be subject to additional administration costs as explained later in this strategy.

Oversight of Compliance and Quality

Ensuring compliance is the responsibility of the administering authority and the employers in the Fund. The administering authority has a range of internal controls in place to assist with ensuring compliance and which are articulated in the Fund's risk register. However there are ways in which they are subject to elements of scrutiny or oversight:

Audit

The Fund is subject to a regular annual audit of its processes and internal controls. The administering authority, the Fund and the employers are expected to fully comply with any reasonable requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the Pension Fund Committee, and where appropriate duly implemented (following discussions with employers where necessary).

Local Pension Board (LPB), the national Scheme Advisory Board (SAB) or the Pensions Regulator

The Public Service Pensions Act 2013 introduced greater oversight through these entities. As a result the LPB of the Clwyd Pension Fund was established from 1 April 2015. In addition, the Pensions Regulator's remit was extended to include the public sector, and a national Scheme Advisory Board was created. The administering authority and the employers are expected to fully comply with any guidance produced by the SAB and the Pensions Regulator. Any recommendations made from these entities will be considered by Flintshire County Council, in its role as administering authority, and where appropriate, duly implemented following discussions with employers where necessary.

CIPFA

The Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance including local authorities such as Flintshire County Council. As well as providing qualifications, CIPFA issues guidance (which is sometimes statutory) and information to promote sound public financial management and good governance. There are a number of sets of guidance that apply to the administration of LGPS Funds including information to be included in Funds' Annual Report and Accounts, and advice on risk management and internal controls.

Performance Standards – Timeliness and Accuracy

Overriding legislation, including The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. Further, the LGPS itself sets out a number of requirements for the administering authority or employers to provide information to each other, to scheme members and to prospective scheme members, dependants, other pension arrangements or other regulatory bodies. In addition to these legal requirements, local performance standards have been agreed which cover all aspects of the administration of the Clwyd Pension Fund. In many cases these go beyond the overriding legislative requirements.

The locally agreed performance standards for the Fund are set out in Appendix B. These standards are not an exhaustive list of the administering authority's and employers' responsibilities. Employers' responsibilities are provided in more detail in the employers' service level agreement.

The locally agreed performance standards will be monitored on an ongoing basis by the administrating authority, the key standards which will be publicly reported on are extracted and shown in the table below.

These elements are measured against:

1. any legal timescale that should be met ("Legal requirement")
2. the overall locally agreed target time ("Overall case target")
3. the locally agreed target time for the administering authority to complete that task ("CPF Administration element target")

Generally the CPF Administration element target will be a shorter procedure within the overall case which is being measured by the Legal requirement and Overall case targets. This is because the Legal requirements and Overall case targets will generally include periods of time when the Fund is waiting for information to be provided by an employer or scheme member. The CPF Administration element target then measures the period of time it takes the Fund to carry out their element of work once the accurate* information has been received.

* accurate is defined as when we have received information, for example, from an employer, with **all** required areas completed ***and*** with no contradictory information which needs to be queried.

Key Performance Indicators (KPIs)

Process	Legal requirement	Overall case target	CPF Administration element target
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[1]	46 working days from date of joining (i.e. 2 months)	15 working days from receipt of all information
To inform members who leave the scheme before retirement age of their rights and options	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member) [2]	46 working days from date of leaving	15 working days from receipt of all information
Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request [1]	46 working days from date of request	20 working days from receipt of all information
Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate) [3] or within a reasonable period (cash transfer sum) [4]	46 working days from date of request	20 working days from receipt of all information
Notification of amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age [1] 2 months from date of retirement if before Normal Pension Age [1]	23 working days from date of retirement	10 working days from receipt of all information
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 [1]	46 working days from date of request	15 working days from receipt of all information
Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months to beneficiary from date of becoming aware of death, or from a date of request by a third party (e.g. personal representative) [1]	25 working days from date of death	10 working days from receipt of all information

1 - The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended
2 - The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991
3 – Occupational Pension Schemes (Transfer Value) Regulations 1996
4 – Pension Schemes Act 1993

Improving Employer Performance (where necessary)

This Strategy is focussed on good partnership working between the administering authority and the Fund's employers. However, it is recognised there may be circumstances where employers are unable to meet the required standards. The Principal Pensions Officer (either in the Technical or the Operations Team as appropriate) will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance or misunderstanding, provide opportunities for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

It is expected that it will be extremely rare for there to be ongoing problems but, where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and/or unwillingness is shown by the employer to resolve the identified issue, we set out below the steps we will take in dealing with the situation in the first instance:

- The designated Principal Pensions Officer will issue a formal written notice to the person nominated by the employer as their key point of contact, setting out the area(s) of poor performance.
- The Principal Pensions Officer will meet with the employer to discuss the area(s) of poor performance, how they can be addressed, the timescales in which they will be addressed and how this improvement plan will be monitored.
- The designated Principal Pensions Officer will issue a formal written notice to the person nominated by the employer, setting out what was agreed at that meeting in relation to how the area(s) of poor performance will be addressed the timescales in which they will be addressed.
- A copy of this communication will be sent to:
    - The Pension Administration Manager
    - The Director of Finance or other senior officer at that employer.
- The Principal Pensions Officer will monitor whether the improvement plan is being adhered to and provide written updates at agreed periods to the person nominated by the employer, with copies being provided to the Pension Administration Manager and the Director of Finance (or alternative senior officer) at that employer.
- Where the improvement plan is not being delivered to the standards and/or timescales agreed, the Principal Pensions Officer will escalate the matter to the Pension Administration Manager who will determine the next steps that should be taken. This may include (but is not limited to):
    - Meetings with more senior officers at the employer
    - Escalating to the Clwyd Pension Fund Advisory Panel, Pension Fund Committee and/or Pension Board, including as part of the Fund's Procedure for Recording and Reporting Breaches of the Law
    - Reporting to The Pensions Regulator or Scheme Advisory Board, as part of the Fund's Procedure for Recording and Reporting Breaches of the Law.

Circumstances where the Administering Authority may levy costs associated with the Employers poor performance

The Fund will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy Statement. The Fund will work with each employer to ensure that overall quality and timeliness is continually improved.

The 2013 LGPS Regulations provide that an administering authority may recover from an employer, any additional costs associated with the administration of the scheme, incurred as a result of the unsatisfactory level of performance of that employer.

Where an administering authority wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the employer's level of performance contributed to the additional cost.
- The amount the administering authority has determined the employer should pay.
- The basis on which this amount was calculated.
- The provisions of the Administration Strategy Statement relevant to the decision to give notice.

The administering authority will generally not recharge to an employer any additional costs incurred by the Fund in the administration of the LGPS as a direct result of such unsatisfactory performance. However, in instances where the performance of the employer results in:

- fines being levied against the administering authority by the Pensions Regulator, Pensions Ombudsman or other regulatory body, an amount no greater that the amount of that fine will be recharged to that employer.
- the improvement plan as outlined in the last section of this statement is not being adhered to, the Pension Fund Committee may determine that any other additional costs will be recharged. In these circumstances, the Pension Fund Committee will determine the amount to be recharged and how this is to be calculated. The employer in question will be provided with a copy of that report and will be entitled to attend the Pension Fund Committee when this matter is being considered.

Whether or not interest will be charged on late contributions will be stated within the administering authority's separate policy on discretionary provisions.

Employer Liaison Team

Understanding the continuing pressure on resources and budgets for employers and the administering authority, Flintshire County Council has established an Employer Liaison team which can provide assistance to employers by carrying out a number of the employer responsibilities on the employers' behalf. The Employer Liaison Agreement has a number of specific objectives which are aligned with this Clwyd Pension Fund Administration Strategy and which are as follows;

- Provide a high quality, professional, proactive, timely and customer focused service to the Employer
- Provide the agreed service in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Employer is aware of and understands their role and responsibilities under the LGPS regulations and the Fund's Administration Strategy
- Ensure that accurate member information is provided to the Fund, in the correct format, within the agreed timescales
- Ensure data is protected and has authorised use only.

Subject to having access to the necessary systems and information, the Employer Liaison Team can carry out a number of responsibilities on behalf of an employer including:

- notification of new starters, changes in circumstances and leavers
- carrying out estimates of benefits (for example, for redundancy exercises)
- responding on behalf of the employer to queries from the Clwyd Pension Fund Operations and Technical teams, for example relating to year end submissions.

Any employer wishing to make use of this service will be expected to enter into a signed agreement which will include information relating to how the service is paid for by the employer. There may be opportunities to spread these costs, recognising the budgetary pressures that employers are currently subject to.

Measuring the Fund against the Administration Objectives

The Administrating Authority will monitor the performance of the Fund in carrying out its responsibilities in relation to the scheme, and will regularly monitor performance by benchmarking against other Funds, using benchmarking clubs and other comparators available. How well the Fund performs will be reported in the Fund's Annual Report based on the statistics available at that time.

