



Clwyd Pension Fund

Annual Report 2015 - 16



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

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Regulatory Documents

- [Clwyd Pension Fund Accounts 2015/16](#)
- [Governance Policy Statement](#)
- [Funding Strategy Statement](#)
- [Statement of Investment Principles](#)
- [Communication Strategy Statement](#)
- [Statement from Wales Audit Office](#)

Best Practice Documents

- [Business Plan](#)
- [Administration Strategy](#)
- [Breaches Policy](#)
- [Risk Policy and Register](#)
- [Conflicts of Interest Policy and Register](#)
- [Training Policy](#)

Introduction

Welcome to the Clwyd Pension Fund Annual Report for 2015/16.

2015/16 Overview

2015/16 was another year of major changes for the Clwyd Pension Fund (the Fund) and the Local Government Pension Scheme (LGPS) as a whole, and this overview gives a flavour of some of the more important developments.

The Clwyd Pension Fund Pension Board was established, and held its first meetings. This new Board consists of representatives from employers and scheme members in the Fund, and is chaired by the Fund's Independent Adviser. Its first formal report is included in this annual report which explains its purpose and what it has been focusing on during the year.

We carried out our first compliance check against the Pension Regulator's new Code of Practice for public service pension schemes. This covers a range of areas including knowledge and skills, communicating with scheme members, record keeping and managing risk. The review concluded that the Fund is being well governed and is largely compliant with the various areas of the Code.

We have been working with the other seven Welsh LGPS Pension Funds to introduce "asset pooling", in order to meet new guidance from Central Government. This simply means that the Clwyd Pension Fund will increasingly invest collaboratively, rather than making our own individual investment arrangements. The aim is to reduce costs, increase efficiencies and further improve governance over the Welsh LGPS Pension Funds' investments. This will be a major change in how we operate, which we should have implemented by April 2018. This change will have no impact on scheme members' pensions or other benefits, nor on the way that we pay their pensions.

The year has been a challenging year in relation to investments and the markets, and so it remains critically important that we continue to look for opportunities when managing the Clwyd Pension Fund assets and liabilities. We carried out a health check on our risk management strategy (a flight-path assessment) during the year, and as a result intend to introduce some changes during 2016/17 to ensure the strategy remains fit for purpose. Along with our investment consultant, we introduced new ways of working to identify opportunities so that we can benefit from tactical opportunities as they arise. We also appointed an operator to more efficiently manage our futures and hedge fund allocations, as well as working with the other Welsh LGPS Pension Funds to appoint a new passive asset provider, which will generate significant fee savings across all the funds.

In March, we formalised and launched the Fund's Administration and Communications strategies, which you will find in this report. Our strategies are aspirational and will take around two years to fully implement, but the objectives continue to be focused on providing a high quality customer focused service to our stakeholders, with clear concise communications using the most appropriate means of delivery.

A lot of preparatory work was undertaken during the year including:

- a review of internal procedures and the measurement of performance
- significant progress with updating a backlog of records for deferred members that had arisen

We were delighted to be one of only seven LGPS Funds in the UK to meet the legal timescale for issuing Annual Benefit Statements.

We were also delighted to win the 2015 LAPF Investment Award for Risk Management Project of the Year which recognised the success of our risk management strategy (flight path). We were one of the first LGPS Funds to introduce such a strategy and it has benefited us by around £100m since its introduction in April 2014.

In addition, the Fund was also shortlisted as a Finalist for the Governance award in the 2016 LAPF Investment Awards

Overall we can look back on 2015/16 in a positive light, as we continued to meet most of the Fund's objectives within a very challenging environment, and made good progress at introducing a number of improvements to benefit the Fund and its stakeholders in the future. Hopefully, this annual report illustrates the progress that has been and is being made in managing the various complex risks across the Fund.

The future

Looking to the future, we know there are still ongoing challenges for us to overcome. Our business plan for the next three years has four key themes:

- completing the March 2016 actuarial valuation and reviewing our future funding and investment strategies
- continuing the preparatory work for the introduction of asset pooling by April 2018
- implementing new ways of working to improve our administration and communications, including on-line functionality for scheme members and employers
- pre-empting, where possible, the potential impact of Brexit and putting in place any necessary safeguards, particularly in relation to our asset allocation

This annual report

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

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

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

Cllr Alan Diskin

Colin Everett

**Chair of the Clwyd Pension Fund
Committee**

Chief Executive

August 2016

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

<http://cyfarfodyddpwyllgor.sirymfflint.gov.uk/ieListMeetings.aspx?CId=445&Year=0&LLL=undefined>.

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 report establishing the Local Pension Board for the Clwyd Pension Fund, pursuant to a recommendation from the Flintshire Constitution Committee was approved by Flintshire County Council on the 3rd March 2015. This established the Local Pension Board in time to meet the imposed 1st April 2015 deadline. Regulations also required that the first meeting took place before the 1st August 2015; this was achieved and the membership is detailed below.

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 first Board annual report is included within this Annual Report.

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

Clwyd Pensions Fund Committee

Committee Members		Voting Rights
Flintshire County Council	Cllr Alan Diskin (Chair)	✓
	Cllr Haydn Bateman (Vice Chair)	✓
	Cllr Ron Hampson	✓
	Cllr Brian Dunn	✓
	Cllr Matt Wright	✓
Denbighshire County Council	Cllr Huw Llewelyn Jones	✓
Wrexham County Borough Council	Cllr Steve Wilson	✓
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 Board

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

Investment Managers

Investment Managers	Address
Aberdeen Asset Management Plc	Bow Bells House, 1 Bread Street, 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 and 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
Performance Measurement: WM Company	525 Ferry Road, Edinburgh
External Auditors: Wales Audit Office	24 Cathedral Road, Cardiff
Bank: National Westminster Bank plc	48 High St., Mold
Legal Advisors: Varies depending on the issue and can include the Flintshire County Council in-house legal team as well as organisations listed on the Framework Agreement (see below).	

AVC Providers	
Prudential	Lancing, BN15 8GB
Equitable Life (<i>closed to new entrants</i>)	PO Box 177, Walton St., Aylesbury, Bucks., HP21 7YH

Framework Agreement – the following can be contacted for advice as and when required.

Organisation	Address
Squire Patton Boggs	7 Devonshire Square, London
Aon Hewitt	122 Leadenhall Street, London
Mercer Human Resource Consulting	Tower Place West, London
JLT Benefit Solutions	7 Charlotte Street, Manchester
Allenbridge	60 Goswell Road, London
bFinance	26-27 Oxendon Street, London

Clwyd Pension Fund Contacts	Position	Contact details
Philip Latham	Clwyd Pension Fund Manager	(01352) 702264
Helen Burnham	Pensions Administration Manager	(01352) 702872
Debbie Fielder	Pensions Finance Manager	(01352) 702259
Alwyn Hughes	Pensions Finance Manager	(01352) 701811
Pensions Administration Team	pensions@flintshire.gov.uk	(01352) 702761
Pensions Finance Team	pensionsinvestments@flintshire.gov.uk	(01352) 702812

Committee Training and Activity 2015/16

	Cllr A Diskin	Cllr H Bateman	Cllr R Hampson	Cllr B Dunn	Cllr M Wright	Cllr H. Jones	Cllr S Wilson	A Rutherford	S Hibbert
Committees (3hrs)									
May 2015	✓	✓	✓	✓		✓	✓	✓	✓
November 2015	✓	✓	✓			✓	✓		✓
March 2016	✓	✓	✓	✓	✓	✓	✓	✓	✓
CIPFA Framework Requirements 2014/15 – 2016/17									
Governance (1 day)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Funding & Actuarial (1 day)		✓	✓	✓	✓	✓	✓	✓	✓
Investments (1 day)		✓	✓	✓	✓	✓	✓	✓	✓
Accounting (Included with Investments)		✓	✓		✓	✓	✓		✓
Additional Training & Hot Topics									
Budget Freedoms (2hrs)	✓	✓	✓	✓		✓	✓	✓	✓
Fees & Charges (2hrs)	✓	✓	✓	✓		✓	✓	✓	✓
Private Equity & Opportunistic (1hr)	✓	✓	✓	✓		✓	✓	✓	✓
Property, Infrastructure, Timber & Agriculture (1hr)	✓	✓	✓	✓		✓	✓	✓	✓
Pensions Regulator Code of Practice (2hrs)	✓	✓	✓	✓		✓	✓	✓	✓
Key Performance Indicators	✓	✓	✓			✓	✓		✓

	Cllr A Diskin	Cllr H Bateman	Cllr R Hampson	Cllr B Dunn	Cllr M Wright	Cllr H. Jones	Cllr S Wilson	A Rutherford	S Hibbert
Strategy Day (Business Plans, Risk, Administration Strategy)		✓	✓	✓		✓	✓	✓	✓
Annual Employer Meeting (4hrs)		✓				✓	✓		
Pooling Briefing (2hrs)	✓	✓	✓				✓	✓	✓
Pensions Regulator Modules									
Conflicts of Interest							✓	✓	✓
Conferences									
LGC Investment Summit (1.5 days) Sept 2015 (2 places)	✓	✓							
LAPFF Annual Conference (1.5 days) Dec 2015 (1 place)									✓
LGC Seminar (1.5 days) March 2016 (4 places)	✓	✓			✓		✓		

Clwyd Pension Fund Training Policy 2015/16

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 focused at a particular group of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.
- c) General Awareness – each Pension Fund Committee member, Pension Board member or officer attending at least one day each year of general awareness training or events.
- d) Induction training – ensuring areas of identified individual training are completed within six months.

The previous table details all the training provided to Members of the Committee to satisfy the requirements of the Training Policy. This includes committees attended and relevant training sessions, conferences and seminars. All four new Pension Board Members have 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 Pension Board Members and details all the training to be covered during the year.

In line with the Training Policy the follow measures relate to 2015/16 in relation to all Pension Committee, Pension Board and senior officers (a total of 19 persons):

- a) Individual Training Needs – all but one have completed the required training on all key elements in the last three years. ,
- b) Hot Topic Training - Of the 8 additional training sessions offered, the attendance was as follow:
 - 1 session 89%
 - 4 sessions 84%
 - 1 session 79%
 - 1 session 74%
 - 1 session 72%
- c) General Awareness – Out of the total of 19 members (Committee and Board) and officers, 10 of them completed at least one general awareness day in accordance with the policy.
- d) Induction training – The induction training element applied only to the new Local Board members during 2015/16. All Pension Board members undertook the induction training during the required six months.

Overview of Pension Fund Risks

The Clwyd Pension Fund (CPF) has embedded risk management into the governance of the Fund. The Risk Policy and the Risk Register are enclosed in the Best Practice documents included in this Annual Report.

These risks are reviewed each quarter at the Advisory Panel and reported within the agenda at each Committee and Board.

There are risks whose impact or likelihood of materialisation are currently higher than our target level of risk. These are explained in more detail within the Risk Register but a summary of the higher risks follows:

Governance

Risk

- There are a number of external factors which may impact on the Fund meeting its objectives and legal responsibilities.

Action

- These are monitored by the Advisory Panel and the Fund responds to consultation on changes.

Funding and Investment

Risk

- The current low interest rate environment and expectation of low economic growth and investment returns may in turn result in higher cost to employers which may become unaffordable.

Action

- These risks will be considered during the actuarial valuation. Management of Investment and Funding risks are expanded in the Funding Strategy Statement and Statement of Investment Practice (SIP) which are included in this Annual Report; both these documents are being reviewed in 2016/17.
- The Fund takes proper advice from its Actuary and Investment Consultants. The Actuary determines the return required to meet both past and future liabilities. The Investment Consultant recommends a strategic asset allocation to meet long term returns at acceptable levels of risk.
- Both the Actuary and the Investment Consultant work together on a risk management strategy which advises the Fund on when to de-risk the investment strategy. This is known as a funding flightpath which is explained in the Actuary's report. The Funding Strategy and SIP are approved by the Committee.
- The Investment Consultant reports each quarter to both the Advisory Panel and Committee on the Fund's investment return and asset performance as well as on the Fund's investment managers' performance compared with their target return. The Actuary reports each quarter to Committee on the funding position and flightpath.
- The Investment Consultant also advises on tactical investment opportunities which are implemented through a best ideas portfolio. The Committee have delegated implementation to the Clwyd Pension Fund Manager (CPFM).
- The Fund has a number of investments in property, private equity and infrastructure funds. These are monitored by the Private Equity and Real Assets Group. The Committee has delegated new investment decisions to the CPFM, Section 151 Officer or Chief Executive Officer after taking proper investment advice from the Investment Consultant.

Administration and Communication

Risk

- The Fund is unable to meet its legal and performance expectations.

Action

- The Fund has implemented an Administration and Communication Strategy from April 2016 which will measure the performance of the Funds Administration Service and the employers who provide the member data to the Fund. Methods of improving the transfer of data between employers and the Fund are included in the current business plan.

CIPFA also asks LGPS Funds to report on certain specific areas explained below:

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 2015/16 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 is 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.

Independent Adviser

Introduction

This is my second annual report in my role as Independent Adviser to the Clwyd Pension Fund (the Fund), focusing on the year 2015/16.

My role

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

This is my second annual report, and it sets out my views on the management and administration of the Fund and, in particular, how it has evolved during 2015/16 (April to March), but also touches on some developments that have taken place after March 2016. 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

Building on the significant changes last year, there have continued to be further significant challenges to the management and operations of the Fund since April 2015. As before, some have been driven by national changes to the LGPS (and public service schemes in general), whereas others, particularly relating to planned improvements to and evolution of the management of the Fund, have been driven by Flintshire County Council. Once again, my view is that a significant amount has been achieved in an extremely short period of time, which continues to be of great credit to all involved.

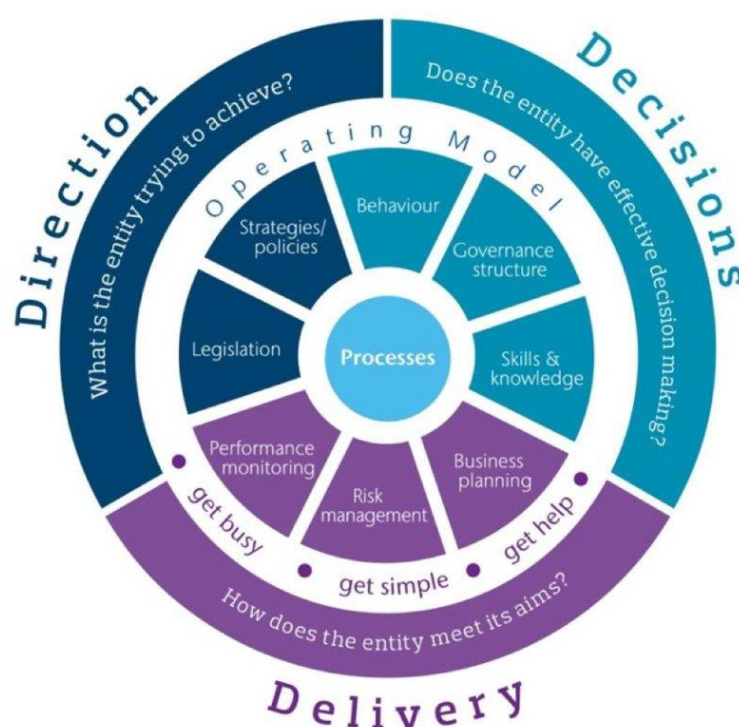
Effective Governance

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

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

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

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



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

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

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

Observations

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

Governance

Key achievements:

- mainly compliant check against The Pension Regulator's Code of Practice
- successfully bedded in Pension Board with excellent engagement
- engagement with asset pooling matters.

In my report last year, I highlighted that the Council had made some fundamental changes and improvements to the governance of the Clwyd Pension Fund. I believe 2015/16 saw the benefits from the strong governance structure and key governance related policies put in place in 2014/15. During 2015/16, Flintshire County Council continued to deliver strong governance of the Clwyd Pension Fund, implementing further improvements including:

- A number of areas which were planned exercises from the Fund's business plan:
 - Although the Pension Board Protocol was established before 1 April 2015 (in line with the regulatory timescales), the act of populating and implementing the Clwyd Pension Board took place in 2015/16. I was heavily involved in the member application process, and then in interviewing potential candidates, and I was delighted with the calibre of candidates applying. As such, I had high expectations (which were met) that the appointed individuals would be extremely helpful in relation to all areas of governance, including initiatives such as increasing employer engagement and evolving the Fund's administration and communications strategies. In addition to the excellent member and employer representatives, I was privileged to be asked to Chair the Clwyd Pension Board (a role I continue to fulfil), and over the year there were 3 meetings with 100% attendance by all members and excellent engagement during Board meetings. The Clwyd Pension Board has now produced its first annual report setting out the areas it has been involved with over 2015/16.
 - The Fund continued its work on meeting the requirements of its Training Policy. A key element of this was induction training for all the Pension Board members. In addition, training was held for Pension Fund Committee and Pension Board members on key topics such as the Pension Regulator's Code of Practice, alternative investments and fees and charges relating to investments. I feel confident that the Committee and Board are receiving relevant training in a timely manner.
 - My colleagues and I, from Aon Hewitt, were commissioned to undertake an independent review of how the Clwyd Pension Fund compares with the requirements set out in the Pension Regulator's Code of Practice. As part of this we worked with all officers in carrying out a fundamental review of their practices against the Code. The review found that overall the Fund complied very well with the Code of Practice (compared to other LGPS Funds). There were a few (generally minor) non-compliant areas to be kept under investigation or where further work was required – such as the need to better monitor and meet legal communication timescales – which are currently being worked on. The results

of this compliance review were presented to the Pension Fund Committee, the Pension Board and the Advisory Panel, all of whom were happy with the results and the minor areas for improvement. Going forward, a review against the TPR Code will be carried out annually to monitor improvement in previously non-compliant areas, and also to ensure that any previously compliant areas do not become non-compliant.

- A new staffing structure was implemented within the pensions administration team which provided greater opportunities to review ways of working and staffing levels (this is covered in more detail in the administration section below)
- My general feeling is that the new governance structure is now very much bedded in, and is working as intended. There was a slight setback when two meetings needed to be cancelled as they would not have been quorate (due to unavoidable personal circumstances), but this has not reoccurred since. It was pleasing to see that the urgency delegations (which had previously been set up) worked smoothly to avoid any issues arising as a result of these cancellations. It is also good to see that over the year the level of engagement in relation to critical areas has remained high. This is well demonstrated in the area of Asset Pooling in the LGPS, where all parties have been working well to consider the key challenges and risk areas – it is clear to see that the Fund is benefiting from a wide range of expertise in deciding how best to manage this, as well as where and how to challenge decisions / issues where appropriate. Based on my experience and work elsewhere, this process is being undertaken extremely effectively.
- There was a significant senior officer change at the beginning of the year, when Colin Everett, Chief Executive took over Helen Stappleton's role as senior officer involved in pension fund matters. I was very sad to see Helen having to step back from this role due to illness and the Fund has very much benefited from her dedication in recent years. However, I was very pleased to see that, despite starting from a position with little previous pensions experience, Colin has readily embraced his new responsibilities, quickly got up to speed on key matters, and already been providing clear and useful insight during the year.
- As mentioned briefly above, there was significant work done this year regarding asset pooling in the LGPS. Despite this not being part of the Fund's original business plan (as it was driven by Government with very short timescales), Flintshire County Council recognised the need to be involved at an early stage and was adaptable enough to incorporate this in their work plan. The Fund very quickly identified the need to minimise the risk of an operating model being adopted which might impact on the Fund delivering its investment strategy. Fund Officers took the time to consider and research alternatives and, above all, pushed for a well-structured project from the beginning, and managed this project to the best of their ability, particularly given the challenges relating to working with seven other partner Funds. It was particularly pleasing to see the involvement of Clwyd Pension Fund officers (such as Debbie Fielder and Alwyn Hughes) on national asset pooling working groups.
- The Risk Register was reviewed based on feedback received from the Pension Board, and the general feel at Advisory Panel that it wasn't as effective as it could have been, mainly due to including too much detail. This demonstrates that the critical oversight role provided by these two bodies is working effectively. The process for agreeing the new Risk Register should result in greater involvement at all levels, which is important to ensure this now becomes embedded in day to day management.

- The officers of the Fund held a strategy meeting to develop the Fund's Business Plan, involving both Pension Fund Committee and Pension Board members – it was considered useful to involve Committee and Board members in discussing the key challenges (and the business as usual) before finalising the draft business plan. As expected, it was an extremely positive experience for all parties, as the members were very engaged with the process, and the input of different opinions helped officers to ensure the draft business plan would really focus on the key issues in a timely manner.
- The Fund's Breaches Procedure was agreed, and is currently being implemented, although there is still some work to do on how to identify some of the more detailed breaches (e.g. administration legal deadlines), and this work will continue into 2016/17. In common with a lot of areas of good governance, the Clwyd Pension Fund was again one of the first LGPS Funds to put a Breaches Procedure in place.

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

Looking to the future:

- Although the Committee and Board members now have a relatively good level of pensions knowledge and understanding, there is a general acknowledgement that there is still a lot to learn, particularly in the ever changing LGPS marketplace, so we need to ensure that everyone remains focused on training as a priority, and that the Clwyd Pension Fund continues to provide special training on the job. This will be of particular importance with the potential for a number of new Pension Fund Committee members after the Welsh elections in 2017.
- As mentioned above, there has been a lot of progress regarding asset pooling, but there are still some issues to address as this is a hugely significant project, and the eight Welsh LGPS Funds need to ensure they agree on the operation and structure of their pool. The Clwyd Pension Fund has a very different investment strategy to many other Funds, so they need to be assured that both the Operator and the pooling arrangements themselves can deliver to the Fund's requirements. Equally, the Clwyd Pension Fund also needs assurance that the governance structure and the role of the Joint Governance Committee do not take away from local decision making (whilst on the other hand accepting the operator manager appointments without unnecessary challenge). The crucial barometer of success is whether or not the move to asset pooling will result in savings for all funds, and this must be kept under close consideration.

- The Fund needs to be mindful of the Scheme Advisory Board's role in the future. There is currently quite a lot of uncertainty over their work plan for the year, other than valuation related matters, but any governance (or other non-valuation) related areas that arise will need to be considered.
- I will also be observing how the Fund will prepare and respond to the impact of Brexit. Obviously, at time of writing, there is much uncertainty around what may happen and how this might affect LGPS Funds, but as things develop they will need to monitor the situation and act appropriately.
- With so much going on, and so much uncertainty, I continue to recognise the pressures on all those involved. I have a number of concerns about the pressure, particularly, on staff resources but also on the time in Pension Fund Committee meetings. It is fair to say that officers are already prioritising workloads and it will be necessary to continually review the risks should certain tasks be considered as a lower priority or not able to be completed at all.

Funding and Investments (including accounting and financial investment)

Key achievements:

- Review of in-house investments
- Implementation of managed account platform
- Good use of Tactical Asset Allocation Group.

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 focuses on how things are done, rather than the detail of what is done. Key areas in relation to investment and funding this year have included:

- A number of areas which were planned exercises from the Fund's business plan:
 - Regular projects such as the 2015 funding review and the flightpath health check – these are very positive as they highlight opportunities appropriately dependent on market movements. Also, the funding review and meeting the backlog have instigated a central steering group involving the three main employers in the Fund, which allows greater engagement with these employers in relation to funding and administration matters, which will hopefully make things more efficient during the actuarial valuation process.
 - The Fund undertook quite a radical review of its in-house investments – this was carried out quickly and efficiently, taking advice from external consultants who made clear recommendations which were then implemented.
 - The Fund benefitted from the good working relationships it has developed with other LGPS Funds (working with Cornwall in this instance) to establish a managed account platform. This demonstrates the collaborative nature of the LGPS in continuing to look for innovative solutions and to make use of an existing development rather than reinventing the wheel.
 - The Tactical Asset Allocation Group is now well bedded in, and there is evidence of it working well, with the robust terms of reference around the delegated responsibilities allowing them to ensure they are completed appropriately, in a timely manner and with a

robust audit trail. The Advisory Panel reviews this on an ongoing basis, and it should also be noted that the group is working well with PERAG (Private Equity Real Asset Group).

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

Looking to the future:

- As mentioned previously, a significant focus next year will be on asset pooling and ensuring that the Fund's investment strategy can continue to be delivered.
- The 2016 valuation and review of funding strategy/investment strategy will be significant exercises throughout the next year. I will be particularly interested to see whether employers participating in the Fund feel engaged through this exercise, as there will be a number of changes from an employer perspective in relation to how this exercise is carried out.
- The Fund is due to undertake an AVC review (this has actually been deferred in recent years due to workloads, changes in the LGPS and reviewing of funds with the current provider). I am keen to see a review undertaken this year, and also to ensure that this is carried out on a regular basis in future.

Administration and Communications

Key achievements:

- Excellent progress made with reducing the historical backlog of administration tasks
- One of few administering authorities to issue annual benefit statements by the legal timescale.

I am pleased to report that, during 2015/16, Flintshire County Council continued to improve the administration and communications of the Clwyd Pension Fund, working hard across a large number of different areas, including:

- A number of areas which were planned exercises from the Fund's business plan:
 - Made considerable headway in dealing with historical backlogs, which was identified as a key piece of work for the year. In last year's report I set out that the Fund should plan for this to be resolved over a 24 month period, and the work that has been undertaken this year includes:
 - Identifying exactly what the current position was, and breaking this down into various work streams. As part of this, due to the volume of historical cases, it was decided that older backlog cases (pre March 13) would be outsourced to Mercer, a decision that I strongly supported.

- Commencing this outsourced element with Mercer early in the year, ensuring they had the correct processes in and liaising with employers to gather the necessary data. The robustness of the process was ensured by the Fund's pension administration team spot checking some of Mercer's calculations. The timescale (just over a year) was tight in my opinion, and hence hugely challenging for all parties – it is important to recognise the integral role that some employers in the Fund have had to play and I am delighted at how they have engaged with and made the time for this exercise. The Pension Administration team receive monthly updates from Mercer to ensure they are aware of how this is progressing.
- Dealing with a significant amount of the remaining backlog (such as transfers / aggregation) in-house by the Flintshire Pension Administration Team, which is now nearly complete.
- Linking closely to the administration review (mentioned below), including the development and establishment of performance management measures. This exercise is now nearly complete, and already provides a much clearer picture of the amount of work required, how this is trending on a monthly basis, and how much of this work is outstanding, in order to hopefully prevent future backlogs arising.
- Overall, I am delighted to note that the Flintshire Pension Administration Team has excelled this year in meeting this huge (and important) challenge of reducing the backlog.
- In order to effectively establish and implement the Administration and Communications strategies, the Fund held a workshop with various stakeholders, and then separately consulted with scheme employers. In noting this, I would particularly like to acknowledge the high aspirations and standards of the Pensions Administration team, and also commend them for starting to implement such radical changes within their team over such a short period of time.
- Extremely thorough Disaster Recovery testing was carried out, which provides reassurance that the Fund's systems and processes are robust enough to cope with all eventualities.
- Preparing for the introduction 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. I believe this will be invaluable to the Fund and its employers. The first stage that the Fund has been working on is ensuring that the correct member records are held on the administration system before entering into testing and live roll out of the system. The intention is that i-connect will be available to all large employers of the Fund.
- The pension administration team has started to identify all historical cases that are eligible for trivial commutation, to communicate with them to determine whether they would like to commute their pensions for lump sums, and to update their processes for all future retirements. If members who are entitled to small pensions elect to give up the entirety of these pension and instead receive their benefit as single lump sum payments, this should reduce the administrative burden on the Fund of paying a large number of very small

pensions over a number of years as well as providing greater clarity from a funding perspective.

- Initial work took place on the GMP reconciliation exercise, including working to develop software with the software supplier.
- Ongoing administration exercises such as the year-end exercise, Annual Benefit Statements, Pension Increases, CARE revaluation were completed effectively during the first year of the new LGPS benefit structure. In addition, the Fund was one of only seven LGPS Funds nationwide to issue their Annual Benefit Statements within the legal timescale, for which the Pensions Administration team deserves huge credit.
- Outside of the exercises from the Business Plan, my colleagues and I from Aon Hewitt undertook an independent review of the efficiency and effectiveness of the pension team's administration processes. A number of the findings of this review linked to other initiatives that are often already underway, but other changes were also recommended (and instigated), including establishing dedicated teams for answering calls and putting in place processes for wider knowledge and skills requirements in the team.
- It was particularly pleasing to see the involvement of Flintshire County Council officers at a national level, such as Helen Burnham on IT system management and Flintshire County Council themselves as a founding authority on the national Third Party Administration framework.

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

Looking to the future:

- The existing backlog needs to be cleared and monitoring finally implemented, and I will be interested to see how the administration team monitors workloads going forward to ensure that no further backlogs occur (or at least are very quickly dealt with) in future.
- The GMP reconciliation exercise will be hugely time consuming, and I completely agree that outsourcing this project is the best way to ensure that this is completed accurately and within the very tight timescales.

I look forward to seeing progress in the implementation of the new administration strategy, which will include introducing i-connect (intended to benefit scheme employers as well as the Administering Authority) and member self-service (intended to benefit scheme members as well as the Administering Authority). Both of these developments will be critical in bringing the administration service up to the levels aspired to in the administration strategy.

Final Thoughts

I once again 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. In particular;

- the officers' hard work and dedication remains inspiring, particularly in a period where there is so much uncertainty, and
- Pension Fund Committee and Pension Board members have dedicated many hours to Committee / Board business and attending additional training events.

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About Aon

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Clwyd Pension Fund Board

Annual Report 2015/16

Introduction

This is the first annual report of the Clwyd Pension Fund Board based on the financial year from 1 April 2015 to 31 March 2016.

Establishment of the Clwyd Pension Fund Board

The Public Service Pensions Act (PSPA) 2013 introduced a number of changes to public service pension schemes, including a number of key changes impacting on the governance of public service pension schemes. One of the key changes was the requirement for each Administering Authority in the LGPS to create a local Pension Board.

Each LGPS Administering Authority was required to establish their local Pension Board no later than 1 April 2015, and the Clwyd Pension Fund Board was established by Flintshire County Council on 3 March 2015.

In order to fill the positions on the Pension Board, Flintshire County Council (as administering authority) undertook an extensive recruitment process, involving interviews with all potential candidates. Following these interviews, we were appointed to the following positions:

- Two Employer Representatives (Mark Owen and Steve Jackson)
- Two Scheme Member Representatives, one of whom is nominated by the joint trade unions (Jim Duffy), and one who is a member of the Clwyd Pension Fund (Gaynor Brooks)

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.

Flintshire County Council decided that the Chair of the Pension Board should be the Independent Adviser for the Clwyd Pension Fund, subject to the Pension Board members agreeing, which we did. Accordingly, Karen McWilliam, the Independent Adviser chairs all the Pension Board meetings. The Chair is a non-voting role.