In addition, the Fund will monitor success against the administration objectives in the following ways:

Objectives	Measurement
Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders.	Key Performance Indicators achieved in 90% of cases* (100% for legal requirements). Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.
Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money.	Cost per member is not in upper or lower quartiles when benchmarked against all LGPS Funds using national data (either SF3 or SAB)
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.	Annual data checks (including ongoing reconciliations) resulting in few issues that are resolved within 2 months. Key Performance Indicators achieved in 90% of cases* (100% for legal requirements). Issues included in formal improvement notices issued to employers resolved in accordance with plan. Annual satisfaction surveys with employers achieving 90% of scores in positive responses in these areas. All employers have signed up to their Service Level Agreements
Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.	Positive results in audit and other means of oversight/scrutiny. Key Performance Indicators achieved in 90% of cases* (100% for legal requirements). Minimal issues against the Fund identified by Internal Dispute Resolution Procedures and complaints.

Objectives	Measurement
Maintain accurate records and ensure data is protected and has authorised use only.	Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months No breaches of data security protocols Positive results in audit and other means of oversight/scrutiny

An overview of the Fund's performance against these objectives, in particular, the target standards for turnaround times, will be reported within the Fund's annual report and accounts. It will be reported, on an ongoing basis, to the Pension Fund Committee and Pension Board. In addition, these will be reported to The Pensions Regulator (if deemed appropriate) under the Procedure for Recording and Reporting Breaches of the Law (Breaches Procedure Policy).

If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the administering authority will formulate an improvement plan. This will be reported to the Pension Fund Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Pensions Administration Manager and other officers will work with the Pensions Advisory Panel, Pension Fund Committee and Pension Board in monitoring these and other key risks and consider how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day to day delivery
- Significant external factors, such as national change, impacting on workload
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment.
- Failure to administer the scheme in line with regulations as listed under 'Regulatory Basis' in this Statement. This may relate to delays in enhancement to software or regulation guidance.
- Failure to maintain records adequately resulting in inaccurate data.
- Use of external printers/distributors resulting in possible data mismatch errors
- Unable to deliver an efficient service to pension members due to system unavailability or failure
- Failure to maintain employer contact database leading to information being sent to incorrect person

Approval, Review and Consultation

This Strategy Statement was originally approved in March 2016, updated in March 2017 by the Clwyd Pension Fund Committee and further amendments approved using officer delegations in September 2018.

It will be formally reviewed and updated at least every three years or sooner if the administration management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

In preparing the original Strategy we consulted with the relevant employers, the scheme member and employer representatives on the Clwyd Pension Board and other persons considered appropriate. No formal consultation was carried out in March 2017 or September 2018 due to the nature of the changes. However scheme member and employer representatives were able to comment when it was approved at the Pension Fund Committee meeting in March 2017.

This Strategy Statement will be included within the Fund's Annual Report and Accounts and available on our website at: www.clwydpensionfund.org.uk

Costs

All additional costs relating to this Strategy Statement are met directly by the Fund unless mentioned otherwise.

Further Information

Any enquiries in relation to the day to day administration of the Fund or the principles or content of this Strategy should be sent to:

Helen Burnham, Pensions Administration Manager
Flintshire County Council
County Hall,
Mold,
Flintshire
CH7 6NA
E-mail - helen.burnham@flintshire.gov.uk
Telephone - 01352 702872

Any enquiries in relation to the services provided by the Employer Liaison Team should be sent to:

Kerry Robinson, Principal Pensions Officer – Employer Liaison Team
Flintshire County Council
County Hall,
Mold,
Flintshire
CH7 6NA
E-mail – kerry.robinson@flintshire.gov.uk
Telephone - 01352 702761

Appendix A

Administration Legal Requirements within the LGPS

Regulations 72, 74 and 80 of Local Government Pension Scheme Regulations 2013 require the following:

Employer Responsibilities:

- To decide any rights or liabilities of any person under the LGPS (for example, what rate of contributions a person pays and whether or not a person is **entitled** to any benefit under the scheme) as soon as is reasonably practicable*
- To formally notify that person of the decision in relation to their rights or liabilities in writing as soon as is reasonably practicable (including a decision where a person is not entitled to a benefit and why not), including information about their internal dispute resolution procedure
- To inform the administering authority of all such decisions made
- To provide the administering authority with such information it requires so it can carry out its functions including, within three months of the end of each Scheme year**, the following information in relation to any person who has been an active member of the scheme in the previous year:
    - name and gender
    - date of birth and national insurance number
    - a unique reference number relating to each employment in which the employee has been an active member
    - in respect of each individual employment during that year:
        - the dates during which they were a member of the scheme
        - the normal pensionable pay received and employee contributions paid
        - the pensionable pay received and employee contributions paid whilst there was any temporary reduction in contributions
        - the normal employer contributions paid
        - any additional employee or employer contributions paid
        - any Additional Voluntary Contributions paid by the employee or employer
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to employer decisions (or a lack of a decision)***

**And at the latest within 1 month of the need for a decision*
***Note that, in practice, the Administering Authority will require this information by a specific date as outlined in the Service Level Agreement in order to meet statutory deadlines on benefit statements*
****Note that, in practice, employers in the Clwyd Pension Fund may use the same person to consider stage 1 IDRP complaints as used by the Administering Authority*

<u>Administering Authority Responsibilities</u>:

- To decide the **amount** of benefits that should be paid, including whether the person is entitled to have any previous service counting towards this for LGPS purposes, as soon as is reasonably practicable
- To formally notify that person of the decision in relation to the amount of their benefits in writing as soon as is reasonably practicable, including a statement showing how they are calculated and information about their internal dispute resolution procedure
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to administering authority decisions (or a lack of a decision)
- To appoint a person to consider complaints under stage 2 of the internal dispute resolution procedure (which covers both employer and administering authority decisions or lack of decisions)
- To provide on request any information to an employer about a complaint under the internal dispute resolution procedure that may be required by an employer

Regulation 59(1) enables an LGPS administering authority to prepare a written statement ("the pension administration strategy") to assist in delivering a high-quality administration service to its scheme members and other interested parties. It sets out local standards which often go beyond the minimum requirements in overriding legislation as outlined above, and which the administering authority and employers should comply with.

The statement may contain matters mentioned below, as considered appropriate:

- Procedures for liaison and communication with the relevant employers in their Fund.
- The establishment of levels of performance which the administering authority and the employers are expected to achieve in carrying out their functions under the LGPS by:
    i. the setting of performance targets;
    ii. the making of agreements about levels of performance and associated matters; or
    iii. such other means as the administering authority consider appropriate;
- Procedures which aim to secure that the administering authority and the employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication of information, relating to those functions, between the administering authority and the employers.
- The circumstances in which the administering authority may consider giving written notice to an employer on account of poor performance in carrying out its functions under the LGPS Regulations when measured against the agreed performance levels.
- The publication of annual reports, by the administering authority, dealing with:
    i. the measurement of the administering authority and the employers achievements against the agreed performance levels, and

    ii. such other matters arising from its pension administration strategy as it considers appropriate

- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

Regulation 59(2)e allows an administering authority to recover additional costs from an employer, where the costs are directly related to the poor performance of that employer. Where this situation arises, the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

In addition, regulation 59(6) also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employers as well as to the Secretary of State. The Administering Authority must review this statement and make such revisions as are appropriate. It is a requirement that, in preparing or revising any pension administration strategy, that the administering authority must consult its relevant employers and such other persons as it considers appropriate.

Both the administering authority and employers must have regard to the current version of the pension administration strategy when carrying out their functions under the LGPS Regulations.

Appendix B

Performance Standards

New Appointments	
Employer's responsibility	**Target Service Standard**
To ensure that pensions information is included as part of any induction process	
To provide each new employee with basic scheme information	Within one month of joining

New Scheme Members	
Employer's responsibility	**Target Service Standard**
Provide new members with starter forms and scheme guides, where not delegated to the Administering Authority	10 working days
Decide and ensure the correct employee contribution rate is applied	Immediately on joining in line with employer's policy, and each April thereafter (as a minimum)
Provide new starter information to the administering authority for each new employee joining the LGPS	10 working days
Forward completed starter forms completed by scheme members to the administering authority	3 working days from date of first deduction of contributions
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	5 working day from receipt of all relevant information (or within 1 week for bulk uploads)
To apply for any transfer value details from a previous fund or scheme	5 working days from receiving all information
To send a Notification of Joining the LGPS to a scheme member	15 working days

Changes in circumstances	
Employer's responsibility	**Target Service Standard**
Arrange for reassessment of employee contribution rate in line with employer's policy	If applicable, as per employer's policy
Notify the administering authority of any eligible employees who opt out of the scheme within three months of appointment.	10 working days from date of receiving opt out
Send a Notification of Change (or equivalent) if legally required to a scheme member	15 working days from date of change
Notify the administering authority of all other relevant changes in the circumstances of employees	15 working days from date of change

Refund any employee contributions deducted in error, or where the member opts out in writing within 3 months with no previous LGPS membership.	Month following the month of election
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	5 working days
To send a Notification of Change (or equivalent) if legally required	15 working days from receiving information

Retirement Estimates (including ill-health)	
Employer's responsibility	**Target Service Standard**
Provide pay (and other membership) details when a member requests an early retirement estimate	8 working days
Administering Authority's Responsibility	
Providing quotations on request for retirements	15 working days from receipt of all relevant information
Providing provisional statement of retirement benefits for deferred members	1 month before retirement

Actual Retirements (including ill-health)	
Employer's responsibility	**Target Service Standard**
Notify the Fund when members are due to retire and reason for retirement (and authorisation where appropriate)	As early as possible and no later than 15 working days before date of retirement
Notify the Fund when a member leaves employment, including an accurate assessment of final pay	8 working days from members final pay date
Send a Notification of Entitlement to Benefit if legally required to a scheme member (including determining tier of ill-health retirement if applicable)	No later than 5 working days before date of retirement
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	5 working days from receipt of all relevant information
Notification of amount of retirement benefits and payment of tax free cash sum	10 working days from receipt of all relevant information
Notification of amount of recalculated retirement benefits and payment of any balance tax free cash sum following updated information	10 working days from receipt of all relevant information

Ill-Health Retirements (additional responsibilities)	
Employer's responsibility	**Target Service Standard**
Appoint a qualified independent medical practitioner (from the approved list provided by the Administering Authority) in order to consider all ill health retirement applications, and agree this appointment with the Fund.	Within one month of becoming an employer within the Fund
To keep a record of all Tier 3 ill-health cases and to review these cases after 18 months	
Notify the Fund of the results of any review of Tier 3 ill-health cases with appropriate information to allow the Fund to recalculate benefits if necessary	5 working days of results of review
Send a Notification of Entitlement to Benefit (or change in benefit) to a scheme member following the review of his/her Tier 3 ill-health benefits	5 working days of results of review
Administering Authority's Responsibility	
To notify employers prior to scheduled discontinuation of benefit payments, and before updating the member records to "pensioner with deferred benefits".	3 months prior to scheduled discontinuation date

Members leaving before retirement	
Employer's responsibility	**Target Service Standard**
Notify the Fund of the member's date of (and reason for) cessation of membership, and all other relevant information.	8 working days from member's most recent pay date
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	5 working days from receipt of all relevant information
To inform members who leave the scheme of their deferred benefit entitlement	15 working days from receipt of all relevant information
Provide a refund of contributions where requested	10 working days from receipt of all relevant information
Provide a statement of current value of deferred benefits on request	15 working days

Death Benefits	
Employer's responsibility	**Target Service Standard**
Notify the Fund of the death of a member and provide details of next of kin where available	8 working days of being notified
Administering Authority's Responsibility	
Write to next of kin or other contact requesting information following the death of a scheme member	5 working days from notification
Calculate and notify dependant(s) of amount of death benefits	10 working days from receipt of all relevant information
Decide who should be recipient(s) of death grant and pay death benefits appropriately as directed	7 working days from receipt of all relevant information

Transfers	
Administering Authority's Responsibility	
Obtain transfer details for transfer in, and calculate and provide quotation to member	20 working days from receipt of all relevant information
Request transfer value upon acceptance of transfer in	5 working days
Notify scheme member of benefits purchased by transfer in on receipt of payment	15 working days
Provide details of transfer value for transfer out, on request	20 working days from receipt of all relevant information
Provide payment of transfer value to appropriate recipient.	10 working days

Additional Benefits (APCs and AVCs)	
Employer's responsibility	**Target Service Standard**
Commence, cease or amend (as appropriate) deduction of APCs and AVCs	In month following election
Administering Authority's Responsibility	
To provide information on APCs / AVCs on request to members and employers.	10 working days from request

Various Financial Obligations	
Employer's responsibility	**Target Service Standard**
Pay the Fund all employee contributions deducted from payroll and all employer contributions.	Immediately when deducted from pay but at the latest by the 19th day of the following month.
Pay all rechargeable items to the Fund, including additional fund payments in relation to early payment of benefits.	20 working days from receiving invoice (within standard invoicing terms of 28 calendar days)
Pay all additional costs to the Fund associated with the unsatisfactory performance of the employer	20 working days from receiving invoice (within standard invoicing terms of 28 calendar days)
Administering Authority's Responsibility	
To allocate the received contributions to each employer's cost centre	Prior to closing month end
Issue invoice in relation to additional fund payments in relation to early payment of benefits	10 working days of employer costs being confirmed
Inform the employers of any new contribution banding	At least 1 month prior to the new contribution bands being introduced
Notify calculation and new value of pension following annual pensions increase	At least 2 working days before payment of revised pension

Annual Return, Valuation and Annual Benefit Statements	
Employer's responsibility	**Target Service Standard**
Provide the Fund with yearend information to 31 March each year, and any other information that may be required for the production of Annual Benefit Statements.	By 30 April annually
Administering Authority's Responsibility	
Process employer year end contribution returns	Within 1 month of receipt
Produce annual benefit statements for all active and deferred members.	In line with LGPS regulations timescales
Provide information to the Actuary (or GAD as appropriate) for both the triennial valuation and for accounting purposes.	As agreed between the Fund and the Actuary.
Provide an electronic copy of the valuation report and associated certificate to each employer, and to answer any questions arising.	10 working days from publication of report

General	
Employer's responsibility	**Target Service Standard**
Confirm a nominated representative to receive information from the Fund, and to take responsibility for disseminating it within the organisation.	By effective date of admission or within 5 working days of previous representative leaving
Formulate and publish policies regarding all discretions that the employer may exercise, and provide a copy to the Fund.	Within 2 months of joining and also provided to administering authority every 3 years or whenever amended
Respond to enquiries from the Fund.	10 working days
Notify the Fund if the employer intends to outsource services that will involve TUPE transfers of staff, and work with the Fund to ensure an admission agreement is put in place and complied with or a bulk transfer arranged.	Initial notification immediately upon becoming aware of potential outsourcing, and at least 3 months prior to the start of the contract
Distribute any information provided by the Fund to members / potential members	5 working days
Put in place a Stage 1 Internal Dispute Resolution Procedure	Within 1 month of joining and before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Administering Authority's Responsibility	
Arrange for the setting up of an admission agreement where required	Within 3 months of all information being provided
Publish and keep up to date the Short Scheme Guide and Employers' Procedural Guide.	Updates made within 10 working days of any legislation changes but preferably before effective date
Publish and keep up to date all forms that members, prospective members and employers are required to complete.	Updates made within 10 working days of any legislation changes but preferably before effective date
Publish the Fund's annual report and accounts and any report from the auditor	In line with CIPFA Guidance
Provision of other responses to general enquiries from scheme members and employers	10 working days to provide initial response
Put in place a Stage 1 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Put in place a Stage 2 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)

Pension Payments	
Administering Authority's Responsibility	**Target Service Standard**
Issue pension payments to designated bank accounts	To arrive on due date
Issue payslips to home addresses for those pensions where net pay has changed by £5 or more	Posted so as to arrive on the due date
Investigate returned payments and action appropriately	10 working days from receipt of return
Respond to pensioner queries in writing	10 working days from receipt of query
Implement a change to pension in payment	By next payroll period where change occurs more than 5 days prior to the payment date

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Sir y Fflint
Flintshire

FLINTSHIRE COUNTY COUNCIL

Administering Authority for Clwyd Pension Fund

Procedure for Recording and Reporting Breaches of the Law

September 2018

Introduction

This document sets out the procedures to be followed by certain persons involved with the Clwyd Pension Fund, which is managed and administered by Flintshire County Council, in relation to identifying, recording and potentially reporting breaches of the law to The Pensions Regulator.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions

This procedure has been developed to assist those individuals who have a legal responsibility to report certain breaches to The Pensions Regulator in determining whether a breach they have identified should be reported. It has also been developed to assist Flintshire County Council, in its role as Administering Authority, in ensuring it is aware of all breaches of the law in relation to the Clwyd Pension Fund and that these are appropriately recorded and then dealt with.

Flintshire County Council, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Clwyd Pension Fund Manager.

The following persons, or any other person who has responsibility to report breaches of the law in relation to the Clwyd Pension Fund, are strongly encouraged to follow this procedure should they identify such a breach:

- all members of the Pension Fund Committee and the Pension Board
- all officers involved in the management or administration of the Pension Fund including staff members in the Flintshire County Council Pension Fund Team, the Chief Executive and the Chief Finance Office (Section 151 Officer).
- any professional advisers including external auditors, actuaries, legal advisers and fund managers[3]
- officers of employers participating in the Clwyd Pension Fund who are responsible for pension matters.
- any other person otherwise involved in advising the managers of the Fund, including Flintshire County Council's Monitoring Officer and staff members of the Internal Audit function.

Throughout this procedure, any person to whom this procedure applies, as a result of them identifying a breach or potential breach, will be referred to as the "individual".

The next section clarifies the full extent of the legal requirements and to whom they apply.

[3] However, these advisors should note that the application of this Procedure relates to the reporting of legal breaches relating to the administration of the Pension Fund, rather than any breaches relating to their role and responsibilities that do not affect the administration of the Fund. For example, if a fund manager has breached the investment association guidelines, then this would not be reportable under this Clwyd Pension Fund Procedure for Reporting Breaches (albeit the Administering Authority would still expect this information to be recorded separately and notified to Flintshire County Council).

Requirements

Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and

(b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is provided in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures to consider and record breaches
- judging whether a breach must be reported
- submitting a report to The Pensions Regulator
- whistleblowing protection and confidentiality.

Application to the Clwyd Pension Fund

Flintshire County Council has developed this procedure in relation to Clwyd Pension Fund. This document sets out how the Council will strive to achieve best practice through use of a formal reporting breaches procedure. It reflects the guidance contained in The Pension Regulator's Code of Practice.