The Role of the Pension Board

Legislation states that the role of the Pension Board is to assist the Administering Authority with 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 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.

Meetings, training and attendance

During 2015/16 we held three Pension Board meetings (in July 2015, October 2015 and March 2016) which were all attended by all representatives (and also 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. We have undertaken a range of training during the year, including three days of induction training arranged by Pension Fund officers covering the recommended CIPFA training competencies and including such as areas as Governance, Funding and Investments.

In addition, we are invited to attend the Pension Fund Committee meetings (the decision making committee for the Pension Fund) and their training events.

Our full record of attendance at meetings, training and events up to 31 March 2016 is shown below:

Event	Mark Owen	Steve Jackson	Gaynor Brooks	Jim Duffy
Pension Boards				
July 2015	✓	✓	✓	✓
October 2015	✓	✓	✓	✓
March 2015	✓	✓	✓	✓
Committees				
November 2015	✓	✓	✓	
March 2016	✓	✓	✓	✓
CIPFA Framework				
Governance	✓	✓	✓	✓
Funding & Actuarial	✓	✓	✓	✓
Investments	✓	✓	✓	✓
Accounting	✓	✓	✓	
Additional & Hot Topics				
Budget Freedoms	✓	✓	✓	✓
Fees & Charges	✓	✓	✓	✓
Private Equity	✓	✓	✓	✓
Real Assets	✓	✓	✓	✓
Pension Regulator Code of Practice	✓	✓	✓	✓
Key Performance Indicators	✓	✓	✓	
Strategy Day (Business Plans, Risk, Administration)	✓	✓	✓	✓
Annual Employer Meeting	✓	✓	✓	
Pooling	✓	✓		
Conferences				
LGC Seminar		✓	✓	

What has the Pension Board done during 2015/16?

The Pension Board held its first meeting in July 2015, so (as expected) a significant portion of the first part of year was focussed on our training and considering how we would operate. This included us adopting the Clwyd Pension Fund Board Protocol (developed and agreed by Flintshire County Council), adoption of the Fund's Conflicts of Interest Policy, the Training Policy and the Breaches Procedure, and consideration of the Pension Board's future work plan and budget. Each meeting also considers standards areas, such as the latest Pension Fund Committee papers.

In addition to these regular items:

- We have been involved with the development of the Administration and Communications strategies, leading to them being established for the Fund. This included taking part in workshops with the officers and Pension Fund Committee to understand and discuss their aspirations in these areas, and one of us taking part in scheme member communications focus groups. We believe that scheme members and employers will welcome how the Fund will evolve in these areas in the next few years.
- We very much appreciate the challenges for employers who participate in the Fund in budgeting for employer pension costs, and so we were able to work with the officers in considering how best to engage with employers during the triennial valuation this year.
- One of our key responsibilities is looking at how well the Fund adheres to The Pension Regulator's requirements. We spent some time considering an independent review of how the Clwyd Pension Fund compares with the requirements set out in the Pension Regulator's Code of Practice. The review found that overall the Fund complied very well with the Code of Practice (compared to other LGPS Funds), and found a few areas to be kept under investigation or where further work was required. These areas will continue to be on our future agendas and an update to this review will be carried out annually.
- The officers of the Fund hosted a strategy and business planning day in February 2016 for us and the Pension Fund Committee members to feed into what the key priorities for the Fund should be from 2016/17 to 2018/19. The workshop also gave us a much better understanding of what is involved in the day to day running of the Fund
- We have also been involved, along with the Pension Fund Committee, in various discussions regarding the proposed asset pooling in the LGPS, and in particular the Clwyd Pension Fund's participation in the Welsh Asset Pool.
- The Head of Internal Audit presented at one of our Pension Board meetings, and as a result we were able to better understand their work for the Fund and we were able to discuss and input to their three year rolling work plan.
- Our Chair, on our behalf, also presented at the Annual Joint Consultative Meeting in November. This is an annual meeting for employers and member representatives providing an overview of many topical issues, including investment, funding and administration matters.

What will the Pension Board do in the future (in particular in 2016/17)?

Now that the Pension Board is fully established, in forthcoming years there will be much more focus on actively driving the agenda and highlighting areas for discussion. Although the exact work areas and timescales will necessarily remain flexible (in keeping with the recent pace of change in the LGPS), the following are already on our work plan for the forthcoming year:

- The issue of Scheme GMP reconciliation whereby, as part of the review of State Pensions, the Government is ceasing to hold GMP information for scheme members on their systems.

Accordingly all pension scheme providers who have been contracted out of the state scheme need to ensure their GMP records are accurate by reconciling them with those held by HMRC by 2018. This is a significant task for the administration team and preliminary work undertaken as part of a pilot scheme has shown that a significant number of records do not match (which is consistent with the findings for other LGPS schemes). It is critically important that this work is undertaken before the HMRC system is closed, as inconsistent records after that point will cause problems.

- Risk Management including revisions to the Fund's Risk Register and reporting processes.
- Ensuring the suitability and appropriateness of the Fund's disaster recovery processes and systems.
- The roll out and implementation of the administration and communication strategies including the development of appropriate Key Performance Indicators (KPIs), looking at the progress being made towards meeting those KPIs and new ways of working (such as i-connect and member self-service).
- Ongoing consideration of the progress on asset pooling in the LGPS.
- Inputting to the 2016 valuation in relation to how it is progressing and ongoing employer engagement.
- Consideration of how the Fund manages the potential and actual impact of Brexit.
- Areas of focus for The Pensions Regulator, following the review of the Clwyd Pension Fund's compliance with the Code of Practice. One of the key areas is recording and reporting breaches of the law. We also expect to see an annual update of the full compliance check.

Other observations and general comments

We are pleased with the work we have completed in the first year of the Pension Board's existence. We have an excellent working relationship with the Pension Fund Committee and the Fund's officers, and are grateful for the way they have all embraced our involvement.

Overall, our impression is that the Clwyd Pension Fund is a well-managed Fund, with robust governance through their Pension Fund Committee supported by an excellent team of officers and advisers. There clearly are a number of ongoing challenges, not least the Wales Asset Pool proposals and the ongoing work implementing the administration and communications improvements. We look forward to another successful year working with the Fund on behalf of the scheme members and employers.

Gaynor Brooks, Member Representative

Jim Duffy, Member Representative

Steve Jackson, Employer Representative

Mark Owen, Employer Representative

Clwyd Pension Fund Board

Financial Performance

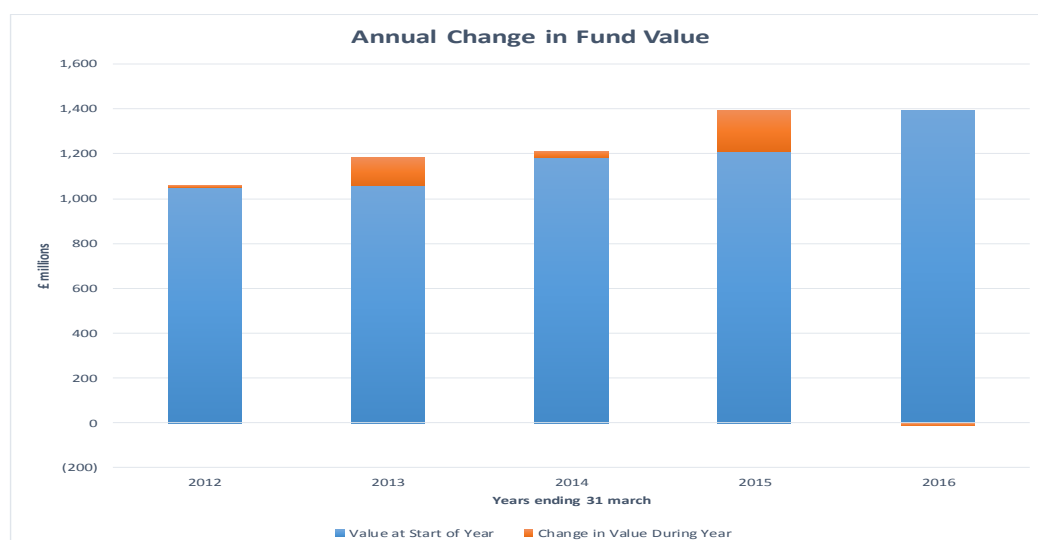
The following provides a brief overview of the key movements within the Fund over a five year period. More detail can be found in Pensions Administration Update, and Fund Accounts.

Table 1.

Fund Account <i>(All amounts £000's, year end 31 March)</i>	2011/12	2012/13	2013/14	2014/15	2015/16
Value of Fund at start of year	1,051,815	1,060,823	1,181,232	1,213,567	1,395,408
Increase in fund value during year	9,008	120,409	32,335	181,841	(14,733)
Value of fund at end of year	1,060,823	1,181,232	1,213,567	1,395,408	1,380,675
<u>The increase in fund value is made up of the following:</u>					
<i>Member and Employer related</i>					
• Contributions and pension strain	66,593	68,078	68,869	76,596	75,192
• Transfers in or (out)	(21,708)	3,139	563	249	(4,263)
• Benefits payable	(53,789)	(56,977)	(61,137)	(66,689)	(69,198)
	(8,904)	14,240	8,295	10,156	1,731
<i>Other Expenses</i>					
• Administrative and other expenses	(1,244)	(1,047)	(1,030)	(1,002)	(1,390)
• Oversight & Governance	n/a	n/a	(749)	(1,128)	(1,202)
• Investment Management Fees	n/a	n/a	(5,588)	(16,159)	(15,029)
<i>Investments (after income and fees#)</i>					
• Change +/-	19,156	107,216	31,407	189,974	1,157
	9,008	120,409	32,335	181,841	(14,733)

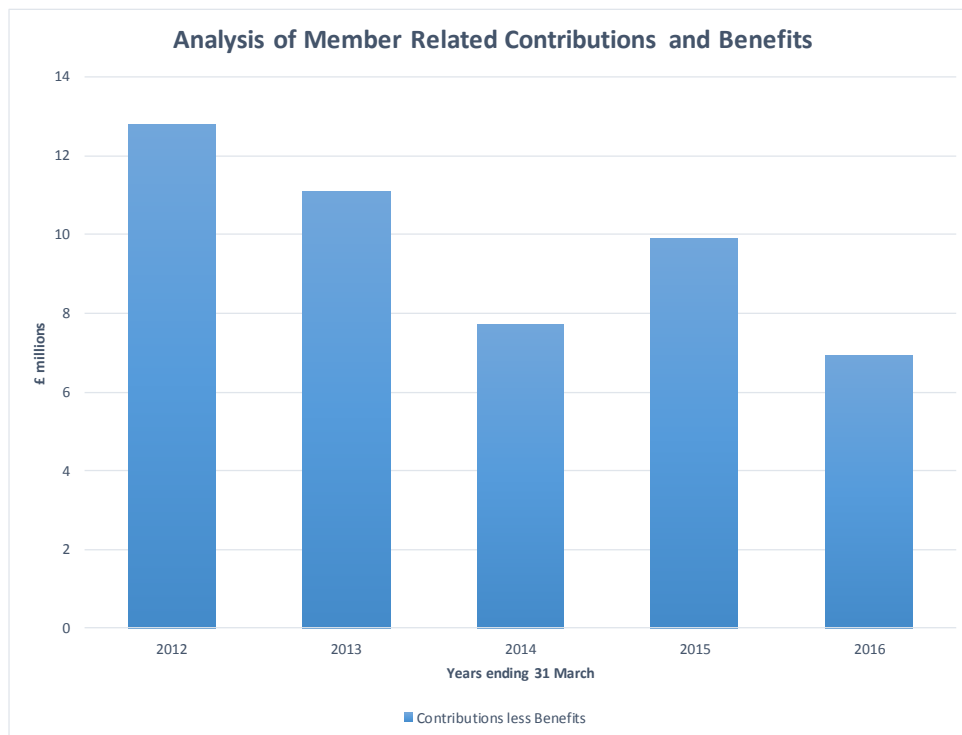
Table 1 illustrates the annual increase in the Fund value over the five years ending 31st March 2016. The change in the fund value is further analysed between member and employer related income (contributions and pension strain) or expenditure (benefits payable), return or loss on investments and other expenditure split against oversight and governance, administration costs and also against investment management fees. These are detailed further, for years ending 31st March 2015 and 2016, in the fund accounts. Transfers in or out of the fund can vary, as shown in Table 1, significantly between years and are outside the control of the Fund.

Chart 1.



This illustrates the Fund value over five years as detailed in Table 1 above. The column segment shown in orange identifies the annual change in Fund value and, as shown in Table 1, is mostly due to changes in the market value of investments.

Chart 2.



This compares the difference between contributions received and benefits paid (Table 1 above), not taking account of transfers, over the same five year period. From Chart 2, the trend of the excess in contributions over benefits paid has steadily reduced from 2011/12, the exception being in 2014/15. This is not unexpected and reflects the growing maturity of the Fund offset in 2014/15 by an increase in employer contributions, following the 2013 actuarial valuation, and the impact of auto enrolment on membership numbers and thus employee contributions.

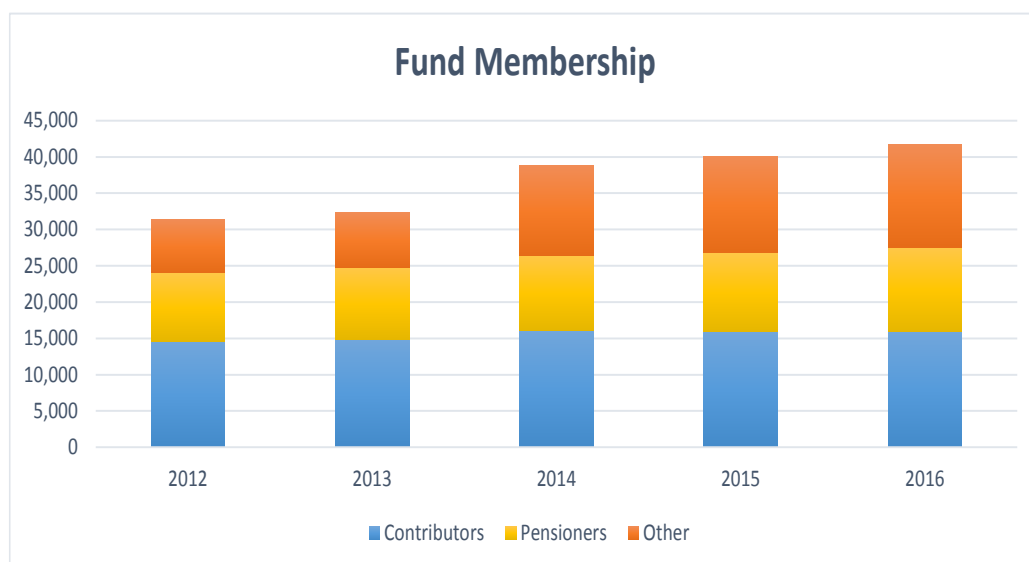
There remains, however, a number of significant variables for the future including the impact of workforce reductions across the large employers as well as the ongoing impact of auto enrolment.

Table 2.

Membership	2012	2013	2014	2015	2016
Number of Contributors	14,519	14,920	16,133	15,941	15,989
Number of Pensioners	9,553	9,874	10,367	10,863	11,478
Number with Preserved Benefits	7,386	7,539	12,314	13,304	14,198
Total	31,458	32,333	38,814	40,108	41,665

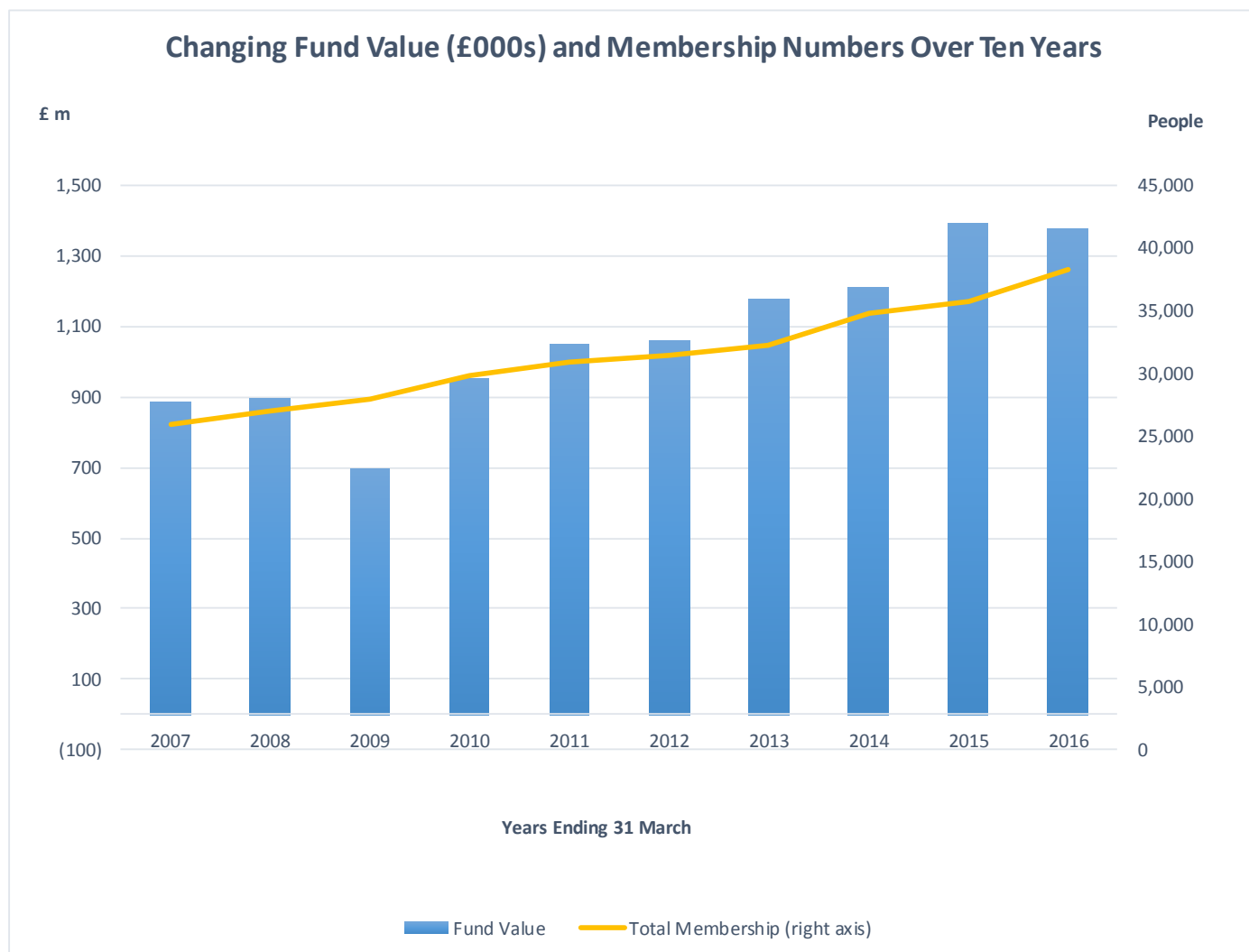
Table 2 above details the membership of the Fund over a five year period ending 31st March 2016. The membership is split between active contributors, those in receipt of a pension and those whose entitlement is preserved; these numbers do not include those who are undecided members.

Chart 3.



This shows the membership data in Table 2 graphically. Overall the trend in total in membership is upwards over the five years ending 31 March 2016. However, it should be noted that the overall impact of auto-enrolment, which will increase membership, and the contraction in most employers' budgets which will reduce membership, cannot yet be quantified.

Chart 4.



This plots the Fund value over ten years to 31 March 2016. Over this period the Fund has increased from £889m to £1,381m (55%). The yellow line shows total membership over the same period (using right axis) and illustrates the growth in membership from around 24,100 to 38,300; an increase of just over 59%. Most discussions around pension funds focus, understandably, on their value, however, the value is only one part of the picture with the other part being the pension funds' liabilities. The liabilities of the pension fund are calculated by the fund actuary and represents the future liabilities of the fund at a particular time. As shown above, (Table 1 and Charts 1 and 4) whilst the Fund has increased in value over the past ten years, its liabilities have also increased to an estimated (at 31 March 2016) £1,828m.

Cash Flow

The Fund operates a rolling three year cash flow which is estimated and monitored on a quarterly basis. There are several unknowns within the cash flow such as transfers in and out of the fund and also drawdowns and distributions across the Fund's Property and Private Equity portfolio for which the current allocation is 21% of the Fund.

Cash flow predictions for the drawdowns and distributions are reassessed annually to incorporate the actuals for the year and any further commitments agreed during the period.

The following table shows a summarised final cash flow for 2015/16. 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.

2015/16	Estimate £000	Actual £000	Variance £000
Opening In House Cash		(43,735)	
<u>Payments</u>			
Pensions	53,600	52,932	(668)
Lump Sums & Death Grants	18,000	14,906	(3,094)
Transfers Out	2,800	5,889	3,089
Expenses (including In House)	3,200	4,881	1,681
Support Services	250	167	(83)
Total Payments	77,850	78,775	925
<u>Income</u>			
Employer Contributions	(31,765)	(30,506)	1,259
Employee Contributions	(15,000)	(14,535)	465
Employer Deficit Payments	(27,230)	(27,872)	(642)
Transfers In	(4,000)	(1,791)	2,209
Pension Strain	(2,350)	(3,204)	(854)
Income	(140)	(74)	66
Total Income	(80,485)	(77,982)	2,503
Cash Flow net of Investment Income	(2,635)	793	3,428
Investment Income	(2,850)	(2,497)	353
Total Net of In house Investments	(5,485)	(1,704)	3,781
In House Drawdowns	44,376	34,021	(10,355)
In House Distributions	(61,606)	(64,836)	(3,230)
Net Drawdowns/Distributions	(17,230)	(30,815)	(13,585)
Net External Manager Cash	39,400	62,614	23,214
Total Net Cash Flow	16,685	30,095	13,410
Closing In House Cash	(27,050)	(13,640)	

3 Year Cash Flow Forecast

The following table shows the cash flow forecasts for the next three years to March 2019. 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 7.1% per annum. Estimates of Manager pooled investment fees are included in the budget report which follows the cash flow report.

	2016/17 £000	2017/18 £000	2018/19 £000
Opening Cash	(13,640)	(14,198)	(13,984)
<u>Payments</u>			
Pensions	57,300	59,600	62,000
Lump Sums & Death Grants	20,000	20,000	20,000
Transfers Out	2,800	2,800	2,800
Expenses (including In House)	4,500	3,260	3,260
Support Services	250	250	250
Total Payments	84,850	85,910	88,310
<u>Income</u>			
Employer Contributions	(33,250)	(33,900)	(34,550)
Employee Contributions	(15,200)	(15,400)	(15,600)
Employer Deficit Payments	(28,500)	(33,200)	(35,200)
Transfers In	(4,000)	(4,000)	(4,000)
Pension Strain	(1,200)	(1,200)	(1,200)
Income	(170)	(170)	(170)
Total Income	(82,320)	(87,870)	(90,720)
Cash Flow net of Investment Income	2,530	(1,960)	(2,410)
Investment Income	(3,000)	(3,000)	(3,000)
Total of In-House Investments	(470)	(4,960)	(5,410)
In-House Draw downs	40,955	53,008	47,407
In-House Distributions	(71,043)	(77,834)	(68,970)
Net Drawdowns/Distributions	(30,088)	(24,826)	(21,563)
Net External Cash Manager	30,000	30,000	30,000
Total Cash Flow	(558)	214	3,027
Closing Cash	(14,198)	(13,984)	(10,957)
Estimated Asset Valuations	1,478,325	1,583,286	1,695,699

Analysis of Operating Expenses

The following table shows the actual operating expenses for the Fund for 2015/16 compared to 2014/15 revised. Following a change by CIPFA of the guidelines for management costs it was necessary to remove underlying manager costs from the 2014/15 actuals so that they are directly comparable with 2015/16. The increase of £0.372m in outsourcing with Administration is due to the work undertaken during the year on historic backlogs.

	2015/16 £000	2014/15 £000	2014/15 £000 Revised	Net change £000
<u>Governance & Oversight Expenses</u>				
Employee Costs (Direct)	225	218	218	7
Support & Service Costs (Internal Recharges)	12	13	13	(1)
Premises	8	8	8	0
IT (Support & Services)	11	12	12	(1)
Other Supplies & Services	52	49	49	3
Audit Fees	39	37	37	2
Actuarial Fees	224	205	205	19
Consultant Fees	371	403	403	(32)
Advisor Fees	225	142	142	83
Legal Fees	35	21	21	14
Total Governance Expenses	1,202	1,108	1,108	94
<u>Investment Management Expenses</u>				
Fund Manager Fees	14,971	16,127	15,836	(865)
Custody Fees	28	32	32	(4)
Performance Monitoring Fees	30	20	20	10
Total Investment Management Fees	15,029	16,179	15,888	(859)
<u>Administration Expenses</u>				
Employee Costs (Direct)	603	592	592	11
Support & Service Costs (Internal Recharges)	46	53	53	(7)
Outsourcing	404	32	32	372
Premises	33	33	33	0
IT (Support & Services)	243	218	218	25
Other supplies & services	61	75	75	(14)
Miscellaneous Income	0	(1)	(1)	1
Total Administrative Expenses	1,390	1,002	1,002	388
Total Fees	17,621	18,289	17,998	(377)

The following table shows actual costs for 2015/16 compared to the budgeted costs along with the budget for 2016/17. The budget reduction for fund manager fees for 2016/17 is reflective of the ongoing work to reduce overall fees as well as reflecting the removal of underlying costs following a review of the guidelines by CIPFA.

	2015/16 £000 Actual	2015/16 £000 Budget	2015/16 £000 Variance	2016/17 £000 Budget
<u>Governance & Oversight Expenses</u>				
Employee Costs (Direct)	225	226	(1)	229
Support & Service Costs (Internal Recharges)	12	19	(7)	19
Premises	8	17	(9)	17
IT (Support & Services)	11	10	1	10
Other Supplies & Services	52	56	(4)	56
Audit Fees	39	36	3	40
Actuarial Fees	224	192	32	304
Consultant Fees	371	351	20	389
Advisor Fees	225	156	69	188
Legal Fees	35	30	5	30
Total Governance Expenses	1,202	1,093	109	1,282
<u>Investment Management Expenses</u>				
Fund Manager Fees	14,971	14,490	481	11,028
Custody Fees	28	35	(6)	34
Performance Monitoring Fees	30	25	5	25
Total Investment Management Fees	15,029	14,549	480	11,087
<u>Administration Expenses</u>				
Employee Costs (Direct)	603	662	(59)	711
Support & Service Costs (Internal Recharges)	46	82	(36)	90
Outsourcing	404	800	(396)	1,240
Premises	33	75	(42)	75
IT (Support & Services)	243	250	(7)	250
Other supplies & services	61	70	(9)	70
Member Self Service	0	0	0	107
Miscellaneous Income	0	0	0	0
Total Administrative Expenses	1,390	1,939	(549)	2,543
Total Fees	17,621	17,581	40	14,912

Investment & Funding

Long Term Strategy

In determining the Investment Strategy for the Clwyd Pension Fund (the Fund), the overall objective is to:

- Aim for a funding level of 100%
- Aim for long term stability in employers' contribution rates
- Achieve superior investment returns relative to the growth of liabilities

The investment policy of the Fund is intended to strike the appropriate balance between the policy 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 long term.

Summary of 2015/16

Market Commentary

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

Over the year 2015/16 the global economy has seen slower growth, increased volatility in financial markets and falling commodity prices. Equity markets suffered heavy losses throughout August 2015 due to concerns about the Chinese economic slowdown which led to the devaluation of the Chinese yuan and regulatory intervention. In particular those countries deemed to have higher exposure to China were badly affected. Markets recovered in November 2015 however the beginning of 2016 saw further falls and high levels of volatility in the markets, with investors switching out of "risky" assets into so called "safe haven" Bond markets amidst this period of uncertainty. Since mid-February 2016, the markets have recovered significantly, however there has been further volatility in 2016/17 in the build up to, and the result of, the EU Referendum. UK Equities posted a return of -3.9% as UK Equity markets were hit by falling Commodity prices – as basic materials and energy companies comprise a sizeable share of the market – along with the global factors that led to the wider Global Equity market falls. On average Global Developed Equities returned +0.3%, with the USA being the stronger performer at +4.2% and Asia Pacific the worst -7.8% as Asian economies also saw negative stock market movements parallel to those in the Chinese markets. Emerging Markets -8.8% and Frontier Markets -9.3% were the worst performing markets. These returns will have impacted the Equity element of the Fund however the diversification within the total portfolio will have helped to offset some of these Equity losses.

Government Fixed Income securities provided positive returns as investors undertook higher allocations in this asset class in search of capital preservation with UK Gilts (>15 Yrs.) returning +4.0%. This is a problem for many pension funds as this reflects lower Gilt yields, as the measurement of their liabilities are related in part to the yields. The Gilt yield only marginally fell over the year by -0.1% although this does not reflect the volatility of the movement of the yield as yields have significantly fallen in this calendar year to March. In 2016/17 yields have fallen sharply following the Post Brexit decision. However, in the Actuarial Valuation that will be undertaken as at 31 March 2016, there will be an adjustment to methodology to assess the value of the liabilities so it is directly linked to real returns versus CPI inflation that the asset strategy can deliver taking into account the flightpath. This means that the liabilities will move away from a linear linkage to changes in gilt yields by referencing real returns over CPI inflation, which will reduce the impact on the funding level by these yield falls.

Price inflation increased slightly over the year with the CPI increasing by +0.5% and earnings inflation rose by +2.4%. This is important for pension schemes with inflation linked liabilities such as the LGPS, however as noted above this will also impact on how the CPF liabilities will be valued in the forthcoming Actuarial Valuation.

Within Commodities, oil prices (Brent Crude) fell by -31% in the last twelve months driven by global growth concerns, a supply glut, and a lack of consensus among OPEC and non-OPEC producers regarding a production freeze or cuts. Overall the return of Commodities was -26.3% for the year. There were mixed returns in other growth asset classes such as Property, which rose strongly +11.7%, and Hedge Funds which fell -0.7%. High Yield produced a positive return +2.5% whilst UK Long Dated Corporate Bonds were slightly negative -0.2%.

Clwyd Pension Fund Investment Performance 2015/16

The Fund returned -0.1% in 2015/16 which is behind the long term annual benchmark of circa +7.0% and long term funding assumptions quoted in the Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS). However, this is only one year in isolation of an 18 year funding recovery plan. The return of -0.1% compared with a composite benchmark (of the underlying manager benchmarks) of +1.4% and composite outperformance target of +1.9%.