Training on reporting breaches and related statutory duties, and the use of this procedure is provided to Pension Fund Committee members, Pension Board members and key officers involved with the management of the Clwyd Pension Fund on a regular basis. Further training can be provided on request to the Clwyd Pension Fund Manager.

Other Administering Authority or Organisational Requirements

In addition to the requirements of this Procedure, there may be other policies and procedures which may be in place relating to areas such as fraud or whistleblowing that apply to the individuals covered by this Procedure for reporting and recording breaches in relation to Clwyd Pension Fund matters. For example, Flintshire County Council has in place the following:

- Corporate Anti-fraud and Corruption Strategy – applies to all employees and members of Flintshire County Council, partner organisations, Council suppliers, contractors and consultants, and the general public
- Fraud and Irregularity Response Plan – guidance for employees and management of Flintshire County Council
- Whistleblowing Policy – setting out how someone working with or within Flintshire County Council can raise an issue in confidence.

This Procedure should be followed in addition to any existing procedures or policies that may be in place, such as those listed above. In particular, individuals are reminded that there is a legal requirement to report breaches of the law in relation to the Clwyd Pension Fund that could be considered significant to The Pensions Regulator. The Council's Monitoring Officer (contact details at the end of this procedure document) can assist if an individual is uncertain how to deal with the interaction between this Procedure and any other organisation's policy or procedure that may be in place.

The Clwyd Pension Fund Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess, record and report (if appropriate) a breach of law relating to the Clwyd Pension Fund.

It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk. There are four key steps to this procedure:

1. Understanding the law and what is a breach
2. Determining whether a suspected breach is an actual breach
3. Determining whether the breach is likely to be of material significance and so should be reported to The Pensions Regulator
4. Recording the breach, even if it is not reported

These steps are explained below:

1. Understanding the law and what is a breach

Individuals may need to refer to regulations and guidance when considering whether or not there has been a breach of the law. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:

www.legislation.gov.uk/ukpga/1996/18/contents

- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
  www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
  www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
  http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes)

  http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)
- The Pensions Regulator's Code of Practice:
  http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx

  In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the Code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Clwyd Pension Fund Manager, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence). Some examples of potential breaches are also included in Appendix A.

2. Determining whether a suspected breach is an actual breach

Individuals then need to have reasonable cause to believe that a breach of the relevant legal provision has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Clwyd Pension Fund Manager at Flintshire County Council, a member of the Pension Fund Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3. Determining whether the breach is likely to be of material significance

Should an individual have reasonable cause to believe that breach of the law has occurred, they must decide whether that breach is likely to be of material significance to The Pensions Regulator, and therefore should be reported to The Pensions Regulator. To do this, an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

Individuals may also request the most recent breaches report from the Clwyd Pension Fund Manager, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

Further details on the above four considerations are provided in Appendix B to this procedure.

The individual should use the traffic light framework described in Appendix C to help assess the material significance of each breach and to formally support and document their decision.

It should be noted that the Pensions Regulator's role is in relation to requirements under the Pensions Act 2004. As such, it is possible that some breaches of the law do not fall within the Regulator's remit. However, given the complex nature of the law, including the wide ranging responsibilities covered by the Pensions Act 2004, Flintshire County Council encourages reporting of any breach that is considered to be materially significant regardless of the specific area of the law that has been breached. The Pensions Regulator can then determine whether it is a matter they have jurisdiction over or not.

The Clwyd Pension Fund Manager can assist with determining whether the breach should be reported and can also assist in completing the document to report the breach. However the individual is ultimately responsible for determining what should be included in the report and for submitting the report to The Pensions Regulator.

4. Recording the breach, even if it is not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). The Clwyd Pension Fund Manager will maintain a record of all breaches identified. Therefore individuals should provide the following information to the Clwyd Pension Fund Manager so that all identified breaches can be recorded:

- copies of reports submitted to The Pensions Regulator
- copies of information relating to any other breach the individual has identified.

The information should be provided to the Clwyd Pension Fund Manager as soon as reasonably practicable and certainly no later than within 20 working days of the decision made to report or not. The record of all breaches (reported or otherwise) will be included in the Governance Update Report at each Pension Fund Committee meeting, and this will also be shared with the Pension Board.

Assistance for individuals in following this procedure

The following information is provided to assist individuals in following this procedure.

Referral to a level of seniority for assistance

Flintshire County Council has designated an officer (the Clwyd Pension Fund Manager) to assist any individual with following this procedure. The Clwyd Pension Fund Manager is considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate.

Individuals must bear in mind, however, that the involvement of the Clwyd Pension Fund Manager is to help clarify the individual's thought process and to ensure this procedure is followed. The individual remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator and for completing the reporting procedure.

The matter should **not** be referred to the Clwyd Pension Fund Manager if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in step 2 above). If that is the case, the individual may instead refer the matter to the Council's Monitoring Officer. Otherwise, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to The Pensions Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

Dealing with complex cases

The Clwyd Pension Fund Manager may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by Flintshire County Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - http://www.lgpsregs.org/).

If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Committee or Board meeting.

Timescales for reporting

The Pensions Act and The Pension Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not wait for others to report and nor is it necessary for an individual to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by "as soon as reasonably practicable". In particular, the time taken should reflect the seriousness of the suspected breach.

Early identification of very serious breaches

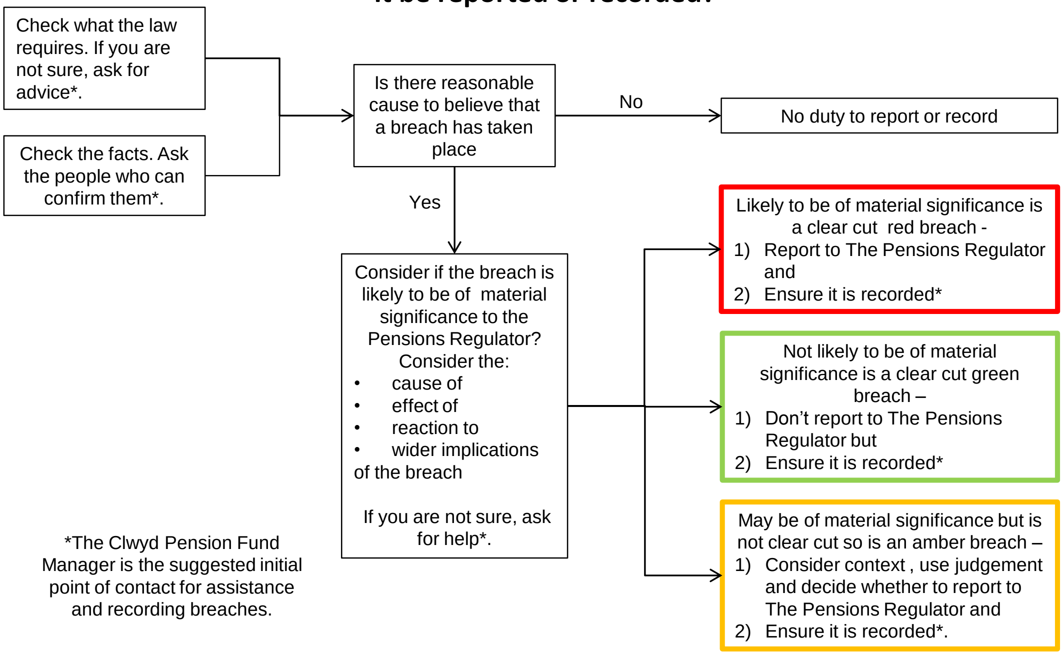
In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect individuals to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently individuals should make these necessary checks. In cases of potential dishonesty the individual should avoid, where possible, checks which might alert those implicated. In serious cases, individuals should use the quickest means possible to alert The Pensions Regulator to the breach.

Decision tree

A decision tree is provided below which summarises the process for deciding whether or not a breach has taken place, whether it is materially significant to The Pensions Regulator and therefore needs to be reported, and then ensuring it is recorded.

Decision-tree: Has a breach occurred and should it be reported or recorded?



Reporting a breach to The Pensions Regulator

Reports must be submitted in writing via The Pensions Regulator's online system at https://login.thepensionsregulator.gov.uk/whatsavailable, or by post, email or fax, and should be marked urgent if appropriate. If necessary a written report can be preceded by a telephone call.

The individual should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact the individual to request further information. The individual will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Clwyd Pension Fund)
- description of breach(es)
- any relevant dates

- name, position and contact details
- role in connection to the scheme
- employer name or name of scheme manager (the latter is Flintshire County Council).

If possible, individuals should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator
- scheme address (provided at the end of this procedures document)
- scheme manager contact details (provided at the end of this procedures document)
- pension scheme registry number (PSR – 00329655RN)
- whether the breach has been reported before.

The individual should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

Confidentiality

If requested, The Pensions Regulator will do its best to protect the identity of an individual who has reported a breach and will not disclose information except where it is lawfully required to do so.

An employee may also have protection under the Employment Rights Act 1996 if they make a report in good faith in relation to their employer.

Reporting to Pension Fund Committee

A report will be presented to the Pension Fund Committee on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates.
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated
- new breaches which have arisen since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

An example of the information to be included in the quarterly reports is provided in Appendix D to this procedure.