Only the Fund's In-House portfolio produced a positive overall return of +12.6%. Within this portfolio Infrastructure +21.4%, Private Equity +18.0% and Property +11.2% all produced excellent returns whilst Timber and Agriculture also produced a positive return +3.6%. However these were partially offset within the overall return by the Opportunistic assets that declined by -30.1% in the year.

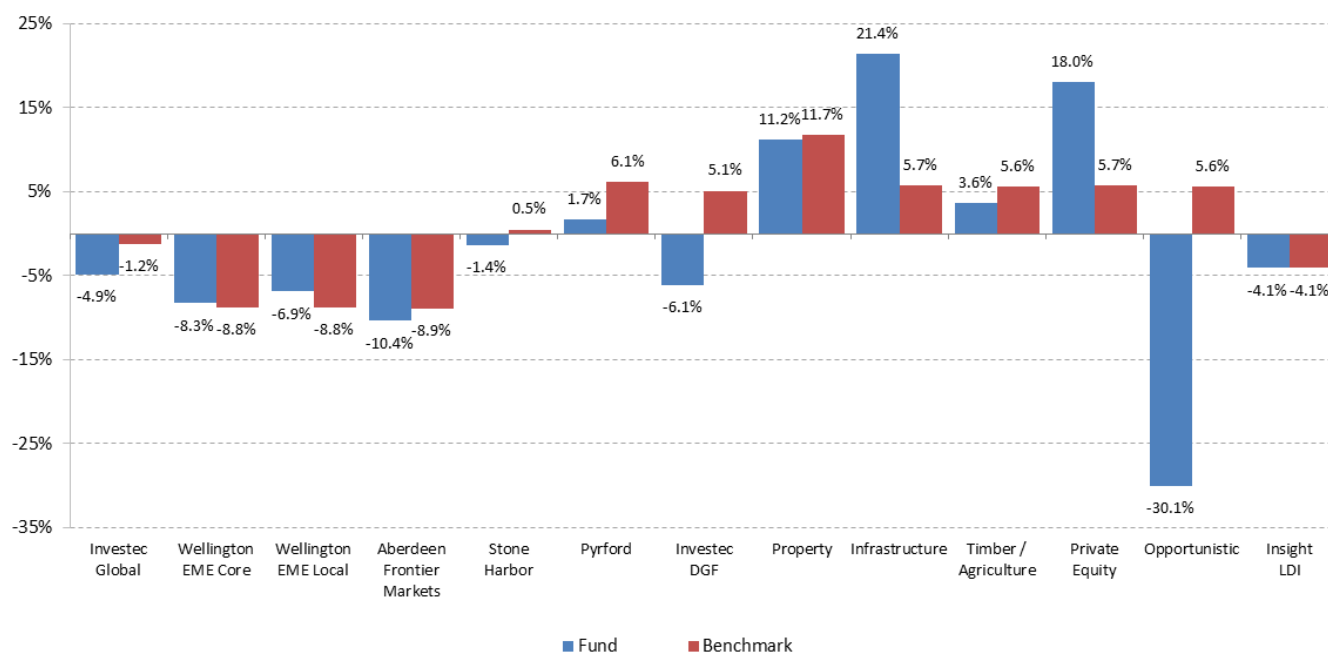
The Equity portfolio that includes Global, Emerging and Frontier Equity exposures returned -6.5% with Frontier and Emerging Markets being the worst performing portfolios on an absolute return basis. However within this portfolio the two Emerging Markets funds with Wellington outperformed their individual benchmarks. The Multi Asset Credit portfolio produced a negative return of -1.4%.

The Diversified Growth Portfolio, which forms part of the Tactical Allocation Portfolio, returned -2.2%. Both the Diversified Growth managers underperformed their benchmarks however Pyrford produced a positive absolute return of +1.7% whilst Investec returned -6.1%.

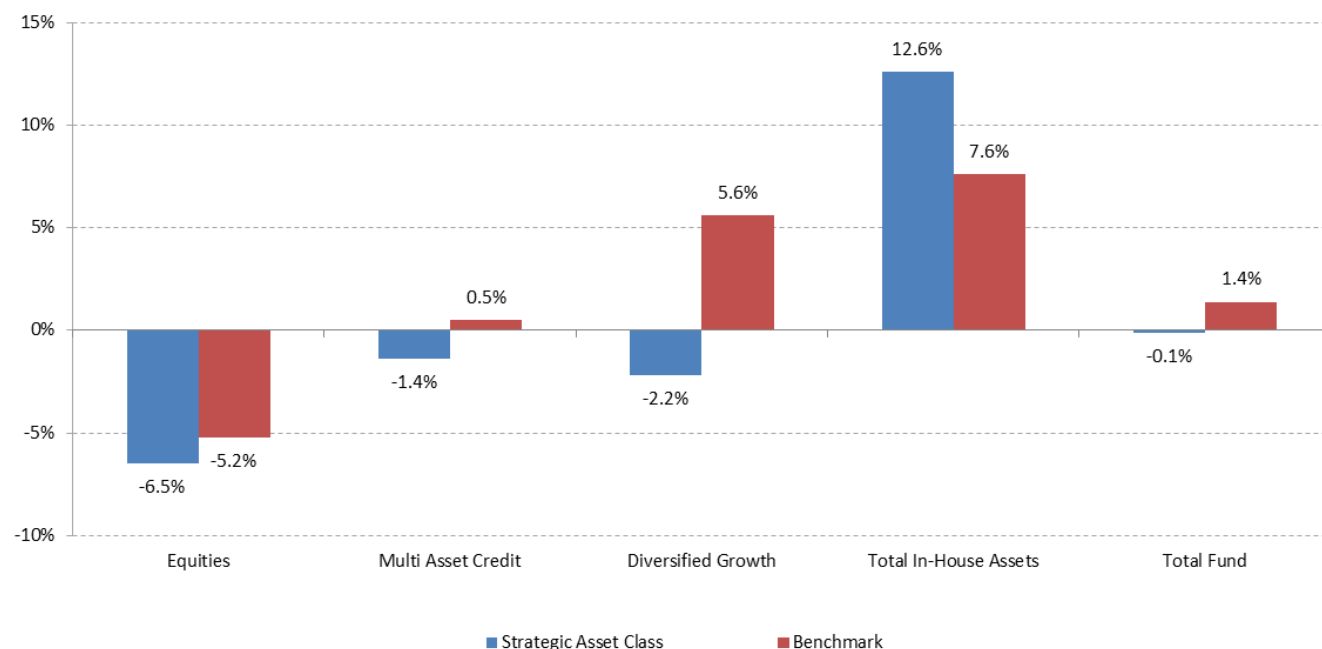
The Liability Driven Investment portfolio (a key component of the Flightpath/De-Risking Framework) which consists of regional Global Equity, Gilt and inflation exposures returned -4.1% in 2015/16.

During the year the implementation of a number of the strategic decisions from the 2014 investment strategy review were finalised which included some restructuring of the major strategic asset classes and the underlying funds within them. This included the addition of the Managed Account Platform with ManFRM and the Best Ideas Portfolio. These two mandates do not have an annual return and at the outset initially incorporated some of the legacy Hedge Fund holdings and exposure to an Opportunistic Commodities Fund, managed by Wellington. This was funded via the redemption proceeds from the Fund's previous holdings in the "Core" Wellington Commodities Fund.

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



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



Source: JLT Employee Benefits

Summary of Investment Performance

The market conditions experienced in 2015/16 made this a particularly challenging year for the Fund. However, 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. This is not to say that we are not cognisant of shorter term market conditions – the creation and implementation of the Fund's Best Ideas Portfolio (within the Tactical Allocation Portfolio) is evidence of this.

The Fund has also benefited strongly in the period post 31 March 2016 as the diversification and risk management characteristics inherent in the Fund's investment strategy have allowed the Fund to grow despite the volatile market conditions.

The section below details the rationale in respect of the Fund's investment strategy and highlights key developments that have taken place across 2015/16.

Investment Strategy

The Fund's investment strategy is more diversified than most LGPS Funds and incorporates a Flightpath/De-Risking Framework, which differentiates the Fund from many other LGPS Funds. The aim of the Fund's strategy is to reduce the volatility of returns, in line with the objective of stabilising employer contribution rates. Although history suggests that in the long term Equities should out-perform other asset classes, these returns can be very volatile and the asset class can under-perform for many years. On average, LGPS Funds allocate 60% to Equities which is higher than the Clwyd Pension Fund exposure.

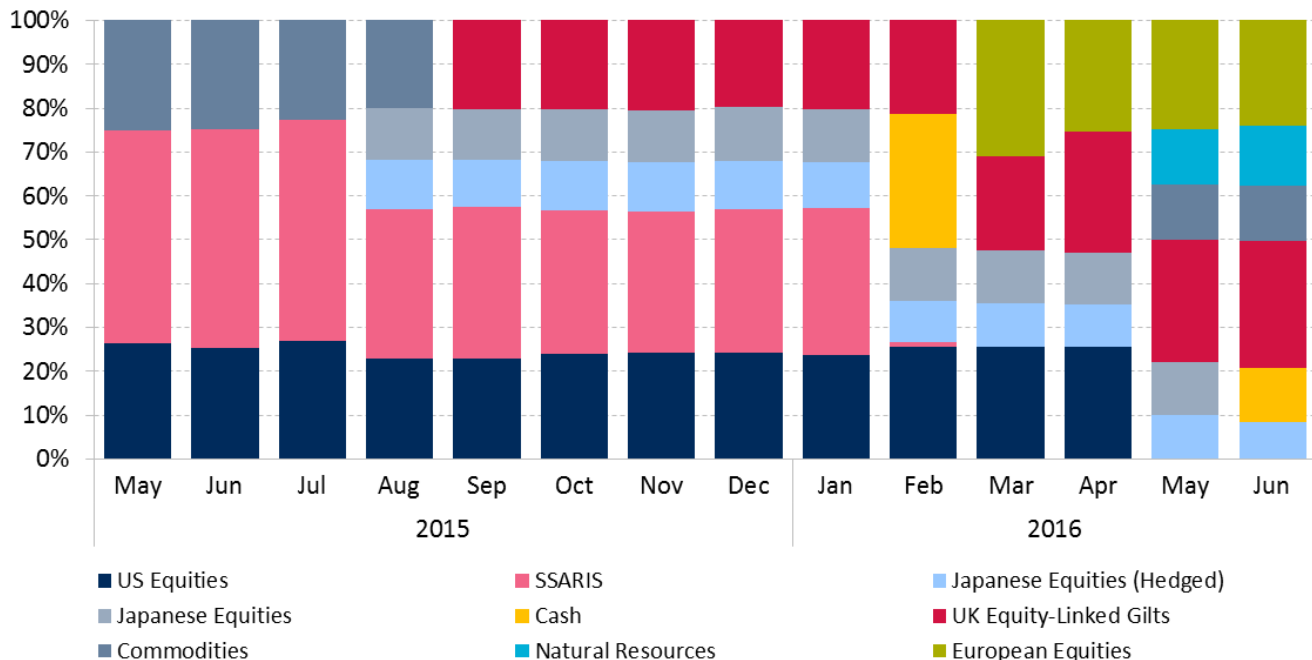
The Fund has a strategic allocation of 17% to Active Global Equities and 19% exposure to Passive Developed Equities (through Equity Total Return Swaps within the LDI mandate) and other varying exposures through the Tactical Portfolio. Hence, in years where Equities perform well the investment performance of the Clwyd Fund may lag most of its peers in the LGPS. However, the Fund has already established material protection of its interest rate risk and inflation risk through the design and implementation of the Flightpath/De-Risking Framework. As a result of the hedging that has taken place until 31 March 2016 it is estimated that the impact has been to improve the funding position of the Fund by c.£85m.

JLT, as the Fund's Investment Consultant, undertook a fundamental review of the investment strategy in 2014 and the recommendations were accepted by Committee at their November 2014 meeting. During 2015/16 the implementation of these recommendations were finalised.

The reorganisation of the Fund's previous Global Tactical Asset Allocation Portfolio was completed and, as part of this, the Fund's previous allocation to Hedge Funds was restructured. The ManFRM Managed Account Platform (MAP) was implemented with effect from 1 September 2015 and includes Managed Futures and Hedge Funds. In addition the legacy Hedge Fund holdings in Duet, Liongate and Pioneer were incorporated onto the MAP pending their full redemption, given the illiquid nature of some of the underlying positions in these Funds. The proceeds from the redemption of Bluecrest and SSARIS were used to part fund the allocation to the ManFRM MAP.

As highlighted earlier, a Tactical Allocation Portfolio was established which includes a Diversified Growth Portfolio comprising two DGF managers (Investec and Pyrford) and a Best Ideas Portfolio. The Best Ideas Portfolio was implemented at the end of May 2015 which initially included Wellington Commodities (via an Opportunistic Fund) and a portion of the SSARIS assets, however, both positions were subsequently exited. 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.

Throughout the year under review a number of positions have been taken within the underlying composition of this portfolio as demonstrated in the chart below, which also includes some of the allocation changes that have been implemented in early 2016/17. There is a monthly meeting of the Tactical Asset Allocation Group with JLT to monitor and review the portfolio. A robust process has been put in place with a transparent audit trail (including minutes of all meetings) documenting any changes and decisions together with their rationale.



The chart demonstrates the diversified nature of the holdings within the Best Ideas Portfolio which includes regional Equities, Commodities and UK Equity Linked Gilts. It also shows how the underlying holdings have changed following decisions that have been taken by the Tactical Asset Allocation Group since its inception.

The Fund's current strategic asset allocation, strategic and conditional ranges (established following the 2014 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	6.5%	5.0 – 7.5	0 – 15
Frontier Markets Equity	2.5%	1.0 – 4.0	0 – 5
Multi-Asset Credit	15.0%	12.5 – 17.5	
<i>Government Bonds</i>			0 – 30
<i>Corporate Bonds</i>			0 – 30
<i>Overseas Government Bonds</i>			0 – 30
<i>Emerging Market Debt</i>			0 – 30
<i>High Yield Debt</i>			0 – 30
Managed Account Platform	9.0%	7.0 – 11.0	
<i>Hedge Funds</i>	3.0%		0 – 15
<i>Managed Futures</i>	6.0%		0 – 10
Tactical Allocation Portfolio	19.0%	15.0 – 25.0	10 – 30
<i>Diversified Growth</i>	10.0%		5 – 15
<i>Best Ideas Portfolio</i>	9.0%		5 – 15
Private Markets / Opportunistic	10.0%	8.0 – 12.0	8 – 12
Property	7.0%	5.0 – 10.0	5 – 15
Infrastructure*	4.0%	2.0 – 7.0	2 – 10
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 2016 and 31 March 2015.

Manager	Mandate	Strategic Allocation 15/16	Allocation 31/03/15	Allocation 31/03/16
Equities				
Investec Asset Management	Global Equity	8.0%	7.4%	7.1%
Duet Asset Management	Global High Alpha	0.0%	3.6%	0.0%
Wellington Management International Ltd	Emerging Markets Equity	6.5%	6.1%	5.6%
Aberdeen Asset Management	Frontier Markets Equity	2.5%	0.7%	1.9%
Multi-Asset Credit				
Stone Harbor Investment Partners	Multi-Asset Credit	15.0%	12.4%	12.3%
Managed Account Platform				
ManFRM	Managed Futures & Hedge Funds	9.0%	0.0%	9.1%
ManFRM	<i>Hedge Funds (Legacy)*</i>		3.5%	1.0%
Tactical Allocation Portfolio				
Pyrford International	<i>Diversified Growth</i>	5.0%	4.3%	4.4%
Investec Asset Management	<i>Diversified Growth</i>	5.0%	4.3%	4.1%
Consultant	<i>Best Ideas Portfolio</i>	9.0%	1.9%	7.9%
BlackRock	Global TAA	0.0%	3.6%	0.0%
BlueCrest	Macro Fund of Funds	0.0%	2.5%	0.0%
In-House Assets				
Various	Private Markets / Opportunistic	10.0%	10.9%	10.9%
Various	Property	7.0%	7.4%	7.9%
Various	Infrastructure	2.0%	2.4%	2.0%
Various	Timber/Agriculture	2.0%	1.9%	1.9%
Liability Hedging				
Insight	Liability Driven Investments	19.0%	23.7%	22.8%
Cash			3.4%	1.1%

* Hedge Funds (Legacy) includes the Liongate, Pioneer and SSARIS Funds that were transferred to the ManFRM platform on 31 December 2015.

Conclusion and Outlook

In conjunction with the Actuarial Valuation as at 31 March 2016 the investment strategy is being revisited in 2016/17, which will also integrate any revisions to the Flightpath/De-risking Framework. A key component of this is the change to the approach for the 31 March 2016 Actuarial Valuation which integrates the funding and investment strategy in a very transparent way.

Whilst the strategy review is still ongoing and no recommendations have yet been put forward to Committee it is anticipated that there will only be “light touch” changes to the existing strategic weightings. The aim is to reduce the risk within the portfolio whilst being able to generate a return sufficient to meet the actuarial assumptions on funding through a diversification of asset classes. One of the key considerations when reviewing the strategy will be how this can be delivered within the asset pooling framework.

Summary of the Longer Term

The market value of the Fund has increased from approximately £821m in 2006 to approximately £1,381m in 2016. This is detailed in the Financial Performance section of this report.

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

Period (Years)	Clwyd Pension Fund (%) pa	Clwyd Benchmark (%) pa	Average Local Authority (%) pa	Corporate Funds (%) pa
1	-0.1	+1.4	+0.2	+1.3
3	+5.0	+5.7	+6.4	+6.9
5	+5.5	+5.9	+7.1	+8.1
10	+4.3	+5.4	+5.6	+6.1
20	+6.4	+6.4	+6.8	+6.8

Source: JLT Employee Benefits, WM

The table below shows the historic funding, deficit and employer contribution rates. As a result of the advice received by Clwyd County Council (pre Wales local government reorganisation in 1996), during the implementation of the Community Charge, the employers in the Fund received a 'contribution holiday' that allowed the Fund to reduce to a 75% funding position.

Actuarial Valuation	Funding Position (%)	Recovery Period (Years)	Deficit (£m)	Average Employer Rate (%)
2001	77.0	15	158.4	19.5
2004	65.0	20	295.7	20.4
2007	75.0	17	294.0	21.6
2010	72.0	20	376.0	20.7
2013	68.0	18	552.0	27.8

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 are being reviewed in 2016/17 as part of the investment strategy review.

Investments	2001 (%)	2004 (%)	2007 (%)	2011 (%)	2015 (%)	LGPS Average
Equities						
Global Unconstrained	-	-	5.0	5.0	8.0	
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	
Frontier Markets Active	-	-	-	-	2.5	
Developed Passive	-	-	-	19.0	-	
	72.0	66.0	55.0	43.0	17.0	60.0
Fixed Interest						
Traditional Bonds	10.0	9.5	-	-	-	
High Yield/ Emerging	1.5	2.0	-	-	-	
Unconstrained	-	-	13.0	15.0	15.0	
Cash/ Other	2.5	0.5	-	-	-	
	14.0	12.0	13.0	15.0	15.0	19.0
Liability Driven Investment						
	-	-	-	-	19.0	
Alternative Investments						
Property	5.0	7.0	6.5	7.0	7.0	
Infrastructure	0.5	5.0	1.5	2.0	2.0	
Timber/ Alternatives	-	-	1.5	2.0	2.0	
Commodities	-	-	2.0	4.0	-	
Private Equity & Opportunistic	4.5	4.5	6.5	10.0	10.0	
Hedge Fund of Funds	4.0	4.0	5.0	5.0	-	
Hedge Fund Managed Account Platform	-	-	-	-	9.0	
Currency Fund	-	4.0	4.0	-	-	
Tactical Asset Allocation (TAA)	-	2.0	5.0	12.0	-	
Tactical Allocation (Diversified Growth)	-	-	-	-	10.0	
Tactical Allocation (Best Ideas)	-	-	-	-	9.0	
	14.0	22.0	32.0	42.0	49.0	21.0

In House Portfolio

Property	Open Ended Holdings	Schroders Hermes LAMIT Legal and General BlackRock
	Closed Ended Holdings	Aberdeen Property Select (Asia Pacific – 2 funds) BlackRock US Residential Opportunity Fund Bridges Property Darwin Leisure Property Fund InfraRed Active Property (2 funds) Igloo Regeneration Fund Morgan Stanley Global Real Estate (2 funds) Paloma Real Estate Partners Group Global Real Estate (2 funds) Franklin Templeton (2 funds –European and Asia Pacific) Schroders – Columbus UK Real Estate (2 funds) Threadneedle
Timber		RMK Timberland (3 funds) Stafford International Timberland (3 funds)
Agriculture		Insight Global Farmland GMO
Infrastructure		Arcus European Infrastructure Impax New Energy Fund InfraRed (3 funds including Environmental) Innisfree Morgan Stanley – Global (2 funds)
Private Equity	Direct	Access Apax (4 funds) August Equity (2 funds) Bridges Ventures Candover (2 funds) Capital Dynamics (2 funds) Carlyle (2 funds) Charterhouse Capital (3 funds) ECI Ventures (3 funds) Environmental Technologies Fund (2 funds) Ludgate Environmental Fund Granville Baird (2 funds) Parallel Ventures (3 funds) Partners Group Direct
	Fund of Funds	Access Capital (3 funds) Capital Dynamics (7 funds) Crossroads (2 funds) Harbour Vest (6 funds including Cleantech Fund) Hermes Environmental Innovation Partners Group (10 funds) Standard Life Unigestion
Opportunistic		Carlyle Capital Dynamics Dyal II Foresight Regional Investment Marine Capital Eclipse Shipping Marquee Brands

Sustainability Policy

Aim and Definition

The aim of Corporate Governance is to align the interests of individuals, corporations and society. Corporate Social Responsibility is operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has for business.

The Clwyd Pension Fund Policy

The Clwyd Pension Fund has always included a section in the Statement of Investment Principles (SIP) on environmental, social and ethical considerations and corporate governance. However, in light of the publication of the United Nations Principles on Responsible Investment (UNPRI) and the Financial Reporting Council's new Stewardship Code the Fund produced a Sustainability Policy and a Stewardship Code compliance statement as part of the SIP; this can be found within the regulatory documents section of this Annual Report.

The format of the Policy follows that of the UNPRI but, as recognised in the Policy, given the pooled nature of the investments, it would be difficult to become a formal signatory of the UNPRI. However, within the legal framework, constraints and considerations, the 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.

Compared with the previous sections in the SIP on this area, this Policy makes a clear commitment that the Fund will be an active supporter of UN principles. The Policy is specific in the actions the Fund will take in the 7 principle areas:

- Sustainability Approach
- Investment Strategy
- Company Engagement & Voting
- Investment Management & Monitoring of Performance
- Investment Management Selection and Contracts
- Collaboration
- Reporting and Disclosure

Implementation of the Policy

The Sustainability Policy included within the SIP identifies in detail, the approach the Fund will adopt within each of the areas specified above and the Stewardship Code identifies the Fund's compliance.

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 also a member of two bodies, the Local Authority Pension Fund Forum (LAPFF) and the National Association of Pension Funds (NAPF). The LAPFF has 51 LGPS members with combined assets of over £170bn. In line with the Fund's policy LAPFF believe that by actively encouraging companies to comply with best practice shareholder value is improved over the medium and long term. The LAPFF work programme is on-going on projects on overseas employment standards, company workforce practices, and climate change and greenhouse gas emissions. Further details can be found on the LAPFF web site www.lapfforum.org.

The Fund is invested in pooled vehicles, therefore does not own individual shares. However, the Fund's investment managers report on how they voted the shares within the vehicle. In particular if corporate governance concerns are raised by LAPFF or NAPF, these are reported to the fund managers and an explanation is received from the 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 2015/16 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
Aberdeen	53	442	383	28	31	0
Investec	113	1,113	1,010	33	31	46
Pyrford	63	922	856	44	1	21
Wellington	269	3,048	2,294	245	30	479

As can be seen below, as part of the Fund's Property & Private Equity allocation, the Fund invests in environmental and sustainable projects, including Agriculture, Timber, Regeneration, and Environmental Technology Funds.

On-going, the Fund will continue to review the approach taken and welcomes any comments Member Bodies have on the policy, its implementation, and any ideas that might be adopted by LAPFF for future projects.

Year	Investment	Commitment
2006	Igloo Regeneration Fund	£2m
2006	Ludgate Environmental Fund	£1m
2007	Stafford Timberland IV	\$8m
2007	RMK Timberland	\$8m
2008	Environmental Technologies Fund	£3.7m
2008	Ludgate Environmental Fund (additional)	£1m
2008	Stafford Timberland V	€2.6m
2008	RMK Timberland Resources Fund	€2.4m
2008	HSBC Environmental Infrastructure	€5m
2008	Harbour Vest Cleantech Fund	\$7.5m
2009	Impax New Energy	€5m
2010	Hermes Environmental Innovation Fund I	£5m
2010	Ludgate Environmental Fund (additional)	£2m
2011	Stafford Timberland VI	€3m
2011	RMK Timberland	€2.4m
2012	Capital Dynamics US Solar Fund	\$8m
2012	Environmental Technology Fund II	£5m
2013	Insight Global Farmland	\$8m
2013	GMO Farmland Optimisation Fund	\$8m
2013	Ludgate Environmental Fund II	£6m
2013	Threadneedle Low Carbon Workplace Fund	£5m
2013	Bridges Ventures Fund III	£5m
2013	Harbour Vest Cleantech III	\$7.5m
2014	Bridges Property Alternatives Fund II	£5m
2015	Threadneedle Low Carbon Workplace Fund	£3m (additional)

AN UPDATE FROM THE ACTUARY

I am delighted to provide an update from an actuarial perspective on the activities of the Clwyd Pension Fund (CPF) during 2015/16. 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 the CPF Advisory Panel. This forum 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 made excellent progress over the year.

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 put in place to support the overall objective to be fully funded (a solvency level of 100%) in the next 10 to 12 years.

Over 2015/16, the level of risk hedging within the flightpath in did not change (remaining at approximately 20% for interest rates and 40% for inflation rates) as the market yields and the funding level remained below the relevant trigger points.

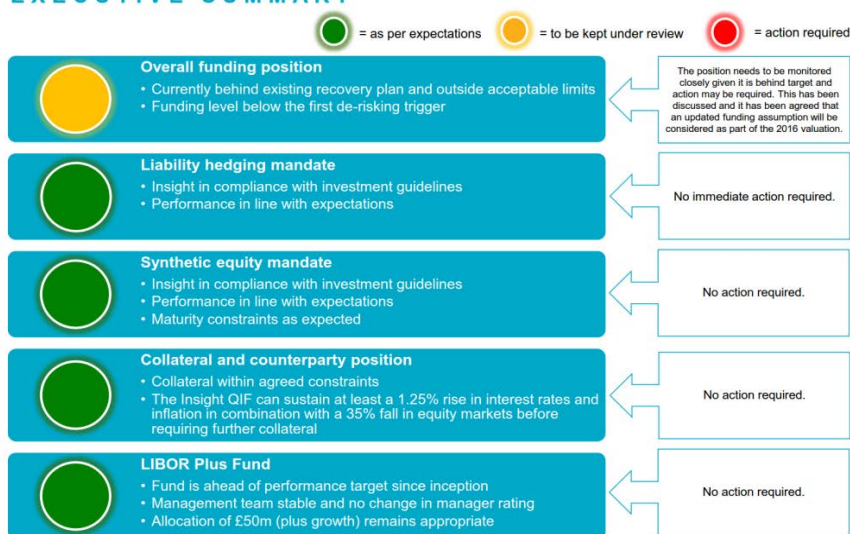
For many pension schemes 2015/16 was a challenging year with reducing market yields affecting investment return expectations and therefore pension fund solvency levels.

For the CPF, the funding plan was behind the target set as part of the 2013 valuation with a solvency level at 62% when measured using the existing approach. However, the CPF is in a relatively unique position as the flightpath strategy has provided protection given the level of risk hedging in place.

Despite the challenging market, the pension fund deficit (which impacts on employer contributions) was actually £85million lower (equating to a funding level 4% higher) than it would otherwise have been, had the current strategy not been implemented.

Whilst the monitoring the funding position is central to my role, it is also important that we ensure other operational aspects of the mandate run by Insight are working correctly as this is critical to the success of the flightpath strategy. We do this by monitoring on a monthly basis using a red/amber/green ("RAG") rating system and the summary at March 2016 is shown here. It can be seen that all aspects, except the funding plan (as discussed earlier), were in line with expectations.

EXECUTIVE SUMMARY



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LOOKING FORWARD

The Fund's next triennial actuarial valuation has an effective date of 31 March 2016 and will give us an opportunity to review the financial health of the Fund and refresh the objectives. I am currently working with Fund Officers to complete this and its outcome will be covered in next year's annual report. The assessment will take into account the experience of the Fund since the previous valuation including demographic factors such as changes in life expectancy and changes in the membership profile. It will also be first valuation that is subject to scrutiny under Section 13 of the Public Service Pensions Act.

Given the market environment we find ourselves in, it has given me the opportunity to reflect on how we approach the valuation and also how we should monitor the position moving forward. My intention is to adopt an approach which integrates the funding and investment strategies more closely. The approach will focus on the linkage between overall investment return expectations versus Consumer Prices Inflation (CPI). All benefits in payment are linked to CPI and so this ultimately drives my liability assessment and therefore the long-term cost to employers.

In tandem with the valuation we will also be reviewing the "flightpath" strategy and refreshing the monitoring framework in place. This will ensure we can take advantage of market opportunities to manage risk in a cost effective way, helping us to ultimately achieve our long-term objectives of full funding and greater certainty in the future for employer contributions.

BREXIT AND BEYOND

Of course, the political and economic landscape has changed significantly since the end of 2015/16 following the outcome of the EU Referendum. This has resulted in a period of volatility on investment and currency markets. In response to this, further Quantitative Easing was adopted by the Bank of England, and it also cut the base rate to 0.25% and we cannot rule out further cuts. If this persists then it could impact investment returns in the long-term and so pushing up funding costs. This is something that we will be considering as part of the valuation noting that the flightpath strategy has provided even further protection to the funding position since the vote.

My view, in the face of this uncertainty, is there should be no "knee-jerk" reactions and rather a more considered approach should be taken to ensure that both the investment and funding approaches are sufficiently robust to withstand such challenges going forward.

It is my belief that the strong governance structure within which the Fund operates, we are well placed to navigate these turbulent times.



Paul Middleman FIA

Pensions Administration Update 2015/16

Introduction

The Fund's day to day administration service is provided by the Pension Administration Section which consists of a total of 22 Full Time Equivalent (FTEs) members of staff including a Pension Administration Manager. It is split between an Operational Team and a Technical Team, and is separate from the Finance Team.