Approval and Review

This Reporting Breaches Procedure was originally approved at the Clwyd Pension Fund Committee on 26 November 2015 and then amendments approved using officer delegations in September 2018. It will be kept under review and updated as considered appropriate. After any update it will be sent to all individuals who, or key contacts at organisations which, are considered to be subject to the procedure.

Further Information

If you require further information about reporting breaches or this procedure or wish to discuss reporting a breach, please contact:

Philip Latham,
Clwyd Pension Fund Manager, Flintshire County Council
E-mail - Philip.latham@flintshire.gov.uk
Telephone - 01352 702264

Alternative designated officer contact details:

Gareth Owens,
Monitoring Officer, Flintshire County Council
E-mail - gareth.legal@flintshire.gov.uk
Telephone - 01352 702344

Appendix A – Example breaches of the law

In this appendix we provide just some examples of breaches of the law. This is not a exhaustive list given there are many sets of legislation that must be followed and some of these are extremely lengthy and complex. It should, however, provide a useful indication of the range of potential breaches that may arise.

Investments outside statutory limits

Regulations 14, 15 and Schedule 1 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, as amended, details limits and requirements in relation to the proportion of fund money which may be invested in particular categories of investments, for example, a limit of 15% relating to unlisted securities of companies subject to requirements such as taking proper advice. A breach of the law by the Administering Authority would arise if a fund invested more than is permitted in that table or didn't follow the requirements.

Funding strategy not having regard to CIPFA guidance

Regulation 58 of the Local Government Pension Scheme Regulations 2013, as amended, requires the administering authority to prepare, maintain and publish a statement setting out its funding strategy and, in doing so, to consult with such persons as it considers appropriate. In doing this, the Administering Authority must also have regard to CIPFA guidance on preparing and maintaining a Funding Strategy Statement which clearly states employers should be consulted. The Funding Strategy impacts on the employers of the Fund and therefore a breach of the law by the Administering Authority is likely to have arisen if a statement was prepared which impacts on employers without first consulting with those employers.

Late notification of benefits

Various regulations dictate timescales for notifying scheme benefits, some of which are summarised below. Most of these requirements are included in more general pensions legislation i.e. not the Local Government Pension Scheme Regulations. A breach would arise every time one of these timescales was not met. All of the breaches would relate to the Administering Authority apart from the last one which would be a breach by an employer in the Fund. However, the first five listed could have been a result of delayed or incorrect information from an employer, which could be a separate and additional breach of the law by that employer.

Process	Legal Requirement
To provide new starters with information about the scheme	2 months from date of joining (provide information about the scheme in this timeframe, or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled)
To inform members who leave the scheme of their leaver rights and options	As soon as is practicable, and no more than 2 months from date of initial notification (from employer or scheme member)
To notify the amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age 2 months from date of retirement if before Normal Pension Age
To notify dependant(s) the amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of the death, or from date of request
Provide annual benefit statements to active members	31st August in the same calendar year
Receipt of employee contributions from employers	19th of the month following their deduction or 22nd if paid electronically.

Errors in benefit calculations

The Local Government Pension Scheme Regulations 2013, as amended, and previous LGPS legislation relating to historical service or leaves, dictate how benefits should be calculated. This includes elements such as what fraction of pay is used to calculation a pension and what counts as pay for LGPS purposes. A breach of the law by the Administering Authority would arise in the situation that any calculation was carried out that was not in accordance with those provisions.

Errors in deducting contributions

Regulation 20 of the Local Government Pension Scheme Regulations 2013, as amended, states which elements of pay should be treated as pensionable and therefore should have pension contributions deducted from them and should be used for calculating benefits from 1 April 2014. Regulation 4 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, as amended, is the equivalent provision for pre 1 April 2014 scheme membership and therefore it details how pensionable pay should be calculated by an employer for benefits accruing prior to 1 April 2014. Under these provisions, non-contractual overtime is pensionable from 1 April 2014 but not classed as pensionable for benefits accruing before 1 April 2014. A breach of the law by an employer would arise if any of the following happened:

- an employer **did not** deduct pension contributions from non-contractual overtime since 1 April 2014
- an employer **did not** include non-contractual overtime in the amount of any pensionable pay notified to the Administering Authority for membership from 1 April 2014
- an employer **did** include non-contractual overtime in the amount of final pay notified to the Administering Authority to be used to calculate benefits accrued prior to 1 April 2014.

Late notifications from year-end information by an employer

Regulation 80 of the Local Government Pension Scheme Regulations 2013 require each employer to provide to the Administering Authority a list of specific information for each scheme member, such as pensionable pay, by 30 June each year. A breach of the law by an employer would arise if they failed to provide this year end list to the administering authority by 30 June or if the information was incomplete or inaccurate.

Inadequate knowledge of a Pension Board member

Section 248A of the Pensions Act 2004 requires every Pension Board member to be conversant with the LGPS rules and Pension Fund policies as well having knowledge and understanding of pension matters at a degree appropriate for the purpose of them exercising their Pension Board functions. Where a Pension Board member has failed to attend training or demonstrate that they already have the required level of knowledge, it is possible that a breach of the law will have occurred by that Pension Board member.

Appendix B – Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix C - Traffic light framework for deciding whether or not to report

Flintshire County Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:

Red	Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance. These must be reported to the Pensions Regulator. Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.
Amber	Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported. Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.
Green	Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported. Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link
http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx

Appendix D – Example Record of Breaches for Pension Fund Committee Reporting

Refer-ence	Date entered in Register	Title of Breach	Owner of Breach	Third Party which caused the breach (if any)	Description and cause	Possible effect and wider implications	Initial (re)action	Assessment of breach (red/amber/ green) Brief summary of rationale	Reported to TPR Yes / No	Further actions taken to rectify Breach	Outstanding actions (if any)

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

FLINTSHIRE COUNTY COUNCIL

Administering Authority for Clwyd Pension Fund

RISK POLICY

September 2018

RISK POLICY

Introduction

This is the Risk Policy of the Clwyd Pension Fund, which is managed and administered by Flintshire County Council. The Policy details the risk management strategy for the Clwyd Pension Fund, including

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the risk management process..

Flintshire County Council ("we") recognise that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, we can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats.

We adopt best practice risk management, which will support a structured and focused approach to managing risks, and ensuring risk management is an integral part in the governance of the Clwyd Pension Fund at a strategic and operational level.

To whom this Policy Applies

This Risk Policy applies to all members of the Pension Fund Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all managers in the Flintshire County Council Pension Fund Management Team, the Chief Finance Officer (Section 151 Officer) and the Chief Executive (from here on in collectively referred to as the senior officers of the Fund).

Less senior officers involved in the daily management of the Pension Fund are also integral to managing risk for the Clwyd Pension Fund and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Pension Fund Manager and his/her team.

Advisers to the Clwyd Pension Fund are also expected to be aware of this Policy, and assist senior officers, Committee members and Board members as required, in meeting the objectives of this Policy.

Aims and Objectives

We recognise the significance of our role as Administering Authority to the Clwyd Pension Fund on behalf of its stakeholders which include:

- around 46,700 current and former members of the Fund, and their dependants
- around 43 employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

Our Fund's Mission Statement is:

- We will be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all our customers.
- We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.
- We will work effectively with partners, being solution focused with a can do approach.

One of our key governance objectives is to understand and monitor risk. In doing so, we will aim to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Pension Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Clwyd Pension Fund we will aim to comply with:

- the CIPFA Managing Risk publication
- the managing risk elements in the CIPFA Investment Pooling Governance Principles guidance and
- the managing risk elements of the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes.

Our Philosophy about Risk Management

We recognise that it is not possible or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of our risk management strategy for Clwyd Pension Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund’s objectives in the light of our risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, we will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable us to anticipate and respond positively to change
- minimise loss and damage to the Clwyd Pension Fund and us, and to other stakeholders who are dependent on the benefits and services provided

- make sure that when we embark upon new areas of activity (new investment strategies, joint-working, framework agreements etc), the risks they present are fully understood and taken into account in making decisions.

We also recognise that risk management is not an end in itself; nor will it remove risk from the Fund or us as the Administering Authority. However it is a sound management technique that is an essential part of how we manage the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

CIPFA and The Pensions Regulator Requirements

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities

CIPFA has published guidance on investment pooling and the number of different risks this introduces for LGPS administering authorities. It also highlights how investment pooling potentially changes the magnitude of existing risks and how administering authorities might respond to them through appropriate internal controls.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 related to the requirement to have internal controls in public service pension schemes.

> ***"249B Requirement for internal controls: public service pension schemes***
> *(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—*
> *(a) in accordance with the scheme rules, and*
> *(b) in accordance with the requirements of the law.*
> *(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.*
> *(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."*

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers to employ a risk based approach to assess the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls require scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

Schemes should then consider the likelihood of risks arising and the effect if they do arise as well as what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them.

The code states risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

Application to the Clwyd Pension Fund

We adopt the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to Clwyd Pension Fund, and this Risk Policy highlights how we will strive to achieve those principles through use of risk management processes incorporating regular monitoring and reporting.

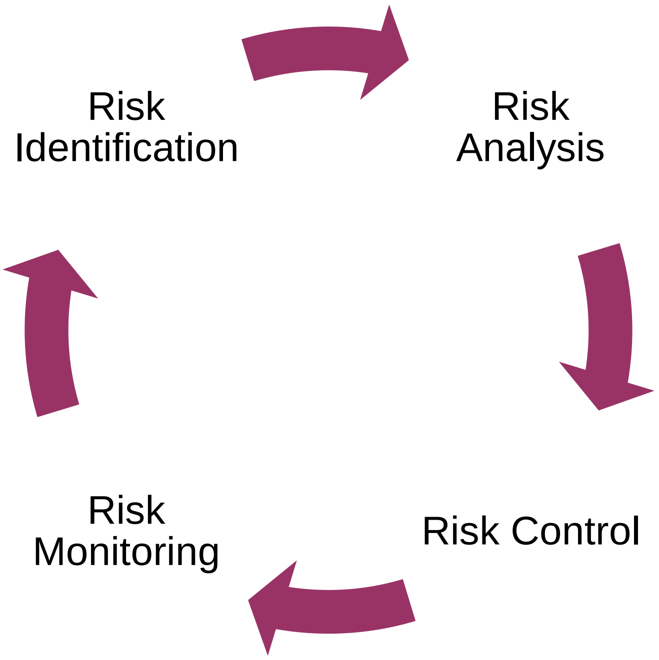
Responsibility

As the Administering Authority for the Clwyd Pension Fund, we must be satisfied that risks are appropriately managed. For this purpose, the Pension Fund Manager is the designated individual for ensuring the process outlined below is carried out subject to the oversight of the Pension Fund Committee.

However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

The Clwyd Pension Fund Risk Management Process

Our risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.



Risk identification

Our risk identification process is both a proactive and reactive one, looking forward i.e. horizon scanning for potential risks and looking back, by learning lessons from reviewing how existing controls have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Clwyd Pension Fund Advisory Panel
- performance measurement against agreed objectives
- monitoring against the Fund's business plan
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Pension Fund
- liaison with other organisations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed against the following where the score for likelihood will be multiplied by the score for impact to determine the current risk rating.

Impact Severity							
	Catastrophic	Yellow	Amber	Red	Red	Black	Black
	Critical	Yellow	Amber	Amber	Red	Red	Red
	Marginal	Green	Yellow	Amber	Amber	Amber	Red
	Negligible	Green	Green	Yellow	Yellow	Amber	Amber
		Unlikely (5%)	**Very Low (15%)**	**Low (30%)**	**Significant (50%)**	**Very High (65%)**	**Extremely High (80%)**
		Likelihood & Percentage of risk happening					

Criteria for assessing likelihood and impact are included at Appendix A to help promote consistent risk evaluation across Fund matters.

When considering the risk rating, we will have regard to the existing controls in place and these will be summarised on the risk register.

The resulting scores are interpreted as follows:

Risk Exposure	Impact/Likelihood	Risk Appetite/Control
Black	Catastropick consequences, almost certain to happen	Unacceptable level of risk exposure which requires immediate corrective action to be taken. Regular monitoring required; at least monthly
Red	Major consequences, likely to happen	Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures to be put in place to reduce exposure.
Amber	Moderate consequences, possible occurrence.	Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.
Yellow	Minor consequences, unlikely to happen.	Acceptabel level of risk subject to regular passive monitoring measures, at least half yearly.
Green	Insignificant consequences, almost very unlikely to happen.	Acceptable level of risk subject to periodic passive monitoring measures, at least annually.

Risk control

The risk register will also show what we consider to be the target risk score for each of the risks shown. This will help us determine whether any further action is required to control the risk which in turn may reduce the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can proceed, it may require Pension Fund Committee approval where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.

- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary we will update the Fund’s business plan in relation to any agreed action as a result of an identified risk.

Risk monitoring

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Clwyd Pension Fund Advisory Panel. In monitoring risk management activity, we will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision- making process in relation to that risk
- there are any lessons to learn for the future assessment and management of risks.

Reporting

Progress in managing risks will be monitored and recorded on the risk register and key information will be provided on a quarterly basis to the Clwyd Pension Fund Committee and the Pension Board as part of the regular update reports on governance, investments and funding, and administration and communications. This reporting information will include as a minimum:

- a summarised version of the risk register
- a summary of the main changes since the previous report
- the Fund’s risk dashboard showing the score of all existing risks and any changes in a pictorial fashion.

Monitoring of this Policy

In order to identify whether we are meeting the objectives of this policy the Independent Governance Adviser will be commissioned to provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee members, with the assistance of the Clwyd Pension Fund Advisory Panel, will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Fund Committee and/or Pension Fund Advisory Panel and/or Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls

- Lack of engagement or awareness of external factors means key risks are not identified.
- Conflicts of interest or other factors leading to a failure to identify or assess risks appropriately

Costs

All costs related to the operation and implementation this Risk Policy are met directly by Clwyd Pension Fund

Approval, Review and Consultation

This Risk Policy was approved at the Clwyd Pension Fund Committee meeting on 24 May 2016 and amendments approved using officer delegations in September 2017 and September 2018. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Risk Policy, please contact:

Philip Latham, Clwyd Pension Fund Manager, Flintshire County Council
E-mail - Philip.latham@flintshire.gov.uk
Telephone - 01352 702264

Appendix A – Criteria for assessing impact and likelihood

Description	% of risk happening	OR	potential timescale
Unlikely	5%		Once in 20 or more years
Very Low	15%		Once in 10 to less than 20 years
Low	30%		Once in 5 to less than 10 years
Significant	50%		Once in 3 to less than 5 years
Very High	65%		Once in 1 to less than 3 years
Extremely High	80%		At least once in a year

Criteria for assessing impact

Description	FCC Examples (apply to CPF where relevant)	Additional CPF examples
Catastrophic	No confidence in Senior Management / Leadership Formal WG intervention/exercise of their powers Multiple fatalities Complete/critical service failure Exceedingly negative *national* publicity Serious impact on workforce across more than one Portfolio Legal action almost certain, unable to defend Serious financial impact to budget, not manageable within existing funds and may impact on reserves Non-compliance with law resulting in imprisonment	Incorrect actual benefit calculations affecting more than 500 members Incorrect general/estimate information being communicated that could impact 80% A, D or P members Delay in paying pensioners by more than 3 working days Consistently missing both legal and Fund's agreed delivery timescales Impact on assets or liabilities changing funding level by more than 20% over a 1 month period Formal DCLG/TPR/SAB or other regulatory intervention/exercise of their powers Serious impact on workforce impacting more than one area of CPF team
Critical	Limited confidence in Senior Management/Leadership Significant service failure Negative *national* publicity Impact on workforce across more than one Portfolio Legal action almost certain and difficult to defend Serious financial impact to budget, manageable across the authority Negative external regulatory reports impacting on Corporate Governance Extracted from FCC Single fatality	Incorrect actual benefit calculations affecting 100-500 members Incorrect general/estimate information being communicated that could impact 25-80% A, D or P members Delay in paying pensioners by 2 working days Missing some legal and regularly missing Fund's agreed delivery timescales Impact on assets or liabilities changing funding level by 10-20% over a 1 month period Informal DCLG/TPR/SAB or other intervention Negative national level information (e.g. outlier on league tables) Serious impact on workforce impacting one area of CPF team
Marginal	Significant service under performance Negative *local* publicity Expected impact on workforce, but manageable within Portfolio contingency arrangements Legal action expected Expected financial impact to budget, manageable within Portfolio Non-compliance with law resulting in fines Negative external regulatory reports Extensive, permanent/long term injury or long term sickness	Incorrect actual benefit calculations affecting 50-100 members Incorrect general/estimate information being communicated that could impact 10-25% A, D or P members Delay in paying pensioners by 1 working day Meeting the majority of legal but missing some Fund's agreed delivery timescales Impact on assets or liabilities changing funding level by 5-10% over a 1 month period Negative regional level information (e.g. outlier on Welsh or County league tables) Expected, but manageable, impact on workforce impacting one area or more areas of CPF team
Negligible	Some risk to normal service delivery but manageable within contingency arrangements Legal action possible but unlikely and defendable Possible financial impact to budget, manageable within service Non-compliance with regulations / standards or local procedures resulting in disciplinary action First Aid or medical treatment required Previous risk mitigated by completed action plan	Incorrect actual benefit calculations affecting up to 50 members Incorrect general/estimate information being communicated that could impact up to 10% A, D or P members Delay in paying pensioners by less than 1 working day Meeting the majority of legal and Fund's agreed delivery timescales Impact on assets or liabilities changing funding level by up to 5% over a 1 month period

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Sir y Fflint
Flintshire

FLINTSHIRE COUNTY COUNCIL

Administering Authority for Clwyd Pension Fund

CONFLICTS OF INTEREST POLICY

September 2018

CONFLICTS OF INTEREST POLICY

Introduction

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the Clwyd Pension Fund, which is managed by Flintshire County Council. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Clwyd Pension Fund whether directly or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

Aims and Objectives

The Fund's Mission Statement is as follows:

- to be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all our customers.
- to have instilled a corporate culture of risk awareness, financial governance, and be providing the highest quality, distinctive services within our resources.
- to work effectively with partners, being solution focused with a can do approach.