The Operational Team of 13.8 FTEs delivers a pensions service for over 41,000 scheme members and 28 employing bodies. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team of 8.2 FTEs implements and maintains the pension software systems, reconciles employer records, provides a communication service for members and employers and a pensioner payroll service for 11,000 pensioners and dependents.

Challenges

Task Management review

In order to record more accurate and relevant workflow data the task management system continues to be reviewed and updated with the introduction of task auto assignment.

Backlog Management

- Backlog now outsourced to Mercers (our actuaries) and is now in the final stages
- Clwyd Pension Fund are on hand to answer any of Mercer's queries

The End of Contracting Out

The ability of Defined Benefit (DB) schemes to contract-out of the State Second Pension ended on 6 April 2016, following the introduction of the single tier state pension. For employers with DB schemes which remain open to future accrual, this increased National Insurance (NI) costs for employers and members.

GMP reconciliation

The ending of contracting-out brought the need to reconcile Guaranteed Minimum Pensions (GMPs) accrued between 1978 and 1997 with the National Insurance Contributions Office (NICO). This is a time-consuming process of comparing scheme GMP records with NICO's GMP records and resolving any discrepancies, a process which can take years and can lead to additional GMP liabilities if the scheme cannot prove that NICO's records are incorrect.

Reconciliation deadlines

- HMRC will no longer respond to GMP queries from December 2018
- All queries must be resolved prior to this date or accept any liability
- Active membership details for active reconciliation released in 2017
- Deadline for Active membership reconciliation also December 2018

Clwyd Pension Fund are currently reviewing the resources required to complete this project.

Day to day projects

- Run Pensions Increase x3 (test/provisional/actual)
- Run CARE revaluation
- Year-end returns uploaded on Altair
- Paying £4.5m every month to current pensioners
- Backlog of transfers and aggregation

- Disaster recovery
- Reporting Lifetime Allowance (LTA) and Annual Allowance (AA) – Support for high earners
- Bilingual library
- Reducing manual calculations (errors on Heywood's list that require manual intervention)
- Simplified way of notifying LTA%

Communications

During the 2015/16 financial year, the Clwyd Pension Fund has published and distributed the following communications:-

- Distributed issue 11 of Clwyd Catch Up – a newsletter for our pensioner members which is issued along with their pensions increase notification.
- Circulated issue 20 of Penpal – a newsletter that is sent to our active members informing them of changes to pension legislation.
- Distributed benefit statements to both active and deferred Local Government Pension Scheme members.
- Included issue 5 of Pension Extra newsletter with the Active Annual Benefits statements.
- Between April 2015 and March 2016 the following have taken place:
 - 23 days of drop-in surgeries for scheme members at their workplace
 - 7 pre-retirement seminars

The Website is invaluable in giving both member and Fund Employers access to pension forms, reducing paperwork and postage costs. This is also a useful tool to communicate LGPS matters to our members, pensioners, employers, and also anyone interested in our Governance and Investments. The website continues to be maintained and updated when required, however a full review and update will be undertaken during the coming months.

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

Developing the Service

The Clwyd Pension Fund is dedicated to improving its service delivery to employers, scheme members and pensioners by:

- Reviewing its service level agreements with employers on an annual basis.
- Maintaining an effective business continuity plan
- Adhering to the recently formulated Administration Strategy
- Attending manager meetings to discuss LGPS administration and also current regulation issues
- Attending LGPS training courses to ensure staff skills and LGPS knowledge are up-to-date
- Introducing software, provided by a third party, to assist employers in addressing their Auto Enrolment obligations, in respect of record keeping and reporting on employee data. In addition it is a filter for the flow of information from a Scheme Employer to the Administering Authority
- Developing Member Self Service software, enabling members to view their individual details online

In 2015/16 progress continued to be made with the new operational model for the Fund. Each Team Leader looks after set scheme employers, giving a direct point of contact and reinforcing the Fund/Employer relationship. There is on-going work with our larger employers on data quality and correcting a backlog of historic records in line with the Pension Regulator's new Code of Practice.

Administrative Management Performance

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

Cases completed 2015/16:

Case Type	Cases
New Starters	1,525
Address changes	1,528
Defers	522
Retirements (all types)	672
Estimates (all types)	571
Deaths (deferred, active and pensioners)	320
Transfers In	68
Transfers Out	33

Staff Turnover 2015/16

Description	Number
Total Staff as at 31/03/2016	22
Staff leaving up to 31/03/2016	1
Staff joining up to 31/03/2016	1

Ratio of Pensions Staff to LGPS Members 2015/16:

Although there are 22 full time equivalent members of staff, only 13.8 full time equivalent staff deal with administration. The remaining 8.2 staff deal with I.T., pension payroll and communications.

As at 31/03/2016, there were 41,665 members of the Clwyd Pension Fund. This means that there are 1,894 members per Pension's staff member.

Member Trends: 5 Years

Period from – to	Contributors	Deferred Members	Pensioners	Dependant Pensioners
01/04/2011 – 31/03/2012	14,939	7,008	7,662	1,443
01/04/2012 – 31/03/2013	14,920	7,539	8,386	1,488
01/04/2013 – 31/03/2014	16,133	8,307	8,805	1,562
01/04/2014 – 31/03/2015	15,941	9,026	9,272	1,591
01/04/2015 – 31/03/2016	15,989	10,271	9,862	1,616

Pensioners who were awarded enhanced retirement benefits:

Period from – to	No. of Enhanced Benefits
01/04/2011 – 31/03/2012	22 Members (tier 1 & 2 ill health only)
01/04/2012 – 31/03/2013	15 Members (tier 1 & 2 ill health only)
01/04/2013 – 31/03/2014	26 Members (tier 1 & 2 ill health only)
01/04/2014 – 31/03/2015	11 Members (tier 1 only)
01/04/2015 – 31/03/2016	18 Members (tier 1 only)

Internal Dispute Resolution Procedure

Due to the open door policy within the department, the majority of cases where dissatisfaction is raised, are resolved by the Pensions Administration Manager and the Principal Pensions Officers.

An appeal may be against either the former employer or the administering authority (Flintshire CC). This depends on what the appeal is against. Some examples are given below:

Employer Decisions

- termination of employment on medical grounds
- calculation of final year's pay for benefits
- what counts as pensionable pay of various pay allowances

Administering Authority Decisions

- counting of service in present/previous employments
- award of spouse/children benefits
- death grant nominations

2015/16	Received	Upheld	Rejected	Ongoing
Stage 1 - Against Employers	6	2		4
Stage 1 - Against Administering Authority	2		1	1
Stage 2 - Against Employers	1	1		
Stage 2 - Against Administering				

The ongoing appeals were subsequently upheld.

Written appeal applications must be made within six months. The formal right of appeal is in two stages. If you are dissatisfied with the stage one decision you may go to the second stage. The Chief Executive has appointed a suitably qualified officer to hear stage two appeals.

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 Gareth Owen Flintshire County Council, Legal Department, County Hall, Mold, CH7 6NA

National Fraud Initiative (NFI)

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

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

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

In addition to this, Clwyd Pension Fund uses a mortality screening service provided by Atmos, which informs us of deceased members.

Analysis of Pension Overpayments and Write Offs

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

	2015/16 £	2014/15 £	2013/14 £	2012/13 £	2011/12 £
Amounts under £100	6,062	4,228	5,975	3,443	4,954
Number of cases	146	108	129	97	99
Overpayments Recovered	28,126	21,612	19,518	39,625	24,214
Number of cases	77	40	57	51	34
Overpayments Written Off	1,284	5,647	402	0	6,146
Number of cases	5	10	2	0	5

Participating Employers of the Fund at 31 March 2016

The Fund had 28 bodies who contributed to the Fund during 2015/16, 20 scheduled and 8 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 2015/16 is shown below.

Scheduled Bodies	Employer Contribution (£)	Employee Contribution (£)
Flintshire County Council	20,193,130.26	5,021,190.11
Wrexham County Borough Council	18,306,769.62	4,131,305.95
Denbighshire County Council	13,961,277.94	3,564,269.35
Glyndwr University	1,673,122.77	500,412.46
Coleg Cambria	1,381,922.63	659,502.32
North Wales Fire Service	1,134,203.67	287,684.35
Rhyl Town Council	75,607.83	7,316.90
North Wales Valuation Tribunal	46,459.94	9,965.60
Hawarden Town Council	33,361.81	9,666.46
Prestatyn Town Council	22,663.06	9,299.94
Caia Park Town Council	21,691.09	5,525.59
Coedpoeth Town Council	18,753.68	3,376.18
Buckley Town Council	17,277.48	4,577.40
Connah's Quay Town Council	13,374.28	5,679.31
Mold Town Council	12,267.08	3,980.40
Rhos Town Council	11,990.24	3,478.93
Shotton Town Council	6,120.64	1,697.88
Argoed Town Council	4,386.44	1,112.04
Offa Town Council	2,979.24	1,329.20
Llanasa Town Council	221.00	0.00

Admitted Bodies	Employer Contribution (£)	Employee Contribution (£)
Careers Wales	322,929.67	88,009.29
Civica UK	245,293.42	84,856.97
Wrexham Commercial Services	142,789.98	44,465.18
Cartref y Dyffryn Ceiriog	55,837.65	3,303.10
Bodelwyddan Castle Trust	40,822.34	14,104.25
Denbigh Youth Group	7,995.32	1,672.07
Compass Group UK	6,427.15	2,008.96
Denbighshire Voluntary Services	5,617.52	787.56

There have been two additional bodies admitted to the Fund during 2015/16, Denbigh Youth Group and Civica UK. No bonds or any other secured funding arrangements have been facilitated.

The results of the March 2013 Actuarial Valuation led to new employer contributions and funding plans which were discussed and agreed with individual employers. These contributions came into effect on 1st April 2014.

The Pensions Regulator allows the Fund the option to levy interest on overdue contributions during the financial year. During the year the Fund monitored timeliness of contributions and liaised with employers to overcome any problems they may be encountering. The analysis below shows the number of late contributions made to the Fund, along with the amounts and occasions concerned. The Fund did not exercise its option to levy interest against any of the employers during the year. Two employers pay well in advance of the required limit for eleven months and pay one month late after summer recess. The other two employers concerned underwent changes to personnel which resulted in some delays. The payments totalled £19,890.17 (0.03% of the total contributions)

Employer	Late Occasions	Contributions (£)
A	8	11,047.41
B	2	6,704.98
C	1	1,671.24
D	1	466.54

Administrative Responsibilities:

The Clwyd Pension Fund is solely responsible for the administration of pensioner payroll. The administration for scheme members is mainly the responsibility of the Clwyd Pension Fund although the Employers must adhere to certain standards set out in the Service Level Agreements. For example, the Employers must supply the Clwyd Pension Fund with documents in a timely manner in order for benefits to be calculated as soon as possible.

Although the Clwyd Pension Fund has the power to seek compensation from Employers in respect of any breaches of such standards, the Clwyd Pension Fund has not used this power.

Other Information

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

Analysis of Employers of the Fund

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

	Active	Ceased	Total
Scheduled body	20	8	28
Admitted body	8	6	14
Total	28	14	42

Analysis of Fund Assets

The table below provides an analysis of the Fund's assets as at 31 March 2016.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	104,121	98,705	202,826
Alternatives	113,551	196,792	366,258	676,601
Bonds & LDI	315,530	0	170,331	485,861
Property (Direct)	0	0	0	0
Cash	15,034	0	0	15,034
Total	444,115	300,913	635,294	1,380,322

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

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

Analysis of Investment Income

The table below provides an analysis of the Fund's investment income accrued as at 31 March 2016.

	UK £000	Non –UK £000	Global £000	Total £000
Equities	0	0	0	0
Alternatives	4,517	1,288	0	5,805
Bonds & LDI	0	0	0	0
Property (Direct)	0	0	0	0
Cash	58	0	0	58
Total	4,575	1,288	0	5,863

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 3 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. Fees for 2015 were restated to include reclassified or additional costs which were provided after the 2014/15 accounts were finalised.

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	2016 £000	Avg bps	2015 (Restated) £000	2015 £000
CORE (79% of Fund)	73	7,680	90	9,222	8,801
Total expenses including AMC	53	5,578	65	6,672	6,152
Underlying Fees (includes performance)	17	1,778	10	1,015	833
Performance Fees	2	219	4	439	720
Transaction Fees	1	105	11	1,096	1,096
NON CORE (21% of Fund)	338	10,492	262	7,326	8,362
Total expenses including AMC	198	6,132	161	5,161	4,078
Underlying Fees (includes performance)	46	1,423	23	733	1,058
Performance Fees	82	2,577	64	2,037	1,759
Transaction Fees	12	380	13	431	431
TOTAL	133	18,172	131	17,584	16,127
Total Fees Excluding Underlying	110	14,971	118	15,836	
Net Assets (Core)		1,054,945		1,024,111	
Net Assets (Non-Core)		310,343		319,663	
Total Net Assets (excluding cash)		1,365,288		1,344,774	

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 79% of the Fund assets but only 42.3% 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 21% of the Fund assets the proportion of fees amounts to 57.7%. These figures include the underlying fees. (In comparison, excluding underlying fees, the proportion of fees for core assets is 39.4% and non-core, 60.6%)

A review of strategy was undertaken by the Fund Consultant in 2014/15 which resulted in changes which transitioned during 2015/16. These changes should result in savings across the Core Assets. The part year benefits from this review resulted in a decrease of 17 bps across the core asset portfolio.

The increase in non-core fees reflects more transparency from the fund managers rather than an increase in true manager fees.

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.

The net return for the Fund for the 12 months to March 2016 was -0.1% of which the returns were attributed as non-core assets, +12.6% and core assets -3.45%.

For the 3 year period, the Fund returned +5.0% of which core attributed +3.69% whilst non-core attributed +9.2%.

Auditor General for Wales' statement to the Members of Clwyd Pension Fund

I have examined the pension fund accounts and related notes contained in the 2015-16 Annual Report of Clwyd Pension Fund to establish whether they are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced Flintshire County Council for the year ended 31 March 2016 which were authorised for issue on 29 September 2016. The pension fund accounts comprise the Fund Account and the Net Assets 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 the consistency of the pension fund accounts and related notes contained in the Annual Report with the pension fund accounts and related notes included in the Statement of Accounts of the Administering Authority. 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 Governance Structure & Overview of the Clwyd Pension Fund, Overview of Pension Fund Risks, Independent Advisor Report, Pension Board Annual Report, Financial Performance, Cash Flow, Investment Policy and performance, Sustainability and Voting, Actuarial Funding and Flightpath, Administration Update and other Regulatory and Best Practice information.

I conducted my work based on the requirements of Bulletin 2008/3 issued by the Financial Reporting Council. My report on the pension fund accounts and related notes included in the Statement of Accounts produced by Flintshire County Council describes the basis of my opinion on those accounts.

Opinion

In my opinion the pension fund accounts and related notes included in the Annual Report of Clwyd Pension Fund are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by Flintshire County Council for the year ended 31 March 2016 which were authorised for issue on 29 September 2016 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 authority's Statement of Accounts, 29 September 2016, and the date of this statement.

Anthony Barrett
For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
10 October 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Regulatory Documents

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2016

THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND

The Clwyd Pension Fund is administered by Flintshire County Council on a lead authority basis. The administration and investment strategy of the Fund is set annually by the Clwyd Pension Fund Committee, consisting of eight elected Members and one employee representative, each with equal voting rights, access to training and to information. The Fund's investment management arrangements were implemented by twelve investment managers during 2015/16.

The Clwyd Pension Fund is a statutory Local Government Pension Scheme (LGPS), set up to provide death and retirement benefits for local government employees, other than teachers, police and firefighters in North East Wales. In addition, other qualifying bodies that provide similar services to that of local authorities have been admitted to membership of the LGPS and hence the Fund.

The Clwyd Pension Fund operates a defined benefit scheme whereby retirement benefits are funded by contributions and investment earnings. 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 2016. Employee contributions are added to employer contributions which are set based on triennial actuarial funding valuations. The benefits of the scheme are also prescribed nationally by the 2013 Regulations (as amended). The last valuation was at 31st March 2013, the findings of which became effective on 1st April 2014. The valuation showed that the funding level decreased from the previous valuation (31st March 2010) from 72% to 68%. The employers' contribution rates are structured to achieve a gradual return to 100% funding level over an 18 year period from April 2014. This implies an average employer contribution rate of 13.8% and a total payment of £32.6m per annum for deficit contributions, increasing at 4.1% per annum. The LGPS (Management and Investment of Funds) Regulations 2009 (as amended) contains rules governing the management of the Fund, Investment Managers, Investments and use of Fund money and restrictions on investments.

Membership of the LGPS is voluntary and 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 contractors undertaking a local authority function following outsourcing to the private sector.

The membership of the Fund as at 31st March 2016 and 2015 is shown below:

	2016 No.	2015 No.
Active Members	15,989	15,941
Pensioners & Survivors		
Ex employees	9,862	9,272
Survivors	1,616	1,591
Other		
Preserved benefits/ Undecided	13,176	12,433
Frozen Refund	1,022	871
	<u>41,665</u>	<u>40,108</u>

CLWYD PENSION FUND ACCOUNTS

The scheduled bodies which contributed to the Fund during 2015/16 are:

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

The admitted bodies contributing to the Fund are:-

Other: Careers Wales, Cartref y Dyffryn Ceiriog, Compass Group UK, Denbighshire Voluntary Services, Bodelwyddan Castle Trust, Civica UK, Denbigh Youth Group, Wrexham Commercial Services.

Further information is available in the Clwyd Pension Fund Annual Report and Statement of Investment Principles which are presented to the Annual Joint Consultative Meeting for employers and member representatives that is held annually.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year end as at 31st March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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) 19 basis, is disclosed at Note 16 of these accounts.

In summary, accounting policies adopted are detailed as follows:

- Contributions, benefits and investment income due are included on an accruals basis.
- Investments are included in the accounts at market value, usually bid price.
- Debtors and creditors are raised for all amounts outstanding at 31st March.
- Individual Transfer values received and paid out have been accounted for on a cash basis.
- Bulk Transfer values paid out are accounted for on an accruals basis.
- The financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.
- 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.
- Administration expenses are 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.
- Acquisition costs of investments include all direct transaction costs and sales receipts are net of all direct transaction costs.

CLWYD PENSION FUND ACCOUNTS

			2016		2015	
	Note	£000	£000	£000	£000	£000
Contributions and Benefits						
Contributions receivable :						
From employers (Normal)	1	(30,488)		(29,434)		
From employers (Deficit)	1	(27,277)		(28,590)		
From employees or members	1	<u>(14,471)</u>		<u>(14,929)</u>		
			(72,236)		(72,953)	
Transfers in		(1,691)		(2,202)		
Other income		<u>(3,077)</u>		<u>(3,726)</u>		
			<u>(4,768)</u>		<u>(5,928)</u>	
				(77,004)		(78,881)
Benefits payable :						
Pensions	1	52,922		50,338		
Lump sums (retirement)	1	14,029		14,544		
Lump sums (death grants)	1	<u>2,247</u>		<u>1,807</u>		
			69,198		66,689	
Payments to and on account of leavers :						
Refunds of contributions		121		83		
Transfers out (individual)		1,936		1,788		
Transfers out (bulk)	2	3,889		0		
Other		129		165		
Expenses borne by the scheme	3	<u>17,621</u>		<u>18,289</u>		
			<u>23,696</u>		<u>20,325</u>	
				92,894		87,014
NET (ADDITIONS) WITHDRAWALS				15,890		8,133
Returns on Investments						
Investment income	5		(5,863)		(5,345)	
Change in market value of investments (Realised and Unrealised) [(Increase)/Decrease]	5		4,706		(184,629)	
NET RETURNS ON INVESTMENT				<u>(1,157)</u>		<u>(189,974)</u>
NET DECREASE/(INCREASE) IN THE FUND				14,733		(181,841)
OPENING NET ASSETS OF THE SCHEME				<u>1,395,408</u>		<u>1,213,567</u>
CLOSING NET ASSETS OF THE SCHEME				<u>1,380,675</u>		<u>1,395,408</u>

CLWYD PENSION FUND ACCOUNTS

	Note	2016 £000	2015 £000
Net Assets Statement			
Investment Assets :	5/6		
Fixed Interest Securities		170,331	172,749
Managed overseas equity funds		202,826	247,289
Managed multi strategy funds		227,037	205,260
Property funds		109,233	103,522
Infrastructure funds		27,351	34,128
Timberland / Agricultural funds		25,937	26,207
Commodity funds		0	24,962
Private equity funds		139,582	142,808
Hedge Fund		139,221	48,750
Liability Driven Investment		315,530	329,101
Opportunistic Funds		<u>8,240</u>	<u>9,998</u>
		1,365,288	1,344,774
Cash	8	<u>15,034</u>	<u>47,591</u>
		15,034	47,591
Current Assets :			
Due within 1 year	9	<u>5,349</u>	<u>6,236</u>
		5,349	6,236
Current liabilities			
Due within 1 year	9	<u>(4,996)</u>	<u>(3,193)</u>
		(4,996)	(3,193)
NET ASSETS AT 31st MARCH		<u>1,380,675</u>	<u>1,395,408</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

1. ANALYSIS OF CONTRIBUTIONS RECEIVABLE/BENEFITS PAYABLE

Contributions represent those amounts receivable from various employing authorities in respect of their own contributions and those of eligible pensionable employees. The total contributions received during 2015/16 amounted to £57.765m (£58.024m in 2014/15) from employers and £14.471 m (£14.929m in 2014/15) from employees.

The employers total comprised an amount of £30.488m (£29.434m in 2014/15) relating to the common contribution rate average of 13.8% paid by all employers and £27.277m (£28.590m in 2014/15) relating to the individual adjusted rates and additional contributions paid in respect of deficit funding for individual employers.

Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year.

Analysis of contributions received and benefits payable is shown below:

	2016		2015	
	Benefits Payable	Contributions Receivable	Benefits Payable	Contributions Receivable
Scheduled Bodies	£000	£000	£000	£000
Flintshire County Council	23,903	25,215	24,610	24,648
Wrexham County Borough Council	21,199	22,438	20,241	21,789
Denbighshire County Council	16,632	17,525	14,895	17,549
Fund apportionment with:				
Gwynedd and Powys County Councils	2,317	0	2,353	0
Educational Organisations	3,191	4,215	2,982	6,737
Town and Community Councils	124	298	131	286
Others - scheduled bodies	888	1,478	605	1,359
Others - admitted bodies	944	1,067	872	585
	<u>69,198</u>	<u>72,236</u>	<u>66,689</u>	<u>72,953</u>

The above merely reflects the figures in the accounts. The circumstances pertaining to each of the bodies listed is different for a variety of reasons (contribution and pensioner profiles, employees' contribution rates, early retirement experience etc.) and direct comparisons, therefore, are largely meaningless.

2. BULK TRANSFER

The bulk transfer amount of £3.889m referred to in the accounts relates to monies paid to Gwynedd Pension Fund in relation to Education staff who were transferred from Flintshire County Council, Denbighshire County Council and Wrexham Borough County Council.

3. EXPENSES BOURNE BY THE FUND

The regulations permit the Council to charge the cost of administering the scheme to the Fund. The external managers' fees have been accounted for on the basis contained within their management agreement.

The cost of pension administration and investment management is shown in the following table. The main increase in oversight and governance expenses relates to new appointments of an external consultant and an independent advisor, both of whom have contributed to a major review of the Fund's investment strategy and changes to the governance structure of the Fund. The consultancy fees also reflect the ongoing monitoring of the Long Term Management of Funding Risk mandate.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	2016	2015
	£000	£000
Oversight & Governance		
Employee Costs	225	218
Support Services	31	33
Supplies and Services	54	49
Consultancy & Actuarial	818	750
Audit	39	37
Legal	35	21
	<u>1,202</u>	<u>1,108</u>
Investment Management Fees		
Net Fund Management Fees	14,971	16,127
Custody Fees	28	32
Performance Monitoring Fees	30	20
	<u>15,029</u>	<u>16,179</u>
Administration Costs		
Employee Costs	603	592
Support Services	146	156
Outsourcing	404	32
Supplies & Services	237	222
	<u>1,390</u>	<u>1,002</u>
Total Fees	<u>17,621</u>	<u>18,289</u>

Investment management fees are broadly based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. The Fund is invested in pooled vehicles of which the majority of fees are charged within the Funds. The 2014/15 CIPFA guidance required pension funds to include all investment manager fees including those which are deducted at source to fund of fund investments. The 2014/15 Investment Management Expenses figure of £16.127m, reported in the 2014/15 accounts, therefore included £1.891m of underlying fees. In addition to the underlying fees the guidance also required Funds to include transaction costs (which were previously included in a narrative note only) therefore £1.527m of transaction costs were also included within the £16.127m.

The CIPFA guidance has been revised in 2015/16 and has clarified the position with regards to underlying fees, invoking the accounting principle of control. The guidance clarifies that Funds should only include fees where they have a direct relationship with the investment manager, meaning that underlying fees should not be included within the Management Expenses total. This information remains disclosable within the Fund's Annual Report.

The Fund Management Fees shown overleaf show the fees for 2015/16, 2014/15 as well as the equivalent for 2014/15 if restated to take account of the 2015/16 guidelines. Total expenses include Annual Management Charges from Fund Managers and also any additional costs such as operational, administrative and legal costs. The fees for 2014/15 have also been adjusted to include reclassified or additional costs which were provided after the 2014/15 accounts were finalised.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	2016	2015	If restated 2015
	£000	£000	£000
Fund Management Fees			
Core			
Total Expenses including AMC	5,578	6,152	6,672
Underlying Fees	0	833	0
Performance Fees	219	720	439
Transaction Fees	105	1,096	1,096
Non-Core			
Total Expenses including AMC	6,132	4,078	5,161
Underlying Fees	0	1,058	0
Performance Fees	2,557	1,759	2,037
Transaction Fees	380	431	431
	<u>14,971</u>	<u>16,127</u>	<u>15,836</u>

Non-Core refers to Property, Infrastructure, Private Equity, Opportunistic and Timber and Agriculture investments.

Total fees as a percentage of the net asset value of the fund was 1.09% for 2015/16 (1.16% 2014/15).

4. INVESTMENTS AND PERFORMANCE

Further details on the investment strategy are available in the Statement of Investment Principles which can be obtained from the Clwyd Pension Fund Manager, County Hall, Mold, CH7 6NA (Web site www.clwydpensionfund.org.uk or Telephone 01352 702264).

The Council uses the investment performance services of the WM Company and JLT Consultants. Their reports for the financial year 2015/16 showed that the Fund achieved an overall return of -0.1% from its investments (+14.0% in 2014/15). This compares with the Fund's benchmark return of +1.4% for the year.

5. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS

Overview

The Fund invests its surplus monies in assets through a wide range of managers. All these main investments are through pooled vehicles where the Fund is one of many investors and where these pooled monies are invested on a common basis although, in the Fund's alternative assets, there are a couple of quoted holdings. Generally, however, the Fund has no direct holdings of equities, bonds, properties, private equity companies, commodities or other financial instruments.

Transactions and Return on Investments

Details of the 2015/16 investment transactions and the net profit on sales of £4.840m (£57.213m in 2014/15) together with investment income of £5.863m (£5.345m in 2014/15) are set out below. The unrealised loss for 2015/16, because of the change in the market value of investments, amounted to (£9.546)m (£127.416m increase in 2014/15). Therefore, the decrease in market value of investments (realised and unrealised) is (£4.706)m (£184.629m increase in 2014/15).