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust and well based
- Understand and monitor risk
- 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
- Clearly articulate its objectives and how it intends to achieve those objectives through business planning, and continually measure and monitor success

The identification and management of potential and actual conflicts of interest is integral to the Administering Authority achieving its governance objectives.

To whom this Policy Applies

This Conflicts of Interest Policy applies to all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not. It applies to all managers in the Flintshire County Council Pension Fund Management Team, the Chief Finance Officer (Section 151 Officer) and the Chief Executive (from here on in collectively referred to as the senior officers of the Fund).

The Pension Fund Manager will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as he considers appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

The Policy also applies to all advisers and suppliers to the Fund, whether advising the Pension Board, Pensions Fund Committee or Fund officers.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority and any other body on which they represent the Administering Authority, on any actual or potential conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each Administering Authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each Administering Authority must have regard to guidance issued by the Secretary of State in relation to Pension Boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to Administering Authorities and Pension Boards. The LGPS national scheme advisory board issued guidance relating to the establishment of Pension Boards including a section on conflicts of interest. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "*the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have*." It includes some examples of how conflicts of interest could arise in these new roles. It highlights the need for Administering Authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities;
- ensure declarations are updated appropriately.

This Conflicts of Interest Policy has been updated to take account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

Local Government Act 2000

All members and co-opted members of the Clwyd Pension Fund Committee are required by the Local Government Act 2000 to abide by Flintshire's Members' Code of Conduct. Part 3 of that Code contains provisions relating to personal interests, personal and prejudicial interests, their disclosure and limitations on members' participation where they have any such interest.

The Public Services Ombudsman for Wales' Ten Guiding Principles

The Local Government Act 2000 empowered the National Assembly to issue principles to which local authority elected members must have regard in undertaking their role as a member. These principles draw on the 7 Principles of Public Life which were set out in the Nolan Report "Standards of Conduct in Local Government in England, Scotland and Wales". Three more were added to these; a duty to uphold the law, proper stewardship of the Council's resources and equality and respect for others.

The individual sections of the Flintshire County Council Members' Code of Conduct (which applies to Pension Fund Committee and Pension Board members) are designed to support the implementation of the Principles. For example, the Selflessness principle is covered by Section 7 of the Code – Selflessness and Stewardship.

The current principles were set out in a statutory instrument and are detailed below. Many of the principles are integral to the successful implementation of this Policy.

1. Selflessness
2. Honesty
3. Integrity and Propriety
4. Duty to Uphold the Law
5. Stewardship
6. Objectivity in Decision-making
7. Equality and Respect
8. Openness
9. Accountability
10. Leadership

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Other Administering Authority Requirements

Pension Fund Committee Members

In addition to the requirements of this Policy, Pension Fund Committee members and co-opted members are required to adhere to the Flintshire County Council Members' Code of Conduct which, in Part 3, includes requirements in relation to the disclosure and management of personal and prejudicial interests.

Pension Board Members

In addition to the requirements of this Policy, Pension Board members are required to adhere to Part 8 of the Pension Board Protocol which includes declaring any interests that may lead to a conflict situation.

Employees

In addition to the requirements of this Policy, officers of Flintshire County Council are required to adhere to the Flintshire County Council Officers' Code of Conduct which includes requirements in relation to the disclosure and management of personal and pecuniary interests.

Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to Flintshire County Council or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Clwyd Pension Fund and on which advice is required or to a supplier or organisation providing services to the Clwyd Pension Fund. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pensions Fund Committee or Fund officers as long as there is no conflict of interest between the two roles.

Conduct at Meetings

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pensions Fund Committee meeting, and that this will be recorded in the minutes.

What is a Conflict or Potential Conflict and how will they be managed?

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by Flintshire County Council, and
- at the same time has:
  - a separate personal interest (financial or otherwise) or
  - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 1. The appendix also illustrates where disclosure of a personal or prejudicial interest may separately be required for Pension Fund Committee members (including co-opted members) under the Flintshire County Council Members' Code of Conduct.

Flintshire County Council will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

Flintshire County Council will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pension Fund Committee meeting)
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, Flintshire County Council shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

Minor Gifts
For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a notional maximum value of £50 per item and an overall maximum value of £100 from an individual company per event) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared. Pension Fund Committee members should, however, be aware that they may be subject to lower limits and a separate notification procedure in the Flintshire County Council Members' Code of Conduct. Similarly Flintshire County Council officers may also be subject to lower limits or other restrictions within Council employee policies.

Responsibility

Flintshire County Council as the scheme manager for the Clwyd Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Pension Fund Manager is the designated individual for ensuring the procedure outlined below is carried out.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

Operational procedure for officers, Pension Fund Committee members and Pension Board members

The following procedures must be followed by all individuals to whom this policy applies.

However, it should be noted all members of the Pension Fund Committee (including co-opted members) have a pre-eminent requirement to follow and abide by the requirements of Part 3 of the Flintshire County Council Members' Code of Conduct relating to the treatment and disclosure of certain personal and prejudicial interests. Accordingly, for those members, disclosures under this policy may **be in addition** to disclosures under the Council's Code of Conduct.

What is required	How this will be done
Step 1 - Initial identification of interests which do or could give rise to a conflict	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 2. The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest in a format the same or similar to that included in Appendix 3.
Step 2 - Ongoing notification and management of potential or actual conflicts of interest	At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the minutes of the meeting and also in the Fund's Register of conflicts of interest. In addition, the latest version of the Register will be made available by the Pension Fund Manager to the Chairman of every meeting prior to that meeting if required. At Clwyd Pension Fund Committee meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda. Any individual who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chairman and the Pension Fund Manager prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Pension Fund Manager, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter. If such a conflict is identified outside of a meeting the notification must be made to the Pension Fund Manager and where it relates to the business of any meeting, also to the Chairman of that meeting. The Pension Fund Manager, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict. Where information relating to any potential or actual conflict has been provided, the Pension Fund Manager may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts. Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest and in the minutes of the meeting if raised during a meeting.
Step 3 - Periodic review of potential and actual conflicts	At least once every 12 months, the Pension Fund Manager will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund conflicts of interest. All individuals will complete confirm that their information is correct or highlighting any changes that need to be made.

Operational procedure for advisers

All of the key advisers are expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with Flintshire County Council.

Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the Pension Fund Manager in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to Flintshire County Council
- notify the Pension Fund Manager immediately should a potential or actual conflict of interest arise
- highlight at all meetings should a potential or actual conflict of interest arise, preferably at the start of the meeting.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

Monitoring and Reporting

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Pension Fund Manager.

In order to identify whether the objectives of this Policy are being met the Administering Authority will:

- Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity
- Provide its findings to the Administering Authority's Independent Adviser and ask him or her to include comment on the management of conflicts of interest in his or her annual report on the governance of the Fund each year.

Key Risks

The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The Pension Fund Manager will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

Costs

All costs related to the operation and implementation of this Policy will be met directly by Clwyd Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Approval, Review and Consultation

This Conflicts of Interest Policy was originally approved using delegated responsibilities on 24 March 2015 with amendments approved by the Pension Fund Committee on 5 September 2018. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Philip Latham,
Clwyd Pension Fund Manager, Flintshire County Council
E-mail - Philip.latham@flintshire.gov.uk
Telephone - 01352 702264

Appendix 1

Examples of Potential Conflicts of Interest

Examples of Pension Related Potential Conflict of Interest	Also a Personal or Prejudicial Interest*
a) An elected member on the Pension Fund Committee may be required to provide views on a funding strategy which could result in an increase in employer contributions payable by the employer he or she represents.	No
b) A member of the Pension Fund Committee member is on the board of an Investment Manager that the Committee is considering appointing.	Yes
c) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.	No
d) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.	Yes
e) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Finance Director, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee which, if agreed would result in a material reduction in the recharges to the Council from the Fund.	No
f) Officers of the Fund are asked to provide a report to the Pension Board or Pension Fund Committee on whether the administration services should be outsourced which, if it were to happen could result in a change of employer or job insecurity for the officers.	No
g) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only serves to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.	No
h) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, providing delegated or fiduciary management of Fund investments, providing assistance with monitoring the covenant of employers or where they are also advisers to the Wales Pensions Partnership.	No
i) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Fund Committee or Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Fund Committee or Pension Board.	No

j)	An officer of the Fund or member of the Pension Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process	No
k)	An officer of the Fund is asked to provide guidance to the Local Pension Board on the background to an item considered at the Pension Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Committee item.	No
l)	A member of the Pension Fund Committee or officer of the Fund is on a Wales Pensions Partnership committee/group and a matter is being considered that would benefit their originating Council or Pension Fund to a greater degree than other participating Councils or Funds.	No

* This indicates those interests that must also be declared by Pension Fund Committee members in accordance with the Flintshire County Council Members' Code of Conduct.

Appendix 2

Declaration of Interests relating to the management of Clwyd Pension Fund administered by Flintshire County Council

Tick as appropriate

I, [insert full name], am:

- an officer involved in the management ☐
- Pension Fund Committee Member ☐
- Pension Board Member ☐

of Clwyd Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Clwyd Pension Fund Conflicts of Interest Policy. I have put “none” where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue overleaf if necessary):

A) Relating to me

B) Relating to family members or close colleagues

Undertaking:

I declare that I understand my responsibilities under the Clwyd Pension Fund Conflicts of Interest Policy. I undertake to notify the Pension Fund Manager of any changes in the information set out above.

Signed ____Date ______________________

Name (CAPITAL LETTERS) ____

Appendix 3

Clwyd Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Flintshire County Council, the Administering Authority.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified(1)	Action taken(2)	Follow up required	Date resolved

(1) E.g. verbal declaration at meeting, written conflicts declaration, etc
(2) E.g. withdrawing from a decision making process, left meeting

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Sir y Fflint
Flintshire

FLINTSHIRE COUNTY COUNCIL

Administering Authority for Clwyd Pension Fund

TRAINING POLICY

September 2018

TRAINING POLICY

Introduction

This is the Training Policy of the Clwyd Pension Fund, which is managed and administered by Flintshire County Council. The Policy details the training strategy for members of the Pension Fund Committee and Pension Board, and senior officers responsible for the management of the Fund.

The Training Policy is established to aid Pension Fund Committee and Pension Board members and senior officers in performing and developing personally in their individual roles, with the ultimate aim of ensuring that Clwyd Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Aims and Objectives

Flintshire County Council recognises the significance of its role as Administering Authority to the Clwyd Pension Fund on behalf of its stakeholders which include:

- over 46,700 current and former members of the Fund, and their dependants
- over 43 employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

Our Fund's Mission Statement is:

- We will be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all our customers.
- We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.
- We will work effectively with partners, being solution focused with a can do approach.

In relation to knowledge and skills of those managing the Fund, our objectives are to:

- 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.
- 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.

All Pension Fund Committee members, Pension Board members and senior officers to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the Clwyd Pension Fund will aim to comply with:

- the CIPFA Knowledge and Skills Frameworks,
- the knowledge and skills elements in the CIPFA Investment Pooling Governance Principles guidance and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and The Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

To whom this Policy Applies

This Training Policy applies to all members of the Pension Fund Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all managers in the Flintshire County Council Pension Fund Management Team, the Chief Executive and the Chief Finance Officer (Section 151 Officer), (from here on in collectively referred to as the senior officers of the Fund).

Less senior officers involved in the daily management of the Pension Fund will also be required to have appropriate knowledge and skills relating to their roles, which will be determined and managed by the Pension Fund Manager and his/her team.

Advisers to the Clwyd Pension Fund are also expected to be able to meet the objectives of this Policy.

Officers of employers participating in the Clwyd Pension Fund who are responsible for pension matters are also encouraged to maintain a high level of knowledge and understanding in relation to LGPS matters, and Flintshire County Council will provide appropriate training for them. This will be covered further in the Clwyd Pension Fund Administration Strategy.

CIPFA, TPR and MIFID2 Knowledge and Skills Requirements

CIPFA Knowledge and Skills Framework and Code of Practice

In January 2010 CIPFA launched technical guidance for Representatives on Pension Fund Committees and non-executives in the public sector within a knowledge and skills framework. The Framework details the knowledge and skills required by those responsible for pension scheme financial management and decision making.

In July 2015 CIPFA launched technical guidance for Local Pension Board members by extending the existing knowledge and skills frameworks in place. This Framework details the knowledge and skills required by Pension Board members to enable them to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

The Framework covers eight areas of knowledge and skills identified as the core requirements (which includes all those covered in the existing Committee and non-executives framework)-

- Pensions legislation
- Public sector pensions governance
- Pensions administration
- Pension accounting and auditing standards
- Financial services procurement and relationship management

- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practice

CIPFA's Code of Practice recommends (amongst other things) that Local Government Pension Scheme administering authorities -

- formally adopt the CIPFA Knowledge and Skills Frameworks (or an alternative training programme)
- ensure that the appropriate policies and procedures are put in place to meet the requirements of the Frameworks (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year, including what assessment of training needs has been undertaken and what training has been delivered against the identified needs.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities

CIPFA's guidance highlights that, with the introduction of investment pooling arrangements, comes a need for a wider range of knowledge. The guidance supplements the existing CIPFA Knowledge and Skills framework and specifies that administering authorities will need to -

- ensure elected members or other individuals who are members of the oversight committee have a more in-depth level of knowledge in relation to investment pooling arrangements
- ensure any officers involved in working groups or subgroups of the oversight committee have a more in-depth level of knowledge in relation to investment pooling arrangements

The Pensions Act 2004 and The Pension Regulator's Code of Practice

Section 248a of the Pensions Act 2004, as amended by The Public Service Pensions Act 2013 (PSPA13), requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

These requirements are incorporated and expanded on within the TPR Code of Practice which came into force on 1 April 2015.

Markets in Financial Instruments Directive (MiFIDII)

The implementation of MiFIDII led to the need for the Flintshire County Council to be opted up to professional status to allow the Fund to continue to access the full range of vehicles and managers needed to meet the needs of the investment strategy. As part of this process Flintshire County Council had to provide evidence that Pension Fund Committee members had an appropriate level knowledge and that adequate governance arrangements were in place. In order to maintain this status the Council will need to continue to demonstrate the competency of existing and new Pension Fund Committee members and this Training Policy will support that aim.

Application to the Clwyd Pension Fund

Flintshire County Council fully supports the use of the CIPFA Knowledge and Skills Frameworks and TPR's Code of Practice, as well as understanding the need for appropriate knowledge and skills to allow professional status to be awarded for MiFIDII purposes. Flintshire County Council adopts these principles and requirements in relation to Clwyd Pension Fund, and this Training Policy highlights how the Council will strive to achieve those through use of a rolling training plan together with regular monitoring and reporting.

The Clwyd Pension Fund Training Plan

Flintshire County Council recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pension Fund Committee members, Pension Board members and senior officers, and that training is a key element of this process. Flintshire County Council will develop a rolling Training Plan based on the following key elements:

Training Needs	A training needs analysis will be developed for the main roles of Pension Fund Committee members, Pension Board members and senior officers customised appropriately to the key areas in which they should be proficient. Training will be required in relation to each of these areas as part of any induction and on an ongoing refresher basis.
Hot Topic Training	The Training Plan will be developed to ensure appropriately timed training is provided in relation to hot topic areas, such as a high risk area or an area of change for the Fund. This training may be targeted at specific roles.
General Awareness	Pension Fund Committee members, Pension Board members and senior officers are expected to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters appropriate for their roles and which may not be specific to the Clwyd Pension Fund.

Each of these training requirements will be focused on the role of the individual i.e. a Pension Fund Committee member, a Pension Board member or the specific role of the officer.

Training will be delivered through a variety of methods including:

- In-house training days provided by officers and/or external providers
- Training as part of meetings (e.g. Pension Fund Committee) provided by officers and/or external advisers
- External training events
- Circulation of reading material
- Attendance at seminars and conferences offered by industry-wide bodies
- Attendance at meetings and events with the Clwyd Pension Fund's investment managers and advisors, either directly or as part of the Wales Pensions Partnership
- Links to on-line training
- Access to the Clwyd Pension Fund website where useful Clwyd Pension Fund specific material is available

In addition Clwyd Pension Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

Initial Information and Induction Process

On joining the Pension Fund Committee, the Pension Board or the Clwyd Pension Fund Management Team, a new member, officer or adviser will be provided with the following documentation to assist in providing a basic understanding of Clwyd Pension Fund:

- The members' guide to the Local Government Pension Scheme (provided via the Clwyd Pension Fund website)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
  - The Funding Strategy Statement
  - The Governance Policy and Compliance Statement
  - The Investment Strategy Statement including Clwyd Pension Fund's statement of compliance with the LGPS Myners Principles
  - The Communications Policy
  - The Administration Strategy
- The administering authority's Discretionary Policies
- This Training Policy
- Other policies as relevant

In addition, a training plan will be developed to assist each Pension Fund Committee member, Pension Board member or officer in achieving, within six months, their identified individual training requirements.

Monitoring Knowledge and Skills

In order to identify whether we are meeting the objectives of this policy we will:

1) Compare and report on attendance at training based on the following:
   - Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.
   - Hot Topic Training – attendance by at least 80% of the required Pension Fund Committee members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.
   - General Awareness – each Pension Fund Committee member, Pension Board member or officer attending at least one day each year of general awareness training or events.
   - Induction training – ensuring areas of identified individual training are completed within six months.

2) Ask our Independent Adviser to provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy.

Key Risks

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee members, with the assistance of the Clwyd Pension Fund Advisory Panel, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Fund Committee and/or Pension Board membership and/or senior officers potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided is not an acceptable standard.

Reporting

The following information will be included in the Clwyd Pension Fund's Annual Report and Accounts and, as part of that, also shared with the Pension Fund Committee on an annual basis:

- The training provided / attended in the previous year at an individual level
- The results of the measurements identified above.

At each Pension Fund Committee meeting, members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as a summary of the events attended since the previous meeting.

Costs

All training costs related to this Training Policy are met directly by Clwyd Pension Fund

Approval, Review and Consultation

This Training Policy was originally approved at the Clwyd Pension Fund Committee meeting on 5 November 2014 and further amendments were approved on 26 November 2015 (by the Pension Fund Committee) and in September 2018 (using officer delegations). It will be formally reviewed and updated at least every three years or sooner if the training arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Training Policy, please contact:

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