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Market Value 2014/15 £000	Purchases £000	Sales £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2015/16 £000	Investment Income £000
Fixed Interest Securities	172,749	0	0	0	(2,418)	170,331	0
Liability Driven Investment	329,101	0	0	0	(13,571)	315,530	0
Overseas Equities Active	247,289	19,909	(50,115)	995	(15,252)	202,826	0
Multi Strategy	205,260	179,620	(148,422)	4,103	(13,524)	227,037	0
Property	103,522	7,192	(10,544)	1,663	7,400	109,233	2,741
Infrastructure	34,128	78	(10,509)	12	3,642	27,351	1,125
Timber & Agriculture	26,207	782	(2,306)	0	1,254	25,937	94
Commodities	24,962	0	(25,703)	(12,246)	12,987	0	0
Private Equity	142,808	21,935	(40,980)	9,669	6,150	139,582	1,644
Opportunistic	9,998	4,036	(496)	93	(5,391)	8,240	201
Hedge Fund	48,750	199,280	(109,346)	692	(155)	139,221	0
	<u>1,344,774</u>	<u>432,832</u>	<u>(398,421)</u>	<u>4,981</u>	<u>(18,878)</u>	<u>1,365,288</u>	<u>5,805</u>
Cash	47,591	0	0	0	0	15,034	0
Fees within Pooled Vehicles	0	0	0	0	9,332	0	0
Interest	0	0	0	0	0	0	58
Currency	0	0	0	(141)	0	0	0
	<u>47,591</u>	<u>0</u>	<u>0</u>	<u>(141)</u>	<u>9,332</u>	<u>15,034</u>	<u>58</u>
Total 2015/16	<u>1,392,365</u>	<u>432,832</u>	<u>(398,421)</u>	<u>4,840</u>	<u>(9,546)</u>	<u>1,380,322</u>	<u>5,863</u>
2014/15	<u>1,212,810</u>	<u>142,377</u>	<u>(149,070)</u>	<u>57,213</u>	<u>127,416</u>	<u>1,392,365</u>	<u>5,345</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Market Value 2013/14 £000	Purchases £000	Sales £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2014/15 £000	Investment Income £000
Fixed Interest Securities	174,002	0	0	0	(1,253)	172,749	0
Liability Driven Investment	227,459	0	0	0	101,642	329,101	0
Overseas Equities Active	281,343	15,824	(87,442)	36,439	1,125	247,289	0
Multi Strategy	115,487	85,133	0	0	4,640	205,260	0
Property	97,780	12,170	(20,303)	1,948	11,927	103,522	1,948
Infrastructure	29,636	3,368	(4,385)	163	5,346	34,128	901
Timber & Agriculture	22,382	4,055	(160)	0	(70)	26,207	101
Commodities	32,084	0	0	0	(7,122)	24,962	0
Private Equity	139,799	19,620	(31,226)	3,812	10,803	142,808	2,010
Opportunistic	12,517	2,207	(4,961)	638	(403)	9,998	231
Hedge Fund of Funds	48,393	0	(593)	169	781	48,750	0
	<u>1,180,882</u>	<u>142,377</u>	<u>(149,070)</u>	<u>43,169</u>	<u>127,416</u>	<u>1,344,774</u>	<u>5,191</u>
Cash	31,928	0	0	0	0	47,591	0
Fees within Pooled Vehicles	0	0	0	14,032	0	0	0
Interest	0	0	0	0	0	0	154
Currency	0	0	0	12	0	0	0
	<u>31,928</u>	<u>0</u>	<u>0</u>	<u>14,044</u>	<u>0</u>	<u>47,591</u>	<u>154</u>
Total 2014/15	<u>1,212,810</u>	<u>142,377</u>	<u>(149,070)</u>	<u>57,213</u>	<u>127,416</u>	<u>1,392,365</u>	<u>5,345</u>
2013/14	<u>1,179,061</u>	<u>501,018</u>	<u>(505,043)</u>	<u>107,501</u>	<u>(78,815)</u>	<u>1,212,810</u>	<u>2,721</u>

6. MARKET VALUE OF INVESTMENTS (EXCLUDING CASH AND FUTURES)

The book cost of the investments as at 31st March 2016 is £1,123.290m (£1,083.899m in 2014/15). The market value of investments as at 31st March 2016 is £1,365.288m (£1,344.774m in 2014/15); this can be analysed as follows:

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

By Continent

The UK holdings as at 31st March 2016 account for 31% of total investments at market value:

	2016	2015
	£000	£000
UK	429,081	431,010
Europe	103,471	114,087
North America	93,321	100,667
Emerging/ Frontier markets	104,121	93,653
Global Investments	635,294	605,357
	<u>1,365,288</u>	<u>1,344,774</u>

By Fund Manager

	2016		2015	
	£000	%	£000	%
BlackRock	0	0	50,330	4
Wellington	77,877	6	109,235	8
Aberdeen	26,244	2	9,380	1
Insight	315,530	23	329,101	24
Pioneer	0	0	1,324	0
Liongate	0	0	21,977	2
SSARIS	0	0	25,449	2
Duet	0	0	50,299	4
BlueCrest	0	0	34,409	3
Investec	155,632	11	163,885	12
Stone Harbor	170,331	12	172,749	13
Pyrford	60,992	5	59,973	4
Man FRM	139,221	10	0	0
Consultant "Best Ideas"	109,118	8	0	0
Property	109,233	8	103,522	8
Infrastructure	27,351	2	34,128	2
Timber / Agriculture	25,937	2	26,207	2
Private Equity	139,582	10	142,808	10
Opportunistic	8,240	1	9,998	1
	<u>1,365,288</u>	<u>100</u>	<u>1,344,774</u>	<u>100</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

By Listed /Managed

	Listed Managed	2016 Listed	Unlisted	Listed Managed	2015 Listed	Unlisted
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	0	0	170,331	0	0	172,749
Overseas Equities	202,826	0	0	196,990	0	50,299
Multi Strategy	227,037	0	0	205,260	0	0
Property	38,988	0	70,245	36,018	0	67,504
Infrastructure	0	11,417	15,934	0	6,712	27,416
Timber / Agriculture	0	0	25,937	0	0	26,207
Commodities	0	0	0	0	0	24,962
Private Equity	0	1,998	137,584	0	1,969	140,839
Hedge Fund	0	0	139,221	21,977	0	26,773
Opportunistic	0	0	8,240	0	0	9,998
Liability Driven Investment	315,530	0	0	329,101	0	0
	<u>784,381</u>	<u>13,415</u>	<u>567,492</u>	<u>789,346</u>	<u>8,681</u>	<u>546,747</u>
			<u>1,365,288</u>			<u>1,344,774</u>

7. FAIR VALUE OF INVESTMENTS

Financial Instruments

Whilst the Fund invests almost exclusively through pooled vehicles, the managers of these vehicles invest in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings, unlisted equity products, commodity futures and other derivatives. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). It is effectively a trading activity to generate income rather than an investment. The Fund has no direct exposure to stock lending.

Fair Value – Valuation Bases

Investments are shown in the accounts at fair value as at 31st March 2016 on the following bases.

- UK and overseas listed securities are valued within the respective pooled vehicles using the official bid prices quoted on the relevant stock exchange. Overseas holdings are converted to sterling at an exchange rate quoted at close of business on 31st March 2016.
- Unit trusts are valued at the bid market price.
- Other pooled vehicles are valued at the bid point of the latest process quoted by their respective managers or fund administrators at 31st March 2016. Where a bid price is not available the assets are priced at the net asset value provided.
- Property funds are valued at the bid market price, which is based upon regular independent valuation of the pooled vehicles' underlying property holdings.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

- Private equity holdings are interests in limited partnerships. It is important to recognise the highly subjective nature of determining the fair value of these investments. They are inherently based on forward looking estimates and judgments involving many factors. These holdings are valued based upon the Fund's share of the net assets of the partnership according to the latest financial statements published by the respective managers. Where these valuations are not at the Fund's balance sheet date, the valuations are adjusted having due regard to the latest dealings, asset values and other financial information available at the time of preparing these statements in order to reflect the Fund's balance sheet date. The managers' valuation statements are prepared in accordance with the European Private Equity and Venture Capital Association (EVCA) Guidelines, net of carried interest. These incorporate the US-based FAS157 protocol on valuation approaches –
 - Market – uses prices and other relevant data generated by market transactions involving identical or comparable assets/liabilities (e.g. money multiples)
 - Income – uses valuation techniques to convert expected future amounts to a single present amount (discounted cash flows or earnings)
 - Cost – based upon the amount that currently would be required to replace the service capacity of an asset (adjusted for obsolescence)

Managers are required "to use the method that is appropriate in the circumstances and for which sufficient data is used and to apply the approach consistently until no longer appropriate." It is also possible to use multiple or combinations of approaches. Most private equity managers use a combination of the "market" and "income" approaches.

- Infrastructure investments are generally carried at the lower of cost and fair value, except where there are specific upward or downward valuations. In estimating fair value, managers use their judgment, having regard to the EVCA guidelines noted above for valuing unquoted investments. Upward valuations are considered only where there is validation of the investment objectives and such progress can be demonstrated. Downward valuations are enacted regardless of the investment stage where the manager considers that there is impairment to the underlying investment.
- Timberland investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by underlying managers or vehicles. In circumstances where audited financial statements are not available to 31st March, the valuations are derived from unaudited quarterly reports from the underlying managers or vehicles. Where the timber investments are direct rather than through underlying managers, valuations are based upon regular independent valuation of these holdings.
- Hedge funds are valued monthly to create a net asset value on the basis of the Fund's proportionate share of the value of underlying pools on a manager by manager basis. Generally the fair value of the Fund's investment in a related pool represents the amount that the Fund could be reasonably expected to receive from the pool if the Fund's investment was redeemed at the date of valuation, based upon information reasonably available at the time that the valuation was made and that the fund believes to be reliable.
- Diversified Growth and Multi Strategy funds invest for the most part in markets that are not exchange-based. These include OTC or "interdealer" markets and leverage is utilized by such funds to a significant level. If market prices are not available or do not reflect current market prices, the Fund applies its own pricing policies by reference to such relevant prices as are available to establish a fair value for the assets held.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Fair Value – Hierarchy

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities and unit trusts. Listed investments are shown at bid price.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where those techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would be unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgment in determining appropriate assumption.

The following tables show the position of the Fund's assets at 31st March 2016 and 31st March 2015 based upon this hierarchy.

	Market Value 2015/16 £000	Level 1 £000	Level 2 £000	Level 3 £000
Fixed Interest Securities	170,331	0	170,331	0
Liability Driven Investment	315,530	0	0	315,530
Overseas Equities Active	202,826	60,073	142,753	0
Multi Strategy	227,037	170,110	56,927	0
Property (1)	109,233	0	38,988	70,245
Infrastructure (1)	27,351	11,417	0	15,934
Timber & Agriculture (1)	25,937	0	0	25,937
Private Equity (2)	139,582	1,998	0	137,584
Hedge Fund	139,221	3,889	127,319	8,013
Opportunistic Funds (2)	8,240	0	0	8,240
	<u>1,365,288</u>	<u>247,487</u>	<u>536,318</u>	<u>581,483</u>
Cash	15,034	15,034	0	0
Total 2015/16	<u>1,380,322</u>	<u>262,521</u>	<u>536,318</u>	<u>581,483</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

(1) Property/ Infrastructure/ Timber and Agriculture - Various valuation bases are used. Direct fund holdings are valued based upon independent valuations, these have been classified as level 2, and some funds also often hold joint venture and partnership interests that are subject to a variety of valuation methodologies. To be conservative, these funds have been classified Level 3 unless the fund itself is quoted.

(2) Private Equity and Opportunistic Funds - Various valuation bases are used including cost, quoted prices (often discounted for "lock-ups", transaction multiples, market multiples, future realisation proceeds, company prospects, third party opinion etc. Company and fund valuations often reflect combinations of these valuation bases. To be conservative, all funds have been classified Level 3 unless the fund itself is quoted.

Within the investments shown above as (1) or (2), whilst a small proportion are listed, the majority of the holdings are in unquoted investments; (£296.928m) compared to £307.982m in 2014/15. These are valued at a fair value by the fund managers, using an appropriate basis of valuation. The valuations are reliant upon a significant degree of judgment, and due to the subjectivity and variability of these valuations there is an increased likelihood that the valuations included in the financial statements would not be realised in the event of a sale. The difference could be materially lower or higher.

	Market Value 2014/15 £000	Level 1 £000	Level 2 £000	Level 3 £000
Fixed Interest Securities	172,749	0	172,749	0
Liability Driven Investment	329,101	329,101	0	0
Overseas Equities Active	247,289	237,671	9,618	0
Multi Strategy	205,260	126,556	78,704	0
Property (1)	103,522	0	36,018	67,504
Infrastructure (1)	34,128	6,712	0	27,416
Timber & Agriculture (1)	26,207	0	0	26,207
Commodities	24,962	0	24,962	0
Private Equity (2)	142,808	1,969	0	140,839
Hedge Fund of Funds	48,750	0	45,833	2,917
Opportunistic Funds (2)	9,998	0	0	9,998
	<u>1,344,774</u>	<u>702,009</u>	<u>367,884</u>	<u>274,881</u>
Cash	47,591	47,591	0	0
Total 2014/15	<u>1,392,365</u>	<u>749,600</u>	<u>367,884</u>	<u>274,881</u>

8. INVESTMENT RISKS

As demonstrated, the Fund maintains positions in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings and unlisted equity products. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Procedures for Managing Risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (amended) and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Statement of Investment Principles (SIP) and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. The SIP and FSS can be found on the Fund's website (www.clwydpensionfund.org.uk).

The Fund carries out a formal review of its structure at least every 4 years, usually every 3 years. The last review was carried out in 2014 at which the Fund's Consultants, JLT Group determined that the resulting asset mix coupled with the requirements for certain fund managers to outperform their market indices should produce long-term returns of 7.2% with a volatility of around 11%. A key element in this review process was the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore, alternative assets are subject to their own diversification requirements and some examples are given below.

- private equity – by stage, geography and vintage where funds of funds are not used
- property – by type, risk profile, geography and vintage (on closed-ended funds)
- infrastructure – by type (primary/secondary), geography and vintage
- hedge funds – bespoke funds via a managed account platform

The Fund invests in a Long Term Management of Risk mandate. The strategy provides a framework to enable the Fund to effectively reduce risk when market conditions become more favourable (i.e. bonds become cheaper). The framework includes both market yield based triggers and funding level triggers. In particular, the manager makes use of Liability Driven Investment (LDI) techniques to increase the level of hedging within the Fund. This is achieved through the physical purchase of gilts along with repurchase agreements (repo). These allow the fund to gain "unfunded" exposure to gilts. The manager also replicates the Fund's developed passive equity allocation using Equity Total Return Swaps (TRS).

Roll risk

The LDI manager has the facility to use repurchase agreements, once these agreements mature, they need to be replaced with other contracts to maintain the relevant exposure (known as "rolling" the contract). This involves managing the operational risks raised to ensure sufficient resources are in place to arrange the trades and manage the process. In addition, as a contract matures, the underlying market for repo may become illiquid and at the extreme, the manager may not be able to roll the position. This is mitigated by structuring the overall repo over a range of maturity dates and diversifying counterparty exposure.

Manager Risk

The Fund is also well diversified by manager with no single manager managing more than 23% of Fund assets. On appointment fund managers are delegated the power through an investment management agreement to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. On private equity, property, infrastructure and timber/agriculture, investment is fund rather than manager-specific, with specific funds selected by the in-house team after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above, almost all the Fund's investment are through pooled vehicles and a number of these are involved in derivative trades of various sorts, including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties.

However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk. Once appointed, managers are required to provide copies of their annual internal control reports for review to ensure that the standards expected are maintained.

Deposits are not made with banks and financial institutions unless they are rated independently.

Subject to cash flow requirements, cash can be deposited in one of the following:

- The Pension Fund bank account with the National Westminster Bank for daily liquidity
- A National Westminster deposit account with access up to 180 days' notice.
- A Money Market AAA Fund for unexpected liquidity requirements or higher rates of return.

The Fund believes it has managed its exposure to credit risk and has no experience of default or uncollectible deposits in the last three financial years. The Fund's cash holdings as at 31st March 2016 were £15.034m (£47.591m at 31st March 2015). This was held as follows:

	Rating	2016 £000	2015 £000
Money Market Funds			
BlackRock	AAA	0	482
Bank of New York Mellon	AAA	1,395	3,374
Bank Deposit Accounts			
National Westminster Bank PLC	BBB+	13,619	43,715
Bank Current Accounts			
National Westminster Bank PLC	BBB+	20	20
		<u>15,034</u>	<u>47,591</u>

Within the Fund, the areas of focus in terms of credit risk are bonds and some of the alternative asset categories.

- The Fund's bond portfolio is managed on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2016, the Fund's exposure to non-investment grade paper was £62.171million or 36.5% of the fixed interest portfolio (37.0% at 31st March 2015).
- On private equity and infrastructure the Fund's investments are almost entirely in the equity of the companies concerned.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Liquidity Risk

The Pension Fund has its own bank account. At its simplest, liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, especially pension payments to its members. At a strategic level the Administering Authority, together with its consulting actuary, reviews the position of the Fund triennially to ensure that all its obligations can be suitably covered. Ongoing cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions is also essential and undertaken regularly by the Fund.

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities (including synthetic equity exposure) and bonds now comprise 50% of the Fund's total value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at worst – often weekly or fortnightly.

On alternative assets the position is more mixed. Whilst there are a couple of quoted vehicles here, most are subject to their own liquidity terms or, in the case of property, redemption rules. Closed-ended funds such as most private equity vehicles and some property and infrastructure funds are effectively illiquid for the specified fund period (usually 10 years), although they can be sold on the secondary market, usually at a discount.

The table below analyses the value of the Fund's investments at 31st March 2016 by liquidity profile.

	Market Value 2015/16 £000	1 Month £000	2 - 3 Months £000	3 - 6 Months £000	6 - 12 Months £000	Closed - ended £000	Locked £000
Fixed Interest Securities	170,331	170,331	0	0	0	0	0
Liability Driven Investment	315,530	315,530	0	0	0	0	0
Overseas Equities Active	202,826	200,989	1,837	0	0	0	0
Multi Strategy	227,037	224,191	2,846	0	0	0	0
Property	109,233	0	38,988	0	0	70,245	0
Infrastructure	27,351	11,417	0	0	0	15,934	0
Timber & Agriculture	25,937	0	0	0	0	25,937	0
Private Equity	139,582	1,998	0	0	0	137,584	0
Hedge Fund	139,221	111,391	21,816	0	0	0	6,014
Opportunistic Funds	8,240	0	0	0	0	8,240	0
	<u>1,365,288</u>	<u>1,035,847</u>	<u>65,487</u>	<u>0</u>	<u>0</u>	<u>257,940</u>	<u>6,014</u>

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach was applied and all such investments have been designated "within 2-3 months".

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4).

In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 1997 to 2016. This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation.

As can be seen from the table, even using the conservative basis outlined above, around 76% of the portfolio is realisable within 1 month.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

Market risk is comprised of two elements:

- The risks associated with volatility in the performance of the asset class itself (beta);
- The risks associated with the ability of managers, where allowed, to move away from index weights and to generate alpha, thereby offsetting beta risk by exceeding market performance.

The following table sets out an analysis of the Fund's market risk positions at 31st March 2016 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark, the target set for managers against this benchmark and managers' maximum target volatility (or risk) against index in achieving this. This expected risk is based on 10 year historic returns and volatility.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Manager	Market Value	Benchmark	Target	Risk (<)
		2015/16			
		£000		(Net)	%
Fixed Interest Securities	Stone Harbor	170,331	1 Month LIBOR	+1.0%	6.0
Liability Driven Investment	Insight	315,530	Liability / FTSE	Match	21.0
Foreign equities-active	Investec	98,705	MSCI AC World NDR	+2.5%	14.0
	Aberdeen	26,244	MSCI Frontier Markets	+1.5%	20.0
	Wellington	77,877	MSCI EM Free	+1.5%	21.0
Multi strategy funds	Custodian "Best Ideas"	109,118	UK CPI	+3.0%	9.0
	Investec	56,927	UK CPI	+4.6%	9.0
	Pyrford	60,992	RPI	+4.5%	9.0
Hedge Fund	Man FRM	139,221	3 Month LIBOR	+3.5%	6.0
Property funds	Various	109,233	IPD Balanced PUTs	Exceed	5.0
Infrastructure funds	Various	27,351	3 Month LIBOR	+5.0%	10.0
Timber /Agricultural funds	Various	25,937	3 Month LIBOR	+5.0%	10.0
Private equity funds	Various	139,582	3 Month LIBOR	+5.0%	28.0
Opportunistic funds	Various	8,240	3 Month LIBOR	+5.0%	28.0
		<u>1,365,288</u>			

The risks associated with volatility in market values are mainly managed through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended). The Fund also adopts a specific strategic benchmark (details are in the Fund's SIP) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions, there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation model, is designed to diversify and minimise risk for a specific level of performance through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. The current strategic benchmark is targeted to produce long-term returns of 7.2% with a volatility of around 11%.

Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects. On property and private equity, fund and manager diversification is vital and, whilst a full list of investments is not detailed here, the Fund has exposures as follows:

	Market Value	Managers	Funds	Properties / Companies
	2016			Estimated
	£000	No.	No.	No.
Real Assets	162,521	23	39	>280
Private Equity/ Opportunistic	147,822	23	64	>4,000

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result 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 is monitored by the fund to ensure it is within limits specified in the fund's investment strategy.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance measurer, WM Company, the fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

Asset Type	Potential Market Movements (+ / -)
Global Equity inc UK	7.31%
Oveseas Equity	10.35%
Fixed Interest Securities	4.03%
Liability Driven Investing	13.12%
Pooled Multi Strategy	5.67%
Alternatives	2.51%
Property	2.49%
Cash	0.01%

The sensitivities are consistent with the assumptions provided by WM Company based on historic data collated for the Fund. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain the same.

Had the market price of the Fund's investments increased / decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (prior year comparator also provided).

Asset Type	Market Value 2015/16	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	15,034	0.01	15,036	15,032
Investment portfolio assets:-				
Global Equity inc UK	98,705	7.31	105,920	91,490
Overseas Equity	104,121	10.35	114,898	93,344
Fixed Interest Securities	170,331	4.03	177,195	163,467
Liability Driven Investing	315,530	13.12	356,928	274,132
Pooled Multi Strategy	227,037	5.67	239,910	214,164
Alternatives	340,331	2.51	348,873	331,789
Property	109,233	2.49	111,953	106,513
	<u>1,380,322</u>		<u>1,470,713</u>	<u>1,289,931</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Asset Type	Market Value	Percentage Change	Value on Increase	Value on Decrease
	2014/15	%	£000	£000
Cash and cash equivalents	47,591	0.01	47,596	47,586
Investment portfolio assets:-				
Global Equity inc UK	153,636	6.00	162,854	144,418
Overseas Equity	93,653	9.82	102,850	84,456
Fixed Interest Securities	172,749	4.24	180,074	165,424
Liability Driven Investing	329,101	12.82	371,292	286,910
Alternatives	492,113	2.90	506,384	477,842
Property	103,522	3.31	106,949	100,095
	<u>1,392,365</u>		<u>1,477,999</u>	<u>1,306,731</u>

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments 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 Fund recognises that interest rates can vary and affect both the income to the fund and the net assets available to pay benefits. The Fund's Fixed Income manager has advised that rates may rise by 25 basis points (bps) over the next year. As the fund does not use Fixed Income securities to provide income, the following sensitivity analysis only refers to cash and cash balances.

Asset Type	Carrying Value	Change in year in net assets available to pay benefits	
	2015/16	+25BPS	-25BPS
	£000	£000	£000
Cash and cash equivalents	1,395	3	(3)
Cash balances	13,639	34	(34)
	<u>15,034</u>	<u>37</u>	<u>(37)</u>

Asset Type	Carrying Value	Change in year in net assets available to pay benefits	
	2014/15	+75BPS	-75BPS
	£000	£000	£000
Cash and cash equivalents	3,856	29	(29)
Cash balances	43,735	328	(328)
	<u>47,591</u>	<u>357</u>	<u>(357)</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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 on financial instruments that are denominated in any other currency other than the functional currency of the Fund (GBP). The Fund holds assets denominated in currencies other than GBP.

The following table summarises the Fund's currency exposure as at 31st March 2016 and as at the previous year end:

Currency Exposure - Asset Type	Market Value 2015/16 £000	Market Value 2014/15 £000
Fixed Interest Securities	170,331	172,749
Overseas Equities Active	202,826	247,289
Multi Strategy	227,037	205,260
Commodities	0	24,962
Hedge Funds	139,221	48,750
Property	32,056	37,867
Infrastructure	12,441	19,449
Timber / Agriculture	25,937	26,207
Opportunistic	8,240	9,998
Private Equity	118,118	121,233
	<u>936,207</u>	<u>913,764</u>

Following analysis of the historical data in consultation with the fund's Performance Measurers, WM Company, and analysis of the exposures to foreign currency for the year to 31st March 2016, it was considered that the likely volatility associated with foreign exchange rate movements to be 5.85%. For the period to 31st March 2015, this was calculated to be 5.44%.

This analysis assumes that all other variables, in particular interest rates, remain constant. These individual year percentages strengthening / weakening against the various currencies in which the fund hold investments would increase / decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Market Value 2015/16	Percentage Change %	Value on Increase £000	Value on Decrease £000
Fixed Interest Securities	170,331	5.85	180,288	160,374
Overseas Equity - Active	202,826	5.85	214,682	190,970
Multi Strategy	227,037	5.85	240,309	213,765
Hedge Fund	139,221	5.85	147,359	131,083
Timber & Agriculture	25,937	5.85	27,453	24,421
Infrastructure	12,441	5.85	13,168	11,714
Property	32,056	5.85	33,930	30,182
Opportunistic	8,240	5.85	8,722	7,758
Private Equity	118,118	5.85	125,022	111,214
	<u>936,207</u>		<u>990,933</u>	<u>881,481</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	2014/15	%	£000	£000
Fixed Interest Securities	172,749	5.44	182,152	163,346
Overseas Equity - Active	247,289	5.44	260,749	233,829
Multi Strategy	205,260	5.44	216,432	194,088
Hedge Funds of Funds	48,750	5.44	51,403	46,097
Commodities	24,962	5.44	26,321	23,603
Timber & Agriculture	26,207	5.44	27,633	24,781
Infrastructure	19,449	5.44	20,507	18,391
Property	37,867	5.44	39,928	35,806
Opportunistic	9,998	5.44	10,542	9,454
Private Equity	121,233	5.44	127,830	114,636
	<u>913,764</u>		<u>963,497</u>	<u>864,031</u>

9. RECEIVABLES/PAYABLES

	2016		2015	
	£000	£000	£000	£000
Current Assets :				
Contributions due - Employees	1,109		1,171	
Contributions due - Employers	2,394		3,005	
Added years	30		41	
H.M. Revenue and Customs	13		25	
Pension strain	1,635		1,762	
Administering authority	0		0	
Miscellaneous	<u>168</u>		<u>232</u>	
		5,349		6,236
Less Current Liabilities :				
Contributions	(6)		(7)	
Lump sums	(3,324)		(2,246)	
Death grants	(755)		(144)	
Administering authority	(284)		(265)	
Added years	(195)		(41)	
H.M. Revenue and Customs	(5)		(9)	
Miscellaneous	<u>(427)</u>		<u>(481)</u>	
		(4,996)		(3,193)
Net Current Assets		<u>353</u>		<u>3,043</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Analysis of receivables	2016	2015
	£000	£000
Central Government Bodies	13	25
Other Local Authorities	4,868	4,931
Other Entities and Individuals	468	1,280
	<u>5,349</u>	<u>6,236</u>
Analysis of payables	2016	2015
	£000	£000
Central Government Bodies	(5)	(9)
Other Local Authorities	(468)	(271)
Other Entities and Individuals	(4,523)	(2,913)
	<u>(4,996)</u>	<u>(3,193)</u>

10. MATERIAL TRANSACTIONS

The Fund undertakes a review of fund management arrangements every three or four years. A full review was undertaken during 2014/15 and the following details the changes which were completed during 2015/16. Some subscriptions and redemptions were staggered through 2015/16, details are shown below.

2015/16

Manager	Mandate	Allocation	Redemption/ Subscription Initial	Final
Redemptions				
BlackRock	Global Tactical Asset Allocation	6%	N/A	May-15
Bluecrest	Global Tactical Asset Allocation	3%	N/A	Oct-15
Wellington	Commodities	4%	N/A	May-15
SSARIS	Hedge Fund of Funds	2.5%	Nov-15	Feb-16
Liongate	Hedge Fund of Funds	2.5%	Nov-15	Mar-16
Duet	Global High Alpha Equities	5%	Aug-15	Mar-16
Subscriptions				
Aberdeen	Frontier Market Equities	2.5%	Apr-15	May-15
Man FRM	Hedge Fund Managed Account Platform	9%	Aug-15	Mar-16
Consultant	"Best Ideas" Portfolio	9%	May-15	Feb-16

The "Best Ideas" Portfolio has been established, in partnership with the Fund's Investment Consultant (JLT) to enable the Fund to capitalise on tactical opportunities in the market. The allocation allows the Fund to speedily gain a more focused exposure to particular markets, based on a 6 to 12 month view.

11. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2016. Since this date, the performance of the global equity markets may affect the financial value of pension fund investments. This movement does not affect the ability of the Fund to pay its pensioners.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

12. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

In accordance with Regulations of 4(2)b of The Pension Scheme (Management and Investment of Funds) Regulations 2009, a market value or an estimate thereof has not been included for the money purchase AVC investments. These assets are specifically allocated to the provision of additional benefits for particular members. The Clwyd Pension Fund has the services of two AVC providers (Prudential and Equitable Life) for members' additional benefits with the funds being invested in a range of investment products including fixed interest, equity, cash, deposit, property and socially responsible funds, as follows :-

Contributions paid	£	781,659
Units purchased	No.	162,599
Units sold	No.	175,108
Market value as at 31st March 2016	£	4,609,979
Market value as at 31st March 2015	£	4,718,878

13. RELATED PARTY TRANSACTIONS

Governance

Under legislation, introduced in 2004, Councilors are entitled to join the Pension Scheme. As at 31st March 2016, two Members of the Clwyd Pension Fund Committee have 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.

Key Management Personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of The Accounts and Audit Regulations (England) Regulations 2011 and Regulation 7A of The Accounts and Audit Regulations (Wales) Regulations 2014) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Clwyd Pension Fund. The disclosures required by Regulation 7(2)-(4) of The Account and Audit Regulations (Wales) can be found in the main accounts of Flintshire County Council.

Flintshire County Council

In the course of fulfilling its role as administering authority to the Fund, Flintshire County Council provided services to the Fund for which it charged £1.296m (£1.270m in 2014/15). These costs are in respect of those staff employed in ensuring the pension service is delivered, and other costs such as payroll and information technology. The costs are included in the accounts within oversight and governance, and administration expenses (see note 3). At the year end, a net balance of £0.284m was owing to Flintshire in relation to creditors payments made on behalf of the fund and support service costs which were not available as at 31st March 2016 (£0.265m in 2014/15).

14. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2016, the Fund has contractual commitments of £681.2m (£574.0m in 2014/15) in private equity and property funds, of which £473.6m (£439.6m in 2014/15) has been deployed, leaving an outstanding commitment of £207.6m (£134.5m in 2014/15).

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

15. AGENCY ACCOUNTING

The Clwyd Pension Fund pays discretionary awards to the former employees of former and current Unitary Authorities, Town and Community Councils and Educational Organisations. The amounts are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below.

2016 £000	Payments on behalf of	2015 £000
2,315	Wrexham County Borough Council	2,363
3,298	Flintshire County Council	3,350
1,877	Denbighshire County Council	1,916
571	Conwy County Borough Council	591
48	Coleg Cambria	47
40	Glyndwr	38
23	Powys County Council	23
10	North Wales Fires Service	11
8	DVLA	9
7	Local Government Management Board	7
4	Welsh Water Authority	4
4	Magistrates Court	4
1	Llanasa Community Council	1
1	Cefn Mawr Community Council	1
<hr/> 8,207 <hr/>		<hr/> 8,365 <hr/>

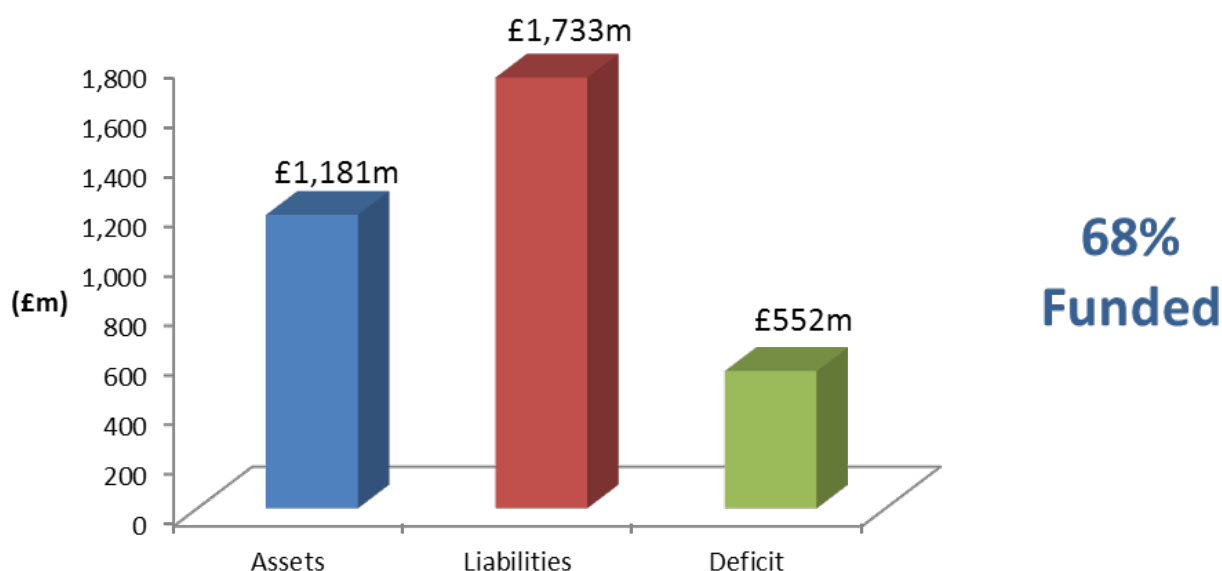
16. ACTUARIAL VALUATION & VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26 (Provided by the Fund's Actuary)

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 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,181 million represented 68% of the Fund's past service liabilities of £1,733 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £552 million.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS



The valuation also showed that a common rate of contribution of 13.8% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 73% with a resulting deficit of £449 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £27.4m per annum increasing at 4.1% per annum (equivalent to approximately 11.8% of projected Pensionable Pay at the valuation date) for 18 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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 Funding Strategy Statement (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 common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases	4.1% per annum*	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

The assets were assessed at market value. The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

16. 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 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 2015	31 March 2016
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases	3.5% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

* includes a corresponding allowance to that made in the 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 2014.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year-end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £2,181 million. The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£93 million. Adding interest over the year increases the liabilities by c£72 million, and allowing for net benefits accrued/paid over the period increases the liabilities by a further c£4 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £2,164 million.

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

June 2016

Governance Policy and Compliance Statement

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 40,000 current and former members of the Fund, and their dependants
- around 29 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

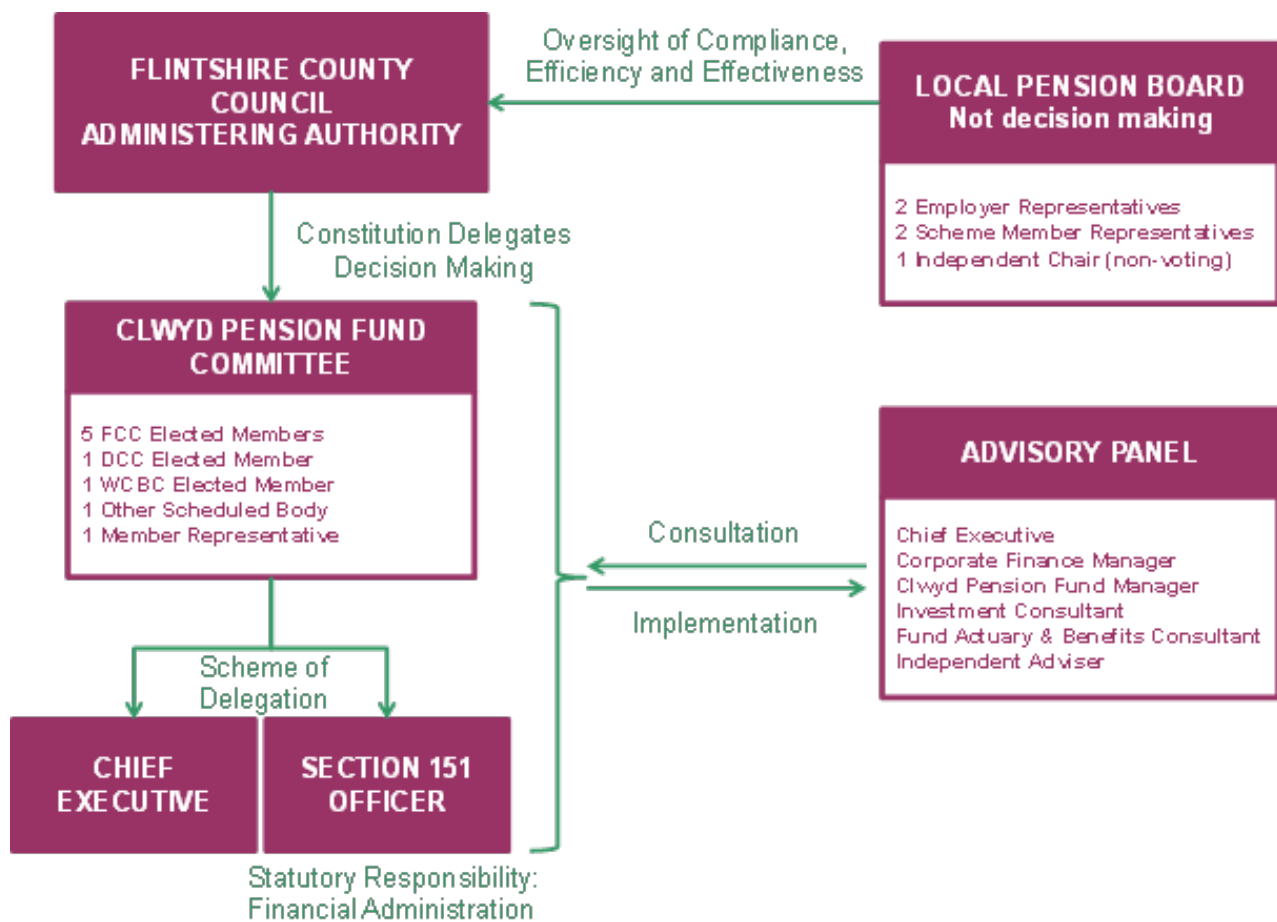
Flintshire County Council reviewed its Governance arrangements for the Clwyd Pension Fund in 2014. Prior to this date, the responsibility for the Clwyd Pension Fund rested with the Head of Finance who reported to the Clwyd Pension Fund Panel made up of elected members from Flintshire County Council, 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. 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 Panel 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 Pensions Fund Committee.
- Establish and Chair a Clwyd Pension Fund Advisory Panel consisting of officers of the Council and advisers 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 Corporate Finance Manager of Flintshire County Council
- The Chief Executive
- The Clwyd Pension Fund Manager
- Investment Consultant
- Fund Actuary
- Independent Adviser

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 5 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 financial 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 financial 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 these policies have 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.

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. Furthermore, 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.

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.	<ul style="list-style-type: none"> • 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 DCLG.
Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	<ul style="list-style-type: none"> • A Training Policy in place together with annual monitoring of all training by Pension Committee members and key officers.
Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	<ul style="list-style-type: none"> • 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.
Understand and monitor risk	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 Pension Board prepares and publishes an annual report which may include comment on compliance matters.
Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success	<ul style="list-style-type: none"> • 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.

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 and/or key officers resulting in loss of continuity and potentially diminishing knowledge and understanding
- 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
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee members, Board 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 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 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.

This Governance Policy and Statement was approved at the Clwyd Pension Fund Committee on 21 May 2015. 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. The last review and update was in May 2016.

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 administration of benefits and strategic management of fund assets is delegated by the Council to Pension Fund Committee.
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.
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	NOT APPLICABLE	
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		
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: <ul style="list-style-type: none"> • 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.
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.

Best Practice	Compliant or not	Explanatory Note
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 the Governance Strategy Statement for approval.
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 Strategy Statement make it clear that all Pension Fund Committee members have equal voting rights.
E. TRAINING / FACILITY TIME / EXPENSES		
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	<p>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:</p> <ul style="list-style-type: none"> • An initial induction for new Pension Fund Committee Members • Ongoing training through written reports or presentations at Committee meetings • Conferences and seminars. <p>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 receive payments for attendance at meetings (including training events) as detailed within the Flintshire County Council Members' Remuneration Scheme and the Pension Board Protocol.</p>
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	

Best Practice	Compliant or not	Explanatory Note
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 is developing 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		
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.
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		
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).

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 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) Considering the Fund's financial statements prior to approval by the Council and agreeing the Fund's annual report.
- g) Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.

- h) 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.
- i) Agreeing the terms and payment of bulk transfers into and out of the Fund.
- j) Agreeing Pension Fund business plans and monitoring progress against them.
- k) 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.
- l) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- m) Receiving ongoing reports from the Chief Executive and Pensions Advisory Panel in relation to delegated functions.

2015 FUNDING STRATEGY STATEMENT (FSS)

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

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 FSS. The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the 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 Statement of Investment Principles (SIP) for the CPF published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

Benefits payable under the CPF are guaranteed by statute and thereby the pensions promise is secure. 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 Scheme 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 and pay 50% of the normal member contribution.

The benefits provided by the CPF are specified in the governing legislation contained in the 2013 Regulations and the 2014 Transitional Regulations. The required levels of employee contributions from 1 April 2014 are also specified in the 2013 Regulations.

Employer contributions are determined in accordance with the 2013 Regulations which require that an actuarial valuation is completed every three years by the actuary, including the provision of a rates and adjustments certificate. Contributions to the CPF should be set so as to “secure its solvency”, whilst the actuary must also have regard to the desirability of maintaining as nearly constant a common rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

Purpose of the 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 purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the CPF 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.

Aims and purpose of the CPF

The aims of the Fund are to:

- Achieve and maintain assets equal to 100% of liabilities within an 18 year average timeframe, within reasonable risk parameters
- Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- 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.

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 in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

Responsibilities of the key parties

The Administering Authority should:

- collect employer and employee contributions
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the CPF's actuary
- prepare and maintain an FSS and a SIP, both after due consultation with interested parties
- monitor all aspects of the CPF's performance and funding and amend FSS/SIP,

- with effect from 1 April 2015, establish, support and monitor a Local Pension Board (“LPB”) in accordance with the requirements set down in 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
- exercise discretions within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding, and
- have regard to the Regulator’s focus on data quality and comply with any requirement set by the Administering Authority in this context.

The Fund actuary should:

- prepare valuations including the setting of employers’ contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters,
- advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the SIP.

Solvency issues and target funding levels

Funding Objective

To meet the requirements of the Regulations 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 Rate.

Determination of the Funding Target and Recovery Period

The principal method and assumptions to be used in the calculation of the funding target are set out in Appendix 1.

Underlying these assumptions are the following two tenets:

- that the Scheme 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 us to take a longer term view when assessing the contribution requirements for certain employers. As part of the valuation when looking to potentially stabilise contribution requirements we will consider whether we can build into the funding plan the following:-

- some allowance for interest rates and bond yields to revert to higher levels over the medium to long term; and
- whether some allowance for increased investment return can be built into the funding plan over the agreed recovery period.

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 taking into account any changes in funding after the valuation date up to the finalisation of the valuation.

As part of each valuation separate employer contribution rates are assessed by the 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 Scheme. In attributing the overall investment performance obtained on the assets of the Scheme 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.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2013 actuarial valuation:

- In the current circumstances, as a general rule, the Fund does not believe it appropriate for deficit contribution reductions to apply compared to the 2010 funding plan where substantial deficits remain.
- In addition, a maximum deficit recovery period of 20 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below). This has resulted in an average recovery period of 18 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 (ie run-off) over a 20 year period (if surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount). The current level of contributions will be phased down as appropriate.
- The employer contributions will be expressed and certified as two separate elements:
 - a percentage of pensionable payroll in respect of the future accrual of benefit
 - a schedule of lump sum amounts over 2014/17 in respect of the past service deficit subject to review from April 2017 based on the results of the 2016 actuarial valuation.
- Where increases in employer contributions are required from 1 April 2014, following completion of the 2013 actuarial valuation, the increase from the rates of contribution payable in the year 2013/14 may be implemented in steps, over a maximum period of 3 years.
- On the cessation of an employer's participation in the Scheme, the 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 full termination policy is set out in Appendix 3.

In determining the above objectives the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles
- relevant guidance issued by the CIPFA Pensions Panel
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose, and
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Deficit Recovery Plan

If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as annual monetary lump sums, subject to review based on the results of each actuarial valuation.

In determining the actual recovery period to apply for any particular employer to 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 the 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;
- length of expected period of participation in the Fund; and
- changes in the funding position after the valuation date which is deemed reasonable.

In certain instances, and in particular for Fund employers which are considered by the Administering Authority to provide a high level of financial covenant, an allowance may be made as part of the Recovery Plan for investment performance at a higher level than that assumed for assessment of the funding target. It is envisaged that this option will only be afforded to eligible employers where an increase in contributions is required (compared to the 2013/14 level of contribution) when adopting the maximum 20 year recovery period. This higher level of return assumed will, in particular reflect the actual investment strategy of the Fund, on the basis that this is to be maintained over the entire recovery period. The assumptions to be used in these Recovery Plan calculations are set out in Appendix 2.

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, after specific agreement has been obtained by Fund Officers from the Clwyd Pension Fund Committee, would be willing to use its discretion to negotiate an *evidence based* affordable level of contributions for the organisation for the three years 2014/17. Any application of this option is at the ultimate discretion of the Administering Authority and will only be considered after the provision of the appropriate evidence.

The Normal Cost of the Scheme (Future Service Contribution Rate)

In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the “normal cost”). The method and assumptions for assessing these contributions are also set out in Appendix 1.

Link to investment policy set out in the Statement of Investment Principles (See Appendix 2)

The results of the 2013 valuation show the liabilities at 31 March 2013 to be 68% covered by the current assets, with the funding deficit of 32% being covered by future deficit contributions.

In assessing the value of the CPF's liabilities in the valuation, allowance has been made for asset out-performance as described in Appendix 1, taking into account the investment strategy adopted by the CPF, as set out in the SIP.

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 closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist

of a mixture of long-term index-linked and fixed interest gilts. Investment of the CPF's assets in line with the least risk portfolio would minimise fluctuations in the CPF's ongoing funding level between successive actuarial valuations. Departure from a least risk investment strategy, in particular to include equity type investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current benchmark investment strategy, as set out in the SIP, is:

<i>Asset Class</i>	<i>Initial Strategic allocation (%)</i>	<i>Strategic range (%)</i>	<i>Conditional range (%) **</i>	<i>Expected return above Government Bonds p.a. ***</i>
Developed Global Equity	8.0	5.0 – 10.0	0 – 30	+4.0%
Emerging Market Equity	6.5	5.0 – 7.5	0 – 15	+5.0%
Frontier Market Equity	2.5	1.0 – 4.0	0 – 5	+6.0%
Multi-Asset Credit	15.0	12.5 – 17.5		+2.0%
Government Bonds			0 – 30	+0.0%
Corporate Bonds			0 – 30	+1.0%
Overseas Government Bonds			0 – 30	+1.0%
Emerging Market Debt			0 – 30	+2.1%
High Yield Debt			0 – 30	+2.1%
Property	7.0	5.0 – 10.0	5 – 15	+3.0%
Infrastructure	4.0	2.0 – 7.0	2 – 10	+3.1%
Private Equity/Debt	10.0	8.0 – 12.0	8 – 12	+5.1%
Tactical Allocation Portfolio *	19.0	15.0 – 25.0	10 – 30	+2.0%
Commodities			0 – 10	+2.2%
Managed Account	9.0	7.0 – 11.0		
Managed Futures			0 – 15	+4.0%
Hedge Funds			0 – 10	+3.0%
Cash	-	0.0 – 5.0	0 – 30	+0.0%
Liability Hedging****	19.0	10.0 - 30.0	10 - 30	+4.0%

* The Tactical Portfolio can be invested in any asset class permitted by the regulations. The objective of the Tactical Allocation Portfolio is to add value to the overall Clwyd Pension Fund return.

** 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 UK government bonds of an appropriate duration or the "premium over gilts" to reflect the extra risk being taken, excluding active management. This is based on JLT Market Forecast as at the date of the 2014 strategic review. Gilts are used as the basis for expected returns as they are a proxy for valuing the liabilities.

**** The Liability Hedging Portfolio is a combination of Liability Driven Investment (LDI) and an equity overlay which will be managed as part of a de-risking approach. As the funding level improves, the equity exposure will be reduced and the LDI hedge ratio increased in a pre-determined way. 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 benchmark allocation of 19% at inception of the mandate.

The funding strategy adopted for the 2013 valuation is based on an assumed average asset out-performance of 1.4% per annum.

Identification of risks and counter measures

The funding of defined benefits is by its nature uncertain. Funding of the CPF is based on both financial and demographic assumptions. These assumptions are specified in the Appendices and 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 CPF's funding is the investment risk inherent in the predominantly equity (or return seeking) based strategy,

so that actual asset out-performance between successive valuations could diverge significantly from the overall out performance assumed in the long term.

What are the Key Risks?

Financial

- Investment markets fail to perform in line with expectations
- Market yields move 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
- Effect of possible increase in employer's contribution rate on service delivery and admitted/scheduled bodies

Demographic

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- The level of take-up of the 50:50 option at a higher or lower level than built into the actuarial assumptions.

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.

Regulatory

- Further changes to Regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees
- Changes to national pension requirements and/or HMRC rules

Governance

- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements)
- Administering Authority not advised of an employer closing to new entrants
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Changes in Committee membership.

The Fund has restructured their governance arrangements with the implementation of the Advisory Panel. The Advisory Panel is made up of Fund officers, an investment advisor, an independent advisor and the Fund Actuary.

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

Monitoring

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 outset, its aim was to achieve a 'base level' of interest rate and inflation hedging of 10%. The intention is that the hedging ratio will be at 40% by no later than April 2019 and will achieve a hedge ratio of 80% in the long term. The overall funding flightpath strategy is to consider

and structure the investment strategy to determine a balance between return-seeking and risk-hedging assets. More detail is included in the Fund's Statement of Investment Principles (SIP).

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.

There are funding level triggers in place which will result in the disinvestment of growth assets as the funding level improves over time. This is summarised in the table below:

	Funding level	Impact on strategic asset allocation	Change to the hedge ratio
Funding level Trigger 1	80%	Reduce the Insight equity exposure by 50%	Increase hedge ratio to 40%
Funding level Trigger 2	85%	Remove the Insight equity exposure	Increase hedge ratio to 50%
Funding level Trigger 3	90%	Increase Insight allocation from 19% of assets to 25%	Increase hedge ratio to 60%
Funding level Trigger 4	95%	Increase Insight allocation from 25% of assets to 30%	Increase hedge ratio to 70%
Funding level Trigger 5	100%	Increase Insight allocation from 30% of assets to 35%	Increase hedge ratio to 80%

In addition, 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 Administering Authority will monitor the progress of the funding strategy between full actuarial valuations as part of the Flightpath monitoring detailed above and detailed 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

Approval, Review and Consultation

The funding strategy of the Clwyd Pension Fund was reviewed to coincide with the actuarial valuation as at 31 March 2013. The Administering Authority has taken advice from the actuary in reviewing the strategy, and has also consulted with employing organisations.

This Funding Strategy Statement was approved at the Clwyd Pension Fund Committee on 21 May 2015. 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.

Further Information

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

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

ACTUARIAL VALUATION AS AT 31 MARCH 2013

Method and assumptions used in calculating the funding target

Method

The actuarial method to be used in the calculation of the 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 (the Attained Age method), which makes advance allowance for the anticipated future ageing and decline of the current closed membership group.

Financial assumptions

Investment return (discount rate)

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an Asset Out-performance Assumption ("AOA") 1.4% per annum.

The asset out-performance assumptions represent the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date.

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 the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- 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

The assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% 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. This results in a total salary increase of 1% per annum for 3 years.

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 RPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Demographic assumptions

Mortality

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 CPF 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 subject to a minimum rate of improvement of 1.5% per annum.

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 retirement in normal health and in ill health and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, allowing for take-up of the 50:50 option will be made up to a maximum of 5% of current and future members for certain employers (who have sufficient size of current contributing members). 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 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. 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

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target except that the financial assumptions adopted will be as described below.

The financial assumptions for assessing the future service contribution rate should take account of the following points:

- contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date; and
- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.0% per annum, with a long term average assumption

for consumer price inflation of 2.6% per annum. These two assumptions give rise to an overall discount rate of 5.6% p.a (i.e. 3.0% plus 2.6%).

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the “Primary Rate” of contributions. In market conditions at the effective date of the 2013 valuation this approach gives rise to a slightly more optimistic stance (i.e. allows for a higher AOA) in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the “normal cost”) for the 2013 actuarial valuation

Long-term gilt yields	
Fixed interest	3.2% p.a.
Index linked	-0.4% p.a.
Past service Funding Target financial assumptions	
Investment return/Discount Rate	4.6% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.
Future service accrual financial assumptions	
Investment return	5.6% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.

Demographic assumptions

The post retirement mortality tables adopted for this valuation are as follows:

Life expectancy at 65 in 2013		Base table	Adjustment	Improvement model	Long term rate
CURRENT ANNUITANTS	Normal health	S1PxA	94% / 93%	CMI_2012	1.5%
	Ill health	S1PxA	Normal health + 3 years	CMI_2012	1.5%
	Dependants	S1PMA/S1DFA	156% / 106%	CMI_2012	1.5%
	Future dependants	S1PMA/S1DFA	106% / 98%	CMI_2012	1.5%
CURRENT ACTIVES / DEFERREDS	Actives normal health	S1PxA	87% / 82%	CMI_2012	1.5%
	Actives ill health	S1PxA	Normal health + 4 years	CMI_2012	1.5%
	Deferreds	S1PxA	114% / 102%	CMI_2012	1.5%
	Future dependants	S1PMA/S1DFA	99% / 93%	CMI_2012	1.5%

Other demographic assumptions are noted below:

Withdrawal	As for 2010 valuation
Other demographics	Based on LG scheme specific experience
50:50 Option	Up to 5% take-up for certain employers

Assumptions used in calculating contributions payable under the recovery plan

The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the funding target, with the exception that, for certain employers which are considered by the Administering Authority to provide a high level of financial covenant and are required to increase contributions (compared to 2013/14 levels) when adopting the maximum recovery period of 20 years, an allowance may be made as part of the recovery plan for investment performance at a higher level than that assumed for assessment of the funding target. Therefore the required contributions are adjusted to allow for the following variation in assumptions during the period of the recovery plan:

Investment return on existing assets and future contributions

A maximum overall return effective as at the valuation date of 6.0% p.a. (i.e. a return of 2.8% p.a. in excess of gilts) reflecting the underlying investment strategy of the scheme and, in particular, including the assets of the scheme that underlie the pensioner as well as the non-pensioner liabilities.

The investment return assumed for the contributions under the recovery plan is taken to apply throughout the recovery period. As a result, any change in investment strategy which would act to reduce the expected future investment returns could invalidate these assumptions and therefore the funding strategy.

As indicated above, this variation to the assumptions in relation to the recovery plan can only be applied for those employers which the Administering Authority deems to be of sufficiently high financial covenant to support the anticipation of investment returns, based on the current investment strategy, over the entire duration of the recovery period. No such variation in the assumptions will apply in any case to any employer which does not have a funding deficit at the valuation (and therefore for which no recovery plan is applicable). Where a funding deficit exists the additional return over and above that built into the funding target assumptions will be limited so that the total employer contributions emerging from the valuation will be no less than the current level of contributions payable by the employer or the Future Service Contribution Rate.

Clwyd Pension Fund

Policy on Termination Funding for Employers (“Termination Policy”)

1. Introduction

- 1.1. 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).
- 1.2. *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.
- 1.3. *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.
- 1.4. 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.
- 1.5. Please see the glossary for an explanation of the terms used (in italics) throughout this Appendix.

2. Principles

Termination of an employer’s participation

- 2.1. 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.
- 2.2. 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*.
- 2.3. 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.
- 2.4. The CPF’s policy is that a termination assessment will be made based on a *least 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).
- 2.5. 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.

- 2.6. 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.

Funding basis

- 2.7. An *employing body* may choose to pre-fund for termination i.e. to amend their funding approach to a least 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 least risk basis.
- 2.8. For any *employing bodies* funding on such a *least risk* strategy a notional investment strategy will be assumed as a match to the liabilities. In particular the *employing body’s* notional asset share of the Fund will be credited with an investment return in line with the *least 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.

Administering Authority options relating to Admission Bodies

- 2.9. Prior to admission to the Fund, an *Admission 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 least risk methodology and assumptions.
- 2.10. Some aspects that the *Administering Authority* may consider when deciding whether to apply a least risk methodology are:
- Uncertainty over the security of the organisation’s funding sources e.g. the *admission body* relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
 - If the *admission 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.
- 2.11. 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.

3. Implementation

New admissions (admitted after 1 April 2014)

3.1. With effect from 1 April 2014 the CPF will apply the above principles to the admission of new bodies into the Fund and to the methodology for assessment of a termination payment on the cessation of such an *admission body's* participation in the CPF.

Transferee admission bodies (TABs)

3.2. *Transferee admission bodies* are a category of *admission body* that generally will have a guarantor in the Fund. This is due to the Regulations requiring that, in the event of any unfunded liabilities on the termination of the admission, the contribution rate for the relevant *Scheme Employer* should be revised. Accordingly, in general, the least risk approach to funding and termination will not apply for TABs.

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

3.4. On termination of a TAB admission, any *orphan liabilities* in the Fund will be subsumed by the relevant *Scheme Employer*.

3.5. The *Admission 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.

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

3.7. 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* in accordance with paragraph 2.9.

Community admission bodies (CABs)

3.8. Historically, there was no requirement to carry out an assessment of the level of risk on termination of the admission agreement for a CAB until changes were made to the Regulations. For bodies admitted under previous legislation, despite no requirement to do so the *Administering Authority* may nevertheless have decided to carry out such a risk assessment where appropriate. As noted in 3.5, all *Admission Bodies* are now required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the *Administering Authority*.

3.9. The CPF's policy is to consider applications on a case-by-case basis, in line with the principles set out above. In general, if any risk assessment or determination of a bond amount is not to the satisfaction of the *Administering Authority*, or if a guarantor (of sufficient standing acceptable to the *Administering Authority*) is not forthcoming, the *admission body* will be required to pre-fund for termination with contribution requirements assessed using a least risk methodology and assumptions as set out in 2.9. 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.

- 3.10. Deficit recovery periods will be determined consistent with the policy set out in the FSS. Alternatively, the *Administering Authority* may determine an employer specific deficit recovery period will apply.

Future Terminations

- 3.11. 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.
- 3.12. 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.

Least Risk Termination basis

- 3.13. The least risk financial assumptions that applied at the actuarial valuation date (31 March 2013) 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.

Least risk assumptions	31 March 2013
Discount Rate	3.2% p.a.
CPI price inflation	2.9% p.a.
Pension increases/indexation of CARE benefits	2.9% p.a.

All demographic assumptions will be the same as those adopted for the 2013 actuarial valuation, unless modified otherwise.

Glossary

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.

Community admission bodies: A subset of, and the traditional type of *admission bodies* – bodies who operate in and/or are connected to local government. They also include *admission bodies* that are not associated to local government, as follows:

- Bodies which provide a public service in the UK otherwise than for the purposes of gain and which have sufficient links with a *Scheme Employer* to be regarded as having a community of interest.
- Bodies which provide a public service in the UK otherwise than for the purposes of gain and which are approved by the Secretary of State to be admitted to the LGPS. Approval may be subject to such conditions as the Secretary of State thinks fit and he may withdraw approval at any time if such conditions are not met.
- Bodies to which any *Scheme Employer* provides funding. Where at the date that the admission agreement is made with such a body the total contribution from any one or more *Scheme Employers* to its contribution income equals 50% or less of the funding contributed by third parties it must be a term of the admission agreement that the *Scheme Employer* who provides funding (and, if more than one, all of them) guarantees the liability of the *admission body* to pay all amounts due from it under the Regulations.

Employing bodies: any organisation that participates in the LGPS, including *admission bodies* and *scheme employers*.

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.

Least 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 consistent with that used under the most recent valuation but removing the allowance for asset out-performance.

Orphan liabilities: liabilities in the CPF for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Part 2 Scheme Employers: employers that have the statutory right to participate in the LGPS, although these bodies (set out in Part 2 of Schedule 2 of the 2013 Regulations) would need to designate an employee, or a class of employees to which he/she belonged, as being eligible for membership of the LGPS.

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*.

Administering Authority: Flintshire County Council, as the lead authority of the CPF, responsible for all aspects of its management and operation.

Transferee admission bodies: A subset of *admission bodies* and participates in the Fund for employees involved with delivery of a specific function or service for a *Scheme Employer*. An example is where a local authority outsources a specific service to a private sector employer. In these cases the relevant *Scheme Employer* would be a party to the admission agreement, as well as the *admission body* itself and the *administering authority*.

STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

Background

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 Pensions Act 1995 requires Trustees of private sector pension schemes to prepare and keep up to date a written statement recording the investment policy of the Pension Fund, through a Statement of Investment Principles (SIP).

The Local Government Pension Scheme (LGPS), which is subject to Regulations made under the Superannuation Act 1972 and the Public Service Pensions Act 2013 and which regulates some of the same issues, was initially exempt from this requirement of the 1995 Act. Nevertheless, the creation, consideration and periodic review of a Statement of Principles on Investment and Fund Management was considered best practice for all funds and one with which the Clwyd Pension Fund voluntarily complied with from 1 April 1997.

With effect from 1 July 2000, LGPS Funds were required by the Local Government Pension Scheme (Management and Investment) (Amendment) Regulations 1999, to publish a SIP. These regulations have been replaced by, the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2009.

The Regulations state the SIP must include the following:

- the types of investments held
- the balance between different types of investments
- risk, including ways risks are measured and managed
- the expected return on investments
- the realisation of investments
- the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments
- the exercise of the rights (including voting rights) attaching to investments, if the Authority has any such policy
- stock lending.

The SIP is designed to comply with guidance given by the Secretary of State. It incorporates a Sustainability Policy, covering social, environmental, ethical and governance-related investment issues and, as required, details the Fund's degree of compliance with the Myners 6 principles. The SIP also details the Fund's responsibilities in respect of the FRC UK stewardship Code.

The SIP is effective from March 2016 and will be reviewed every six months with any material changes published.

The SIP should be read in conjunction with the following statutory documents:

- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Communications Policy Statement
- 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 www.clwydpensionfund.org.uk.

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 40,000 current and former members of the Fund, and their dependants
- around 29 employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas.

The Fund's Mission Statement is:

- 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 will be providing the highest quality, distinctive services within our resources
- to work effectively with partners, being solution focused with a can do approach.

2. Objectives

Primary Funding and Investment Objectives

The primary funding and investment objectives of the Clwyd Pension Fund can be summarised as the following:

- Achieve and maintain assets equal to 100% of liabilities within an 18 year average timeframe, within reasonable risk parameters
- Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- 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.

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 2014 includes a number of investment return assumptions:

- An investment return (discount rate) for the funding target of gilts + 1.4% (assumed 4.6%)
- An investment return for the future service contribution rate of 5.6% (Inflation + 3.0%).

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 were implemented from 1st April 2014. The next Actuarial Valuation will be as at 31st March 2016.

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 18 years. A copy of the FSS can be obtained from the Fund's web site at www.clwydpensionfund.org.uk. The funding strategy will be monitored during 2014/17.

In managing the Fund, the key funding 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 68% of liabilities (2013 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 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 ongoing basis, whilst striking the 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 2014 and changes as a result of this are in the process of being implemented. Details of the revised investment strategy are included in following sections.

3. Investment Roles & Responsibilities

The investment responsibilities of the Clwyd Pension Fund Committee and other third parties involved with the investment management and funding of the Fund are set out below.

Clwyd Pension Fund Committee's Roles & Responsibilities

The Constitution of the administering authority delegates the following investment responsibilities to the Clwyd Pension Fund Committee.

- Approving the Statement of Investment Principles which includes investment strategy, Sustainability Policy, Myners Compliance Statement, setting of investments targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
- Monitor the implementation of these policies and strategies on an on-going basis.
- Selection, appointment and dismissal of the Fund's investment consultants, global custodian, fund managers, and lawyers.

As allowed for in the Constitution, the Clwyd Committee Fund Committee delegates certain functions relating to the above responsibilities to officers who in turn must take advice where required from the Investment Consultant and/or Pension Advisory Panel. The outcomes from these delegated functions are reported to the Committee. They are listed below:

- Rebalancing and cash management
- Implementation of strategic allocation including use of ranges
- Implementation of flight-path triggers
- Investment mandates and emerging opportunities
- Ongoing monitoring of Fund Managers
- Selection, appointment and dismissal of Fund Managers
- Other urgent (or non- urgent) matters as they arise

Investment Consultants Roles & Responsibilities

The Investment Consultant is responsible for:

- Providing the Clwyd Pension Fund Committee with advice regarding the strategic asset allocation for the Fund.
- Providing the Clwyd Pension Fund Committee with advice regarding the investment structure of the Fund required to meet the investment objectives agreed.
- Assisting the Clwyd Pension Fund Committee in relation to the Tactical Allocation Portfolio.
- Monitoring the performance of the strategy and advising the Clwyd Pension Fund Committee on changes to the strategy or asset allocation that may be required.
- Monitoring the performance of the underlying fund managers and advising the Pension Advisory Panel on changes to the managers that may be required.
- Maintaining and updating the Statement of Investment Principles.

Investment Managers Roles & Responsibilities

The Investment Managers are responsible for:

- The investment of the Fund's assets in compliance with prevailing legislation, and each Manager's detailed Investment Management Agreement or Investment Memorandum.
- Where allowed, tactical asset allocation around the benchmarks, as set out in the Investment Management Agreements or Investment Memorandum.
- Stock selection within asset classes (purchases and realisations).
- Preparation of a quarterly review of investment performance.
- Attending review meetings with the Fund's officers and consultants.
- Providing details, as required, to the Fund's custodian and independent performance measurer.

Custodians Roles & Responsibilities

The Global Custodian is responsible for:

- Where the Fund holds segregated assets, the safekeeping of assets, the collection of income, the voting of shares and the execution of transactions in accordance with the Custody Agreement and the Fund's corporate governance guidelines within the Sustainability Policy.
- Its own compliance with prevailing legislation.
- Providing the Fund with monthly valuations of the Scheme's assets, details of all transactions during the month, bank statements and all other relevant documentation.

Actuaries Roles & Responsibilities

The Actuary is responsible for:

- Providing the Clwyd Pension Fund Committee with advice as part of the establishment of strategic asset allocation benchmarks.
- Providing the Clwyd Pension Fund Committee with advice as to the maturity of the Fund, its funding level and flight-path implementation.
- Working with the Fund at each actuarial valuation to produce a Funding Strategy Statement (FSS).
- Performing the triennial valuations.

Independent Adviser Roles & Responsibilities

The Independent Adviser is responsible for:

- Reporting on the investment governance arrangements for the Fund including the performance of the Committee and Advisory Panel.
- Monitoring the management of investment risks.
- Assist the Chief Executive with the implementation of the Fund's Knowledge and Skills Policy.

4. Investment Strategy

Setting Investment Strategy

The Committee have determined their investment strategy to meet the objectives outlined in Section 2 of this Statement. This includes consideration for the Fund's liability profile and the Committees' 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 2014 Review

The 2014 review showed, using JLT Market Forecast Group output for Quarter 2 2014, that the expected market returns over the coming ten year period would mean that the Fund could be expected to generate a return of 7.2% p.a..

Investigations showed that no radical re-organisation of the current investment structure was required and the portfolio was well diversified and the introduction of the de-risking framework and Flightpath was well designed and its implementation ahead of the majority of other LGPS funds.

However, there were opportunities to reduce risk without sacrificing return.

These opportunities led to four main areas of change.

- The current Hedge Fund portfolio be re-structured to incorporate exposure to a Managed Futures account to provide protection against market volatility (particularly on the downside). Also, the overall level of exposure to this area should be reduced;
- An increase in the exposure and flexibility of the current Tactical Portfolio and the cessation of the current GTAA portfolio;
- Remove Commodities and Asia Pacific ex Japan Equities as long terms strategic allocations;
- Exposure to major economic regions should be managed through the Global Equity exposure.

These changes, based on the recommended allocation for the Tactical Allocation Portfolio, meant that expected return could be maintained, with the deficit risk being reduced by c. 4%.

Further details in relation to the revised investment strategy are outlined in this Section.

Investment Decisions

The Committee distinguish between three types of investment decision: strategic, tactical and security-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 take all such decisions themselves. 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 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 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 are bound by the Tactical Allocation Portfolio Terms of Reference.

Security Selection Decisions

All such decisions are the responsibility of the investment managers of the funds in which the Fund is invested.

Types of Investments Held

The Fund may invest in any type of investment permitted under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended). Consideration of each asset class or investment approach will include potential risk adjusted return expectations and an assessment of non-financial risks, liquidity, product structure and management costs.

The Fund is permitted to invest across a wide range of asset classes, including (but not exclusively) the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Timber
- Agriculture
- Hedge funds (including via a managed account platform)
- Managed futures
- Private equity/Debt
- Infrastructure
- High yield bonds
- Emerging market debt
- Diversified growth funds
- Liability driven investment products
- Cash (including currency)

The use of derivatives is as permitted by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

The Fund currently only invests in pooled funds but may also invest in segregated portfolios. In addition, the Fund will normally hold a proportion of its monies in short-term bank deposits and money market funds to meet operational requirements.

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 for 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 2014 investment strategy review is detailed in the table below.

Manager/Fund	Mandate	Objective (net of fees)	Strategic allocation (%)
Investec - Global Strategic Equity	Unconstrained Global Equities	MSCI AC World NR Index + 2.5% p.a.	8
Wellington - Emerging Market (Core)	Emerging Markets Equities	MSCI Emerging Markets Index + 1.0% p.a.	3.25
Wellington - Emerging Market (Local)	Emerging Markets Equities	MSCI Emerging Markets Index + 2.0% p.a.	3.25
Aberdeen - Frontier Market	Frontier Markets Equities	MSCI Frontier Equities Index + 1.5% p.a.	2.5
Stone Harbor - LIBOR Multi-Strategy	Multi-Asset Credit	1 Month LIBOR + 1.0% p.a. ⁽¹⁾	15
In-House – Property	Property	IPD Balanced Funds Weighted Average	7
In-House - Infrastructure	Infrastructure	3 Month LIBOR + 5.0% p.a.	2
In-House - Timber / Agriculture	Infrastructure	3 Month LIBOR + 5.0% p.a.	2
In-House - Private Equity/Debt & Opportunistic	Private Equity/Debt	3 Month LIBOR + 5.0% p.a.	10
Pyrford - Global Total Return	Tactical Allocation - DGF	UK Retail Price Index + 4.5% p.a. ⁽²⁾	5
Investec – Diversified Growth Fund	Tactical Allocation - DGF	UK Consumer Price Index + 4.6% p.a.	5
Best Ideas Portfolio	Tactical Allocation – Best Ideas	UK Consumer Price Index + 3.0% p.a.	9
Man FRM - Managed Account	Managed Account	3 Month LIBOR + 3.5% p.a.	9
	<i>Managed Futures</i>	<i>1 Month LIBOR + 4.0%</i>	
	<i>Hedge Funds</i>	<i>1 Month LIBOR + 3.0%</i>	
Insight – LDI	LDI & Synthetic Equities	Composite Liabilities & Synthetic Equity	19
TOTAL			100

⁽¹⁾ FTSE A Gilts All Stocks Index until 31 March 2014.

⁽²⁾ UK Retail Price Index + 4.4% p.a. until 31 March 2015.

* 9% to be tactically allocated according to shorter-term market views. This can be implemented by increasing the allocation to any of the funds listed above or by separate fund(s) in any type of investment permitted under the regulations. 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 legacy funds in the table below do not form part of the long-term strategy but may be used in the interim as part of the Tactical Allocation Portfolio, in line with the Terms of Reference of the Tactical Allocation Group.

Manager/Fund	Mandate	Objective (net of fees)
Duet - Global Opportunities	Unconstrained Global Equities	3 Month LIBOR + 4.5% p.a.
BlackRock - GASL - Global Ascent (Sterling) Ltd	Global Tactical Asset Allocation	3 Month LIBOR + 4.5% p.a.
Bluecrest - AllBlue Ltd	Global Tactical Asset Allocation	3 Month LIBOR + 4.0% p.a.
Pioneer - Fund of Hedge Funds	Fund of Hedge Funds	3 Month LIBOR + 5.0% p.a.
SSARIS - Fund of Hedge Funds	Fund of Hedge Funds	3 Month LIBOR + 3.0% p.a.
Liongate - Fund of Hedge Funds	Fund of Hedge Funds	3 Month LIBOR + 5.0% p.a.
Aberdeen - Asia Pacific ex Japan	Asia Pacific ex Japan Equities	MSCI AC Pacific (ex Japan) Index + 2.75% p.a.
Wellington – Commodities	Commodities	S&P GSCI Equal Weighted (Hedged) + 1.0% p.a.

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 set by the Fund is met or exceeded.

The majority of the Fund's investment managers are remunerated on an ad valorem fee basis, with the fee being incorporated in the unit price of the fund invested in. Currently, only two of the Fund's investment managers have their fees paid by explicit payment of an invoice rather than the fees being incorporated in to the unit price.

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 benchmark, 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 2014 strategic review.

Asset Class	Strategic allocation (%)	Strategic range (%)	Conditional range (%) **	Expected return above Government Bonds p.a.***
Developed Global Equity	8.0	5.0 – 10.0	0 – 30	+4.0%
Emerging Market Equity	6.5	5.0 – 7.5	0 – 15	+5.0%
Frontier Market Equity	2.5	1.0 – 4.0	0 – 5	+6.0%
Multi-Asset Credit	15.0	12.5 – 17.5		+2.0%
<i>Government Bonds</i>			0 – 30	+0.0%
<i>Corporate Bonds</i>			0 – 30	+1.0%
<i>Overseas Government Bonds</i>			0 – 30	+1.0%
<i>Emerging Market Debt</i>			0 – 30	+2.1%
<i>High Yield Debt</i>			0 – 30	+2.1%
Property	7.0	5.0 – 10.0	5 – 15	+3.0%
Infrastructure	4.0	2.0 – 7.0	2 – 10	+3.1%
Private Equity/Debt	10.0	8.0 – 12.0	8 – 12	+5.1%
Tactical Allocation Portfolio *	19.0	15.0 – 25.0	10 – 30	+3.0%
<i>Diversified Growth</i>			5 – 15	+4.0%
<i>Best Ideas</i>			5 – 15	+2.0%
Managed Account	9.0	7.0 – 11.0		+3.5%
<i>Managed Futures</i>			0 – 15	+4.0%
<i>Hedge Funds</i>			0 – 10	+3.0%
Cash	-	0.0 – 5.0	0 – 30	+0.0%
Liability Hedging****	19.0	10.0 - 30.0	10 - 30	+4.0%

* The Tactical Portfolio can be invested in any asset class permitted by the regulations. The objective of the Tactical Allocation Portfolio is to add value to the overall Clwyd Pension Fund return.

** 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 UK government bonds of an appropriate duration or the “premium over gilts” to reflect the extra risk being taken, excluding active management. This is based on JLT Market Forecast as at the date of the 2014 strategic review. Gilts are used as the basis for expected returns as they are a proxy for valuing the liabilities.

**** The Liability Hedging Portfolio is a combination of Liability Driven Investment (LDI) and an equity overlay which will be managed as part of a de-risking approach. As the funding level improves, the equity exposure will be reduced and the LDI hedge ratio increased in a pre-determined way. 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 benchmark 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 2014.

Cash is included in the strategic benchmark but in principle the Fund will aim to be fully invested. Cash is held by the managers, at their discretion within their investment guidelines, and internally to meet working requirements. The strategic benchmark allows cash to be held for tactical or operational reasons.

The strategic policy and the medium term performance of the managers are monitored at quarterly Advisory Panel and Committee meetings.

LDI flightpath strategy

In March 2014, the Fund established a Liability Hedging programme covering both nominal and inflation linked interest rates.

A Flightpath 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 Pension Fund Advisory Panel monitors the funding level triggers relating to the overall funding and investment risk management.

As mentioned above, the Liability Hedging Portfolio is a combination of Liability Driven Investment (LDI) and an equity overlay, which will be managed as part of the de-risking approach. As the funding level improves, the equity exposure will be reduced and the LDI hedge ratio increased, in a pre-determined way. More detail is set out in the Funding Strategy Statement and separate flightpath monthly and quarterly reports.

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 will not 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 Investment Regulations require 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 alpha seeking alternative asset managers.

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 Pensions 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.

5. Risk

Types of Risk

The Committee are aware, and seek to take account, of a number of risks in relation to the Fund's investments.

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.

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 discussed in Section 7 – Sustainability of the SIP.

Manager Risk

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 investments are managed by external investment managers who are required to invest the assets in line with the investment guidelines set by the Fund, appropriate for each mandate. Independent custodians safekeep the assets on behalf of the Fund.

Market Risk

Investment risk is controlled 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. 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.

Credit Risk

Credit (and counterparty) risk arises in the bond portfolios, the management of cash balances and the trade settlement process. At all times the Fund ensures it appoints reputable and creditworthy external suppliers and that credit management policies are adhered to.

Liquidity Risk

Liquidity risk is the risk that the Fund cannot realise its assets as needed. As a result, the Fund limits its investment in less liquid asset classes such as property, hedge funds, private equity and infrastructure.

Liability Based Risk

The investment strategy provides some protection against the liability based risks, mainly interest rates and inflation. The LDI and bonds (to some extent) provide interest rate and inflation hedges. Infrastructure, property and, to a lesser extent, timber, agriculture, equities and DGFs, provide an inflation hedge over the medium to longer term. The Fund is not hedged against mortality risk.

Risk Budgets

In formulating the revised investment strategy, expected risk and return figures were utilised for each asset class. The figures used in the 2014 strategic review are as follows.

Asset Class	Expected return above Government Bonds p.a.*	Expected Risk (Volatility) p.a.**
Developed Global Equity	+4.0%	14%
Emerging Market Equity	+5.0%	21%
Frontier Market Equity	+6.0%	20%
Multi-Asset Credit	+2.0%	6%
<i>Government Bonds</i>	+0.0%	10%
<i>Corporate Bonds</i>	+1.0%	9%
<i>Overseas Government Bonds</i>	+1.0%	10%
<i>Emerging Market Debt</i>	+2.1%	12%
<i>High Yield Debt</i>	+2.1%	10%
Property	+3.0%	5%
Infrastructure	+3.1%	10%
Private Equity/Debt	+5.1%	28%
Tactical Allocation Portfolio	+3.0%	9%
<i>Diversified Growth</i>	+4.0%	9%
<i>Best Ideas</i>	+2.0%	9%
Managed Account	+3.5%	6%
<i>Managed Futures</i>	+4.0%	6%
<i>Hedge Funds</i>	+3.0%	6%
Cash	+0.0%	1%
Liability Hedging	+4.0%	21%

* Expected return is expressed as an excess long-term return over UK government bonds or the “premium over gilts” to reflect the extra risk being taken, excluding active management. This is based on JLT Market Forecast as at the date of the 2014 strategic review. Gilts are 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

Risk Register

The Clwyd Pension Fund has a Risk Policy and Risk Register in place.

The Clwyd Pension Fund 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 is kept up to date and ongoing consideration of key risks is undertaken at Committee and Advisory Panel meetings.

Regulatory limits

The regulations impose certain limits on the way in which the Fund's assets can be invested. In principle these are designed to ensure diversification and reduce risk.

For example there are limits on the amounts which can be invested in partnerships, unlisted securities, unit trusts and life funds. There is a two tier system of limits. The first tier is the “normal” limit; the second tier is a set of higher limits which can only be utilised once the Committee has passed a resolution, having complied with certain conditions.

6. Monitoring of Investment Advisers and Manager

Investment Advisers

All advisers have fixed term contracts and the performance of contract specifications is reviewed annually as part of the overall governance review.

Further details in relation to this are included in the latest Business Plan.

Investment Managers

The Advisory Panel and Committee receive at least quarterly monitoring reports on the performance of their investment managers against their specific benchmark. In addition, the Investment Consultant carries out ongoing research with investment managers and highlights changes that could impact on future performance. Officers also meet with investment managers on a frequent basis.

7. Sustainability

Responsible Investing Policy

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.

As part of this strategy, 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.

The Clwyd Pension Fund has incorporated these areas and others into its Sustainability Policy, a copy of which is included in Appendix A.

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 has adopted the FRC UK Stewardship Code which aims to enhance the quality of engagement between institutional investors and companies. The aim is to improve long-term returns to shareholders and by setting out good practice on engagement with investee companies, improve governance standards. The Fund seeks to adhere to the Stewardship Code, and encourages its appointed asset managers to adopt the Code.

In practice the Fund's policy is to apply the Code both through its arrangements with its asset managers and through membership 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 NAPF which also provides further guidance on Governance and Social Responsibility issues as well as the wider pension issues.

Exercise of Voting Rights

The Fund recognises its responsibility as a shareholder to actively encourage good corporate governance standards in the companies in which it invests as poor governance can negatively impact shareholder value.

The Fund obtains corporate governance updates and voting details from managers and portfolios. The Fund also provides details of any LAPFF alerts during the period. The manager can then advise the Fund as to how they voted on those occasions.

8. Compliance with Guidance

The Investment Regulations require the Fund to explain the extent to which it complies with guidance given by the Secretary of State. The most significant guidance published in 2009 is CIPFA's "Investment Decision Making and Disclosure", a guide to the application of the revised Myner's Principles. The six Myner's Principles are:

- Effective Decision Making
- Clear Objectives
- Risk and Liabilities
- Performance Assessment
- Responsible Ownership
- Transparency and Reporting

The Fund's compliance statement on these Myner's Principles is attached in Appendix B, explaining the extent of compliance with each Principle and the reasons for this.

The Financial Reporting Council (FRC) has published a Stewardship Code. The aim is to set out best practice principles in respect of shareholder engagement with companies and disclosure of such activity. It is intended that shareholders adhere to these principles using a 'comply or explain' approach. The extent of the Fund's compliance with each of the seven principles is attached in Appendix C.

The Fund's Annual Report and Accounts sets out current details relating to the following areas, as determined by the LGPS Regulations 2008 :

- A report on the management and financial performance of the Fund
- A report explaining the investment policy and performance
- A report on the administration arrangements
- An actuarial statement including the funding level
- Funding Strategy Statement
- Statement of Investment Principles (SIP)
- Governance Compliance statement
- Pension Fund Accounts
- Pension Fund Administration strategy
- Communication Policy statement

Approval, Review and Consultation

The investment strategy of the Clwyd Pension Fund was reviewed by its Committee and Advisers in November 2014. Representatives of employers and scheme members who are Pension Fund Committee members were involved in the review.]

This Statement of Investment Principles was approved at the Clwyd Pension Fund Committee on 21 May 2015. It will be formally reviewed and updated at least every six months or sooner if the matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Statement of Investment Principles, please contact:

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Appendix A – 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 regulatory requirement to include in the Fund's Statement of Investment Principles (SIP) 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.
- 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

Objective

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 SIP 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.

Sustainability Approach

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 be made aware of the Fund's Sustainability Policy. A similar approach needs to be adopted on in-house managed investments.

Investment Management & Monitoring of Performance

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 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 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.

Investment Manager Selection & Contracts

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 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 SIP. 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 SIP and publish its contents both in the Annual Report and on its website.

Appendix B – Myners Principles – 2015/16 Compliance

Principle 1

Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation, and
- Those persons or organisations 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. Furthermore, 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 SIP. 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.	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 SIP 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. These are stated in the SIP.	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.	Full

	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.	
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 SIP, 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	Full

	this, but also taking input from Officers and the Advisory Panel, with appropriate actions being agreed.	
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 is included as part of the SIP. The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which considers responsible investment on a collaborative basis.	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 – SIP, 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 C – FRC UK Stewardship Code – 2014/15 Compliance

Principles	Comment & Actions	Compliance
Principle 1		
Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.	<p>The Clwyd Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship 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.</p> <p>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.</p>	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 SIP 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 SIP 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.	<p>The Fund reviews its SIP 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.</p> <p>All managers provide details of voting activity and a summary is provided in the Fund's Annual Report.</p>	Partial

Communication Strategy Statement

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 30 employers with active members, and approximately 40,000 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 its 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 plan for 2016/17 to 2018/19 includes 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.

This Statement will be effective from 1 April 2016 and the performance indicators mentioned herein will demonstrate ongoing progress towards the Strategy's aims and objectives.

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;

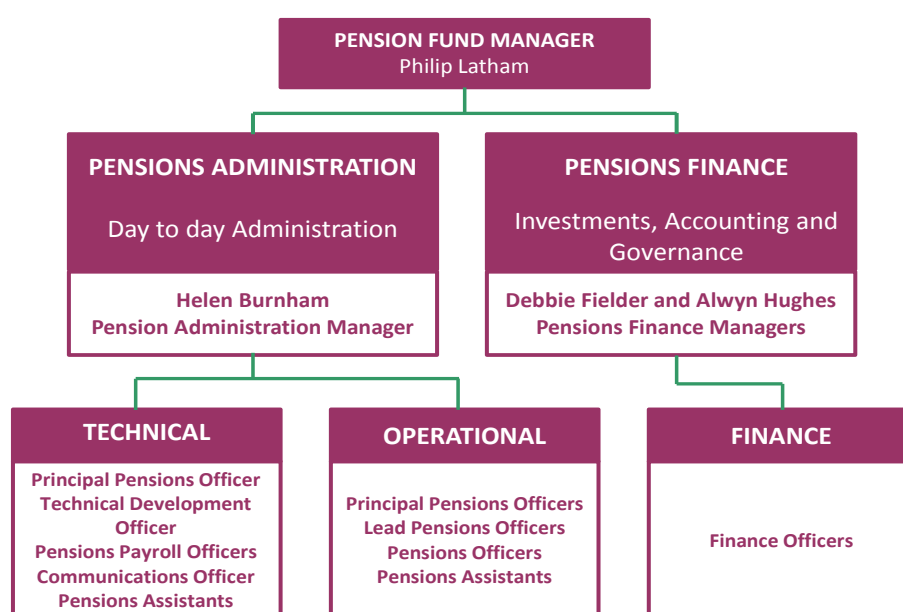
- Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- Communicate in a clear, concise manner

- 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:



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.

<i>Website</i>	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/ .
<i>Annual Benefit Statements</i>	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.
<i>Newsletters</i>	<p>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.</p> <p>In addition, Pensions Extra is a newsletter that is used to notify members of urgent issues concerning the LGPS.</p> <p>All newsletters are available to view on the website.</p>

<i>Pension Presentations/ Road-shows/Drop-in Sessions</i>	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.
<i>Telephone and email</i>	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.
<i>Pre-Retirement Courses</i>	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.
<i>Literature</i>	<p>The Fund ensures pension-related literature is available to scheme members, including:</p> <ul style="list-style-type: none"> • 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. <p>All Fund literature is available on the website enabling 24 hour access.</p>
<i>Pensions Taxation Correspondence</i>	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.
<i>Annual Report</i>	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.

<i>Employer key contact officers and meetings</i>	<p>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.</p> <p>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.</p>
<i>Annual Employer Meeting</i>	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.
<i>Annual Joint Consultative Meeting (AJCM)</i>	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.
<i>Training Sessions</i>	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.
<i>Administration Strategy</i>	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.
<i>Service Level Agreements (SLAs)</i>	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.

<i>Website</i>	All Employers have access to the Fund's website (http://www.cronfabensiynaclwyd.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.cronfabensiynaclwyd.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.
<i>Email Updates</i>	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.
<i>Employer Bulletins</i>	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>i-Connect</i>	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.
<i>Employer specific events</i>	A Fund Officer is available to attend any employer specific events to assist employers understand their responsibilities.

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://cyfarfodyddpwyllogor.sirymfflint.gov.uk/ieListMeetings.aspx?CId=445&Year=0&LLL=undefined>.

c) Information for Fund Staff:

Effective communication ensures that Fund staff are confident and prepared to undertake their role, as follows:

<i>Clwyd Pension Fund Manager</i>	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.
<i>Pensions Administration/Finance Manager</i>	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.
<i>Administration Section Meetings</i>	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.
<i>Appraisal and Training</i>	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.

d) Communicating with other bodies:

There are a number of other interested parties with whom we communicate as required, including:

<i>The Department for Communities and Local Government (DCLG)</i>	The Fund has regular contact with DCLG as a responsible LGPS Fund, participating and responding to consultations, as required.
<i>Scheme Advisory Board (SAB)</i>	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.
<i>The Pensions Regulator</i>	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.
<i>Trade Unions</i>	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.
<i>Employer Representatives</i>	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.

<i>AVC Provider</i>	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.
<i>Pension Fund Investment Managers, Advisers and Actuaries</i>	<p>The Clwyd Pension Fund Manager and Finance Managers have regular meetings with;</p> <ul style="list-style-type: none"> – 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 <p>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.</p>
<i>Welsh Government</i>	The Fund sometimes needs to liaise with Welsh Government on matters that might impact the delivery of the LGPS, such as local government reorganisation.
<i>Asset pooling partners</i>	Going forward there will be greater focus on the pooling of assets between LGPS Funds. As part of this the Fund will likely have ongoing relationships with a number of LGPS Funds and organisations managing those asset pools.
<i>Pension Fund Custodian</i>	The Fund's Custodian ensures the safekeeping of the Funds investment transactions and all related share certificates.
<i>Pensions and Lifetime Savings Association (PALSA)</i>	The Fund is a member of PALSA, which provides an opportunity for administering authorities to discuss issues of common interest and share best practice.
<i>Class User Group</i>	The Pension Administration Manager and other Pensions Officers attend the Class User Group meetings twice a year to discuss software issues and required upgrades.
<i>Local Authority Pension Fund Forum (LAPFF)</i>	The Fund is a member of LAPFF which was established to help local authority funds share information and ideas about socially responsible investing.
<i>Regional Forums</i>	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.
<i>Partnership Meetings with the 8 Pension Funds in Wales</i>	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.

<i>Shared Services Communications Group</i>	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.
<i>Requests for information</i>	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.
<i>Consultations</i>	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.
<i>Press releases and comments</i>	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. It is effective from 1 April 2016.

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

Best Practice Documents

BUSINESS PLAN 2016/17 TO 2018/19

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 2016/17, 2017/18 and 2018/19. This business plan was approved at the Clwyd Pension Fund Committee meeting on 22nd March 2016. 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 2016/17 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 £1.4bn¹ 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.

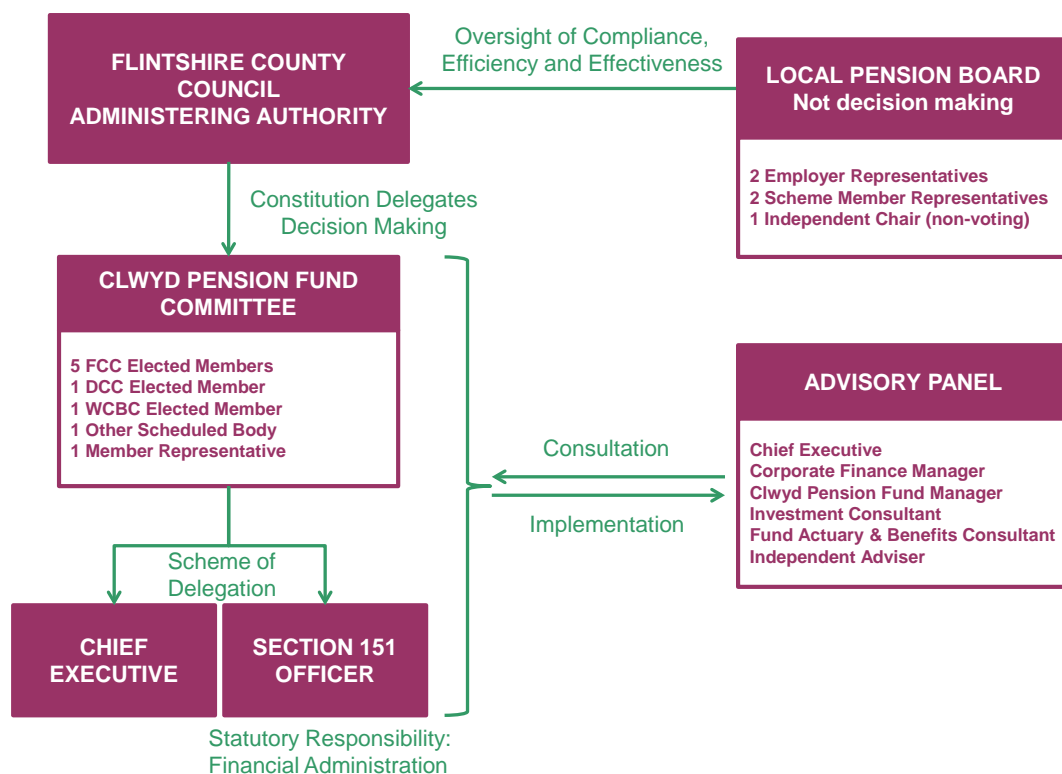
Total Fund membership is about 41,000 with about 16,000 active contributors from 29 contributing employers and about 26,000 retired members, widows and deferred members.

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"). Gary Ferguson, 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, Colin Everett. The 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.



The Pension Fund Management Team

The day to day operations of the Fund are managed by Philip Latham, the Pension Fund Manager. He is supported by two teams:

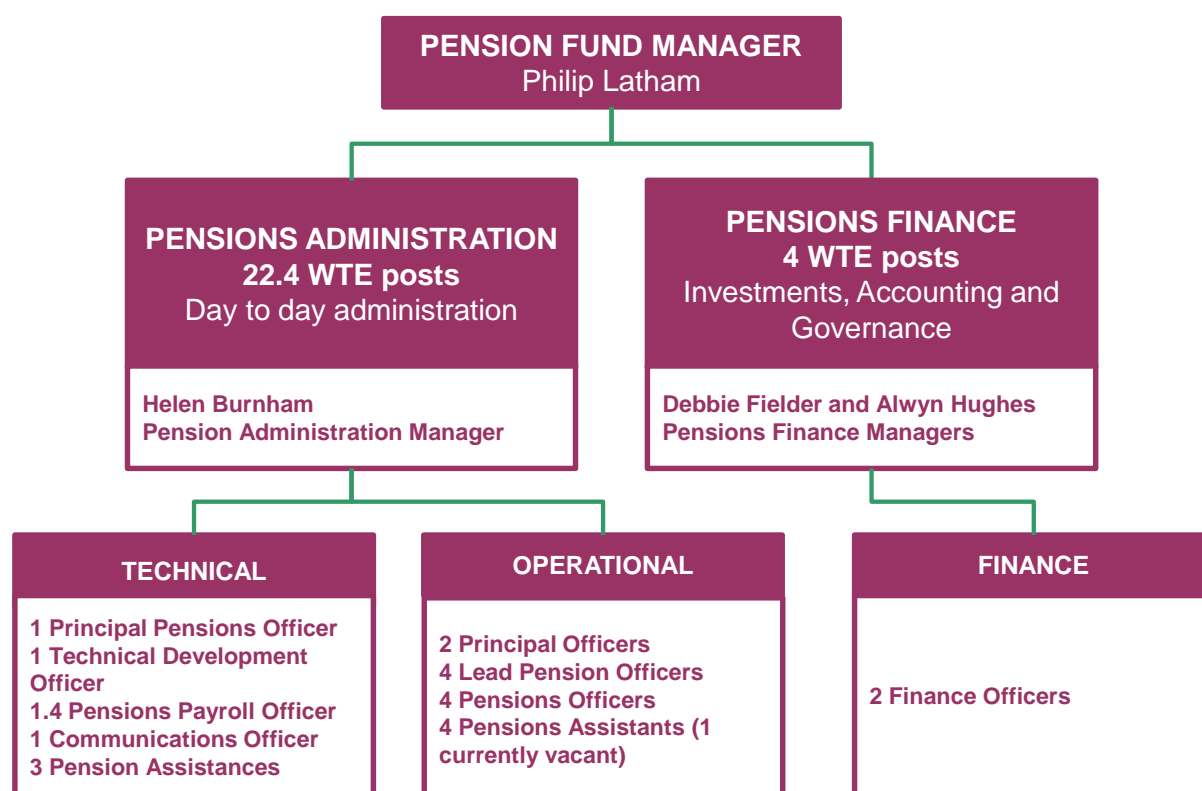
- The Pension Administration Section which is responsible for the day to day administration of pension benefits and is headed by Helen Burnham. The section is split between an Operational Team and a Technical Team. The Operational Team delivers a pensions service for

¹ Information correct as at February 2016.

approximately 41,000 scheme members and 29 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, provides a communication service for members and employers and a pensioner payroll service for 12,700 pensioners and dependents.

- The Pensions Finance Section which is responsible for accounting, investment and governance matters, headed by Debbie Fielder and Alwyn Hughes. The section is responsible for the day to day accounting and closure of the accounts. Additionally, the section is responsible for the monitoring of 8 core external fund managers as well as 42 non-core external fund managers responsible for around 100 separate funds². The Pension Finance Managers are involved with the appointment of new fund managers and are also responsible for sourcing and recommending new in-house investments.

The full structure as at March 2016 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.

² Information correct as at February 2016

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
- Statement of Investment Principles and Compliance Statement
- Funding Strategy Statement
- Administration Strategy
- Communications Strategy
- Employer Service Level Agreements

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the five areas of governance, investments, funding, communications and administration, 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
- 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 our success
- Ensure that the 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 ("LGPS") and wider pensions landscape
- Ensure that those persons responsible for governing the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, that their decisions are robust and well based, and that they appropriately manage any potential conflicts of interest.

Funding and Investments

- Achieve and maintain assets equal to 100% of liabilities within the 18 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.

Administration

- Provide a high quality, professional, proactive, timely and customer focused 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 to allow members to make informed decisions about their benefits
- Communicate in a clear and 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 including through greater use of technology and partnership working
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

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.

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 audit in their role
- Replying to Freedom of Information requests.

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
- Monthly cash flow and treasury management
- Monthly monitoring of income and expenditure including employer and scheme member contributions
- Monthly 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 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
- Monthly 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.

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
- 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
- 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.

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
- A fundamental review of the investment strategy, to ensure a closer relationship with the funding strategy through implementation of a flight-path risk management plan
- The implementation of the new Local Government Pension Scheme from April 2014 and introducing innovative ways of working within the Administration Section.

This puts us in a strong position to meet the challenges ahead. The following are just some of the areas which will need to be managed or responded to, some of which may even necessitate a review of the aims, objectives and governance of the Fund:

- responding to and implementing the Government's review on the pooling of pension fund assets with other LGPS pension funds
- reviewing the Funding Strategy and managing the results of the 2016 triennial actuarial valuation of the Fund's liabilities, which might:
 - result in an increased deficit which could impact ongoing employer contribution costs
 - impact ongoing scheme member costs and/or benefits through the national cost management mechanism
 - result in a need to change our investment strategy
- achieving the objectives of the Fund's aspirational administration and communications strategy including how we work with employers
- completing a major data cleanse exercise to prepare for the cessation of contracting out status
- responding to any potential Welsh local government reorganisation.

These and other priorities for the next three years are articulated in more detail in the appendix to this business plan, split into three sections; governance, funding and investments, and administration and communications.

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 (cashflows) as well as the expected operating costs.

Cashflows projections for 2016/17

	Actual 2014/15 £000s	Budget 2015/16 £000s	Revised	
			2015/16 £000s	2016/17 £000s
Opening Cash	(30,520)	(43,735)	(43,735)	(10,053)
Payments				
Pensions	50,415	53,600	53,600	57,300
Lump Sums & Death Grants	17,317	18,000	17,000	20,000
Transfers Out	2,036	2,800	1,700	2,800
Expenses (including In House)	2,691	3,450	4,450	4,500
Support Services	219	250	167	250
Total Payments	72,678	78,100	76,917	84,850
Income				
Employer Contributions	(29,608)	(31,765)	(31,765)	(33,250)
Employee Contributions	(14,532)	(15,200)	(15,200)	(15,200)
Employer Deficit Payments	(28,079)	(27,320)	(27,560)	(28,500)
Transfers In	(2,347)	(4,000)	(2,000)	(4,000)
Pension Strain	(3,030)	(2,350)	(2,500)	(1,200)
Investment Income	(3,070)	(3,000)	(2,610)	(3,170)
Total Income	(80,666)	(83,635)	(81,635)	(85,320)
In House Investments				
Draw downs	40,212	44,376	34,000	40,955
Distributions	(59,824)	(61,606)	(60,000)	(71,043)
Net Expenditure /(Income)	(19,612)	(17,230)	(26,000)	(30,088)
Net Purchases/(Sales)	(615)	(600)	(300)	
Rebalancing Portfolio	15,000	40,000	64,700	30,000
Total Net Cash Flow	(13,215)	16,635	33,682	(558)
Closing Cash	(43,735)	(27,100)	(10,053)	(10,611)

Operating Costs Budget 2016/17

	Budget	
	2015/16 £000s	2016/17 £000s
Governance Expenses		
Employee Costs (Direct)	226	229
Support & Services Costs (Internal Recharges)	19	19
Premises	17	17
IT (Support & Services)	10	10
Other Supplies & Services)	56	56
Audit Fees	36	40
Actuarial Fees	192	304
Consultant Fees	341	389
Advisor Fees	156	188
Legal Fees	30	30
Performance Monitoring Fees	25	25
Total Governance Expenses	1,108	1,307
Investment Management Expenses		
Fund Manager Fees*	14,490	11,028
Custody Fees	34	34
Total Investment Management Expenses	14,524	11,062
Administration Expenses		
Employee Costs (Direct)	662	711
Support & Services Costs (Internal Recharges)	82	90
Outsourcing	800	1,240
Premises	75	75
IT (Support & Services)	250	250
Member Self Service	0	107
Other Supplies & Services)	70	70
Miscellaneous Income	0	0
Total Administration Expenses	1,939	2,543
Total Costs	17,571	14,912

*CIPFA have changed the elements that need to be included in Fund manager fees resulting in a reduction. Underlying fees are no longer required to be disclosed in the accounts.

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 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.

The purpose of this statement is to summarise the main risks managed by the Fund and illustrate the level of risk expected, compared with the current position. Where the risk is both higher than expected, and is controllable, the Fund's Business Plan will include an action on how to mitigate that risk.

Key:

This is where there could be catastrophic consequences that are considered almost certain to happen
This is where there could be major consequences that are considered likely to happen
This is where there could be moderate consequences that are considered a possible occurrence
This is where there could be minor consequences that are considered unlikely to happen
This is where there could be insignificant consequences that are considered very unlikely to happen

Governance

- Main Risks

The Fund could consistently make decisions or take actions which do not result in us achieving our aims and objectives; or are not transparent; or not legal; or do not follow best practice.

- What Could Increase Risk?

The risk of these outcomes would be increased by an inappropriate governance structure; poor training; poor attendance or engagement; insufficient resources; conflicts of interest; absence of governance policies; absence of performance measurement, scrutiny and challenge; absence of risk management; poor advice (all of which could be at PFC, PB or officer level) or the impact of externally led changes outside of our control.

- Our Target Risk

Managing governance risks are, in the main, within the control of the Fund, hence risks should be low. Albeit there will always be some external events outside the Fund's direct control.



- The Current Risk

An independent review of the Fund's governance showed that governance risks are being well managed and a recent review against The Pension Regulator's Code of Practice also makes positive reading. However, the governance structure is relatively new, still evolving, and further training is required. There are also some external risks from asset pooling and increasing complexity which may result in a review of governance arrangements. There are also some key risks around succession planning for officers which require consideration.



Funding & Investment

▪ Main Risks

Pension costs for employers could significantly increase and possibly become unaffordable; in the longer term there could be insufficient assets to pay for accrued pension liabilities.

▪ What Could Increase Risk?

A sustained fall in global markets; low interest rates; high inflation; inappropriate investment and funding strategy; failure of fund managers to meet investment targets; on-going austerity reducing employers budgets; employers changing their delivery models; the impact of externally led changes outside of our control.

▪ Expected Risk

There will always be economic, funding and investment risks that cannot be controlled by the Fund. However the aim is to mitigate these risks, as much as possible, through a diversified investment strategy and a prudent funding strategy.



▪ Current Risk

The current economic cycle has resulted in austerity, lower interest rates and the prospect of lower growth in the near term and hence investment returns going forward. The Fund is in deficit with a probability that this will continue to be the case for a minimum of 10 years. However, through the Fund's diversified investment strategy and prudent funding strategy, including the risk management of interest rate and inflation risks (funding flight-path), it is hoped that the impact on employer contribution rates will be minimalized. The impact of asset pooling, BREXIT and the US elections may also increase the investment risk.



Administration & Communication

▪ Main Risks

The service delivery might not meet legal requirements; or agreed local performance standards; or is seen by stakeholders as not being cost effective.

▪ What Could Increase Risk?

A lack of a trained workforce; an inappropriate organizational size, structure and culture; poor IT systems and reporting; poor communications; inefficient or inadequate procedures; poor engagement with employers or employers with insufficient resources to carry out their responsibilities; unexpected changes in scheme membership or numbers of employers; increasingly complex pension and taxation laws and regulations.

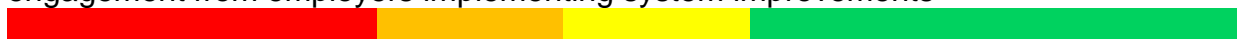
▪ Expected Risk

The majority of these risks can be managed locally by the Fund, hence the risks should be well managed and low. However, there will always be some external factors, such as the complexity and number of regulatory changes, which are less controllable.



▪ Current Risk

The service has had to manage through unprecedented change in recent years with new schemes in 2008 and 2014 and some impact on service delivery has been unavoidable from both a pension an employer point of view. Currently each Budget also sees some changes that impact on pension or taxation regulations. Much time has recently been invested in improving the organization structure, training and improving procedures. An aspirational Administration and Communication Strategy will commence from 1st April 2016 which, if successfully implemented, will significantly reduce risks over the next two years. A key part of this, however, depends on appropriate engagement from employers implementing system improvements



Appendix - BUSINESS PLAN 2016/17-2018/9 – Key Tasks

Governance

Ref	Key Action -Task	2016/7 Period				Later Years	
		Q1	Q2	Q3	Q4	2017/18	2018/19
G1	Review CPF Adviser Procurement Framework		x	x	x		
G2	Review constitution and delegations in relation to asset pooling		x	x	x		
G3	Review/Tender Investment Consultancy and Independent Adviser Contracts		x	x	x		
G4	Consider Key Person Risk			x	x		
G5	Induction Training for PC					x	
G6	Review/Tender Actuarial Contract					x	
G7	Review administration system contract					x	x
G8	Review of governance related policies					x	x
G9	Review/Tender Custodian Contract						x
G10	Impact of local government reorganisation in Wales						x

G1 – Review CPF Adviser Procurement Framework

What is it?

Clwyd Pension Fund's adviser procurement framework agreement ceases in 2016/7 and we will need to consider whether there is a need to renew it or take part in the national procurement framework. This needs to be completed prior to G3.

Timescales and Stages

Carry out review:

2016/17 Q2

Put in place new CPF procurement framework

2016/17 Q2-4

Resource and Budget Implications

To be confirmed.

G2 - Review constitution and delegations in relation to asset pooling

What is it?

It will be necessary to review the Council's delegations (within the Council's Constitution and the PFC's Scheme of Delegation) in relation to pension matters in relation to any changes being implemented as a result of asset pooling (see Funding and Investment section). In particular, the Administering Authority will need to determine what decisions will need to be made and by whom.

Timescales and Stages

Review and recommend updates to delegations:

2016/17 Q1/2

Resource and Budget Implications

To be led by Pension Fund Manager, liaising with Monitoring Officer and taking advice from Investment Consultant and Independent Adviser. There will be external adviser costs associated with this exercise but they are not expected to be significant.

G3 – Review/Tender Investment Consultancy and Independent Adviser Contracts

What is it?

The Fund's investment consultancy and independent Adviser contracts reach their initial break point on 31 March 2017 albeit they can be extended for up to 2 years. A decision should be made as to whether these are retendered or extended. The implications of the Government changes to investment regulations, including, pooling will need to be considered.

Timescales and Stages

Carry out review/decide whether to tender or extend existing contracts 2016/17 Q2
Pension Fund Committee agree way forward (27th September 2016) 2016/17 Q2/3
Potential tender if contracts are not extended 2016/17 Q4

Resource and Budget Implications

To be led by Pension Fund Manager within existing budget.

G4 – Consider Key Person Risk

What is it?

The Council needs to review any key person risk within the Pensions Finance team; it is recognised that there is also a potential risk for the Pensions Administration team. This is a particular concern for the Pensions Finance team due to its small size and age group concentration.

Timescales and Stages

Review risk and staffing levels:

2016/17 Q3/4

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget albeit any necessary changes to staffing levels or numbers may impact on the budget.

G5 – Induction Training for PC

What is it?

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

Timescales and Stages

Source and ensure delivery of induction training:

2017/18 Q1/2

Resource and Budget Implications

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

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 upcoming triennial actuarial valuation of the Fund during 2016/17 this has been deferred to 2017/18.

Timescales and Stages

Review current actuarial contract and identify tender process:	2017/18 Q2
Conduct tender for actuarial services:	2017/18 Q3/4

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget.

G7 - Review administration system contract

What is it?

The CPF has a rolling one year contract with 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), it is better to defer this until 2018/9.

Timescales and Stages

Conduct tender for administration system	:	2018/19
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Resource and Budget Implications

To be led by Pension Administration Manager. All internal costs are being met from the existing budget.

G8 – Review of Governance Related Policies

What is it?

The CPF has a number of policies focussing on the good governance of the Fund, as follows:

- Conflicts of Interest Policy March 2015
- Procedure for Recording and Reporting Breaches of the Law – Nov 2015
- Training Policy – Nov 2015 (but original Nov 2014)
- Risk Policy – May 2015
- Governance Policy and Compliance Statement – May 2015

All of these policies are subject to a fundamental review at least every three years. Their last fundamental review was in 2015, when many of them were first developed, albeit many of them have had minor amendments since then. Given they are all closely related, it might be more efficient to carry out the review of these policies at the same time. This will be considered nearer the time.

Timescales and Stages

Fundamental review of governance related policies	2017/18 Q3/4+ 2018/19
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Resource and Budget Implications

It is expected this will mainly involve the Pension Fund Manager taking advice from the Independent Adviser.

G9 – 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 needs to put the custodian contract out to tender.

Timescales and Stages

Review current custodian contract and identify tender process: 2018/19
Conduct tender for custodian services: 2018/19

Resource and Budget Implications

To be led by Pension Finance Manager(s). All internal costs are being met from the existing budget.

G10 – Impact of Local Government Reorganisation in Wales

What is it?

There is potential for the reorganisation of local authorities in Wales and this currently programmed to be implemented from 2020. This could result in changes to the local authorities who currently contribute in the Clwyd Pension Fund, and therefore, could result in transfers of assets and liabilities in or out of the Fund.

Timescales and Stages

Actual actions to be determined 2018/19

Resource and Budget Implications

Still to be determined.

Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2016/17 Period				Later Years	
		Q1	Q2	Q3	Q4	2017/ 18	2018/ 19
F1a to j	Triennial Actuarial Valuation and associated tasks	x	x	x	x		
F2a to d	Asset Pooling	x	x	x	x	x	x
F3	Produce Investment Strategy Statement		x	x			
F4	Flight-path “Health check” Review			x	x	x	
F5	AVC Review			x	x	x	
F6	Review of Investment Strategy			x	x	x	x
F7	Implications of MIFID2					x	

F1a – 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.

Timescales and Stages

Effective date:	31 March 2016
Initial whole Fund results (expected):	Q1 2016/17
Individual Employer results (expected):	Q2&3 2016/17
Deadline for agreement of all contributions and sign-off:	31 March 2017

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 2017. It is a major exercise for the Fund and will take a lot of input from the Administration and Investment 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 are included in the 2016/17 budget.

F1b – Review of Fund policy around employer risk management

What is it?

The Fund agreed a policy in 2013 relating to the admission of employers into the Fund and to how termination of participation is dealt with, the primary aim of the policy being to protect the Fund against incurring any unfunded liabilities as far as possible.

The policy has different requirements depending on the nature of the admitted employer but includes the use of pre-admission risk assessments, contingent security where deemed necessary, monitoring of the employer and termination funding. The detail and application of this policy should be regularly reviewed, especially in light of regulatory changes, to ensure it remains appropriate and is not exposing the Fund to funding risk. In addition as part of this review the Fund will look to implement a process to monitor covenant and funding risk for employers. The level of detail needed will depend on the specific employer type.

The Fund is subject to funding risks in respect of employers who cease to participate without the Fund being able to recover the full exit contributions due under the Regulations. This can be mitigated by increasing contributions and/or requesting a contingent bond or guarantee to be provided to protect against the possibility of an unrecoverable debt. A risk-monitoring framework would identify and monitor participating employers who may be more likely than average to pose such a risk. This would monitor funding positions and covenant strength on a proportionate basis to flag any potential issues at an early stage. The governance around the framework would include ensuring employers are aware they should inform the Fund of any significant changes in membership numbers or underlying demographics.

Timescales and Stages

Review existing policy:	Q2 2016/17
Implement changes:	Q3 2016/17

Resource and Budget Implications

Fund Actuary will liaise with the Fund to review policy and process, updating documentation appropriately as well as implementing the covenant monitoring where appropriate. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1c – Further refine operational structure applying for admissions and terminations

What is it?

The admission and termination policies are in force but the administration team may need assistance when dealing with queries from employers or implementing the policies. In particular, a review of the admission and termination policies, any checklists and information provided to employers will be required.

Timescales and Stages

Review of Fund policies to be performed during 2016/17 alongside the drafting of the Funding Strategy Statement:

- | | |
|---|------------|
| ▪ Initial review | Q2 2016/17 |
| ▪ Review commences 2016/17 Q2 and closes during | Q3 2016/17 |
| ▪ The policies will be formally signed off | Q4 2016/17 |

Ongoing assistance also provided as and when required.

Resource and Budget Implications

The Fund Actuary will carry out the review and will assist the administration team with any implementation requirements. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1d – Consider funding impact of 2016 end of contracting out

What is it?

With effect from April 2016 contracting-out ceases and employers and employees will be required to pay higher National Insurance contributions (respectively by 3.4% and 1.4% of earnings between the Lower Earnings Limit and the Upper Accrual Point). Employers will be considering how to mitigate the additional employment cost. The LGA is negotiating with HMT on a national basis in terms of rebating some of the costs, given the LGPS benefit structure cannot be changed to offset the cost for employers.

In addition, consideration also needs to be given to whether the LGPS will pay Post 88 GMP pension increases for members who reach their State Pension Age after 5 April 2016. This will be considered and costed as part of the 2016 valuation process as it could have funding implications.

Timescales and Stages

- | | |
|--|-------------------|
| Legislation effective | 6 April 2016 |
| Consider potential impacts/costs further as part of the 2016 triennial valuation as part of affordability considerations for employers | Q2 and Q3 2016/17 |

Resource and Budget Implications

Budget implications for employers are potentially significant and will affect the affordability of normal pension Fund contributions. Employers are likely to also assess their own costs based on their total payroll, but may request information from the Fund. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1e – Test data quality in advance of the valuation

What is it?

The formal actuarial valuation requires data to be of a high quality. The Fund's data will be compared against a number of checks to ensure that there are no areas of concern or areas that would significantly affect the results of the valuation. Any issues that arise will be highlighted to the Fund so that it can be rectified.

Timescales and Stages

Perform checks on Fund data Q4 2015/16 and Q1 2016/17
(subject to software providers implementing the data extract facility).

Resource and Budget Implications

Exercise will be performed by the Fund Actuary in advance of 31 March 2016. The administration team will be required to provide the data extract and work with the Fund Actuary if there are any areas of improvement required with the data. Tests will also be performed to check that there are no problems with the data extract itself. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1f – Consider the potential impact of Alternative Delivery Models (ADMs) on Fund profile and maturity

What is it?

As part of the 2016 valuation, the Fund will need to consider what impact ADMs (including those in the pipeline) have had i.e. on the Council that they have transferred from and on the Fund as a whole. As a result of ADMs, there will be more employers in the Fund and more resources required in the running of it.

Timescales and Stages

To be performed Q2 and Q3 2016/17
(alongside the 2016 actuarial valuation. In particular an analysis of cash flow projections will be performed in different scenarios)

Resource and Budget Implications

Exercise will be performed by Fund officers and the Fund Actuary. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1g – Review the Funding Strategy Statement

What is it?

The Fund is required to prepare a Funding Strategy Statement and this should be reviewed whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles. The FSS will need to be updated to reflect any changes to policy that emerge as part of the actuarial valuation and also the updated results and assumptions.

Timescales and Stages

To be performed during 2016/17 alongside the 2016 actuarial valuation:

- The initial drafting of the strategy will take place Q2 2016/17
- The consultation will commence during Q2 and with close during Q3
- The strategy will be formally signed off by the Committee Q4 2016/17

Resource and Budget Implications

Exercise will be performed by Fund officers and the Fund Actuary. Employers will be formally consulted as part of the process. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1h – Provide information required in relation to Section 13 of the Public Service Pensions Act 2013

What is it?

Section 13 of the Public Service Pensions Act 2013 provides for a review of the LGPS valuations and employer contribution rates to check that they are appropriate and requires remedial steps to be taken where it is considered appropriate. The Government Actuary's Department (GAD) will

undertake this review based on Fund data received from each Scheme Actuary based on the results of the 2016 actuarial valuations. A report will be provided upon completion of the GAD analysis.

Timescales and Stages

The data request is expected to be received from GAD

Q4 of 2016/17

Resource and Budget Implications

Exercise will be performed by the Fund Actuary as part of the 2016 actuarial valuation. The results will be provided to the GAD. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1i – Review the Fund's KPI's and perform updated calculations

What is it?

The LGPS Scheme Advisory Board (SAB) is undertaking a mandatory exercise to benchmark the performance of all LGPS funds in England and Wales (linked to 2016 triennial valuations). A suite of self-assessment key indicators (KPIs) have been derived. Additional calculations will be required in order for the Fund to assess itself against these KPIs.

Timescales and Stages

To be performed

Q2 and Q3 of 2016/17

Resource and Budget Implications

Exercise will be performed by Fund officers and the Fund Actuary. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F1j – Cost Control

What is it?

Under the new framework, the costs of the LGPS must be periodically assessed to ensure that the reforms are affordable and sustainable. There will be two mechanisms used to do this:

- the employer cost cap process as operated by HM Treasury, and
- the future cost cap process as operated by the LGPS Scheme Advisory Board

Both processes could lead to changes to the scheme design or to the level of members' contributions if the costs of the LGPS are shown to have moved sufficiently from the target.

Timescales and Stages

Information expected to be provided to the GAD

Q3 2016/17

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and sent on directly to the Government Actuary's Department in the required format. The Fund Actuary's costs in relation to this exercise are included in the 2016/17 budget.

F2a – Asset Pooling Responses

What is it?

This comprises the completed (detailed) submission to Government regarding the CPF's plans for Asset Pooling. The initial submission will have been submitted in Q4 2015/16 as this is required by 19 February 2016.

The CPF should also review, and have the ability to comment on, the submission document from the applicable Asset Pool to Government as and when this submission is drafted.

Timescales and Stages

Develop submission documents	Q1 and Q2 2016/17
Completed submission must be issued to Government by	15 July 2016

Resource and Budget Implications

These documents will be produced from a range of the current Fund advisers: JLT as Investment Adviser and Mercer as De-Risking Adviser. Advisor's estimated costs in relation to this exercise are included in the 2016/17 budget.

F2b - Decision regarding assets to be moved to All Wales Passive Collaboration and eventual transition

What is it?

The agreement to run an All Wales Passive search has been taken and Aon Hewitt has been appointed to run this project. Upon completion there will be a decision as to how much of the CPF asset portfolio will be moved into the equity and bond asset allocation positions established as a result of the exercise.

Timescales and Stages

Aon Hewitt exercise is to be undertaken	Q4 2015/16
Anticipated completion	Q1 2016/17
Transition of applicable CPF assets anticipated	Q2/Q3 2016/17

Resource and Budget Implications

This exercise will be conducted by Aon Hewitt and JLT as Investment Adviser as well as the Pension Fund Manager and Finance Manager(s). Advisor's estimated costs in relation to this exercise are included in the 2016/17 budget

F2c - Preliminary plans for implementation of transition of applicable assets to Pooling vehicle

What is it?

This relates to Asset Pooling and will be dependent on two key points:

- i) The response by Government to the CPF Asset Pooling submission (and how much of the CPF asset portfolio can remain to be managed as is)
- ii) The final decision in respect of the Asset Pooling vehicle and how quickly this is established

Timescales and Stages

This is expected to impact both on 2016/17 (Q4) and beyond (2017/18 and thereafter).

Resource and Budget Implications

This review will be jointly carried out by JLT as Investment Adviser, the Pension Fund Manager and Finance Manager(s). Advisor's estimated costs in relation to this exercise are included in the 2016/17 budget. There might be additional advisor costs depending on the final pooling arrangements.

F2d - Changes in procedures to accounting for assets included in Pool

What is it?

This relates to Asset Pooling and how the accounting policies/reporting for the CPF's assets that are held in the Pool will be outside of the current (Officer led) arrangements. There will be a requirement to discuss the treatment of accounting reporting/responsibilities with the Asset Pool, post establishment.

Timescales and Stages

This is expected to impact both on 2016/17 (Q4) and beyond (2017/18 and thereafter).

Resource and Budget Implications

Communication/discussions with the Asset Pool will be jointly carried out by the Pension Finance Managers.

F3 – Produce Investment Strategy Statement

What is it?

As part of the planned changes to the existing Investment Regulations, each LGPS Fund will be required, having taken proper advice, to produce an Investment Strategy Statement which covers a range of specified areas.

Timescales and Stages

ISS must be produced no later than six months after new regulations come into force (currently drafted as 1 October 2016).

Resource and Budget Implications

This document will be produced by JLT as Investment Adviser with the finalised content agreed with the Pension Fund Manager and Finance Manager(s). The Investment Adviser's estimated costs in relation to this exercise are included in the 2016/17 budget.

F4 – Flight-path Health-check 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 Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS).

Ongoing monitoring includes a “traffic light” analysis of whether the Flightpath and hedging mandate are operating in line with expectations or if any actions are required. However annually the strategy will require a “health-check” to ensure its aims remain appropriate and it is still fit for purpose.

Timescales and Stages

A “Health check” will be carried out alongside the 2016 actuarial valuation which will consider any changes needed in the derivation of the overall discount rate. This will include consideration of the yield and funding triggers. The health-check is expected to be done at least annually thereafter.

Key stages include:

- Initial consideration of LDI portfolio in light of proposed 2016 valuation approach – Q1 2016/17
- Refresh hedging strategy using updated benefit cashflow projections from the valuation – Q3 2016/17
- Detailed consideration of trigger strategy in light of updated information – Q3 and Q4 2016/17
- Implement any necessary changes to align funding, investment and risk management strategies – Q4 2016/17

Resource and Budget Implications

To be led by the officers, Fund Actuary and investment advisors, with the findings being implemented by the Advisory Panel under the delegations. The Advisors' estimated costs in relation to this exercise are included in the 2016/17 budget.

F5 – AVC Review

What is it?

This is to review the offering to members for the investment of Additional Voluntary Contributions (AVCs) and their suitability. This should normally be carried out every three to five years. The review of Prudential will include analysis of:

- The range of investment funds and recommendations for change if required
- The performance of the investment funds
- The administration of and communications from the providers
- The competitiveness of the charges/services

Provision of an update to members with holdings with Equitable Life will also be completed given the recent changes proposed.

Timescales and Stages

Carry out review	2016/7 Q3/4
Consider impact of results of the review	2017/8

Resource and Budget Implications

This review will be carried out by Mercer and then considered by the Advisory Panel and reported to PFC. The Adviser's estimated costs in relation to this exercise are included in the 2016/17 budget.

F6 – 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

This is expected to take place early in 2017/18 following completion of the 31 March 2016 AVR. Should there be a requirement for an initial light touch review during the actuarial valuation process this will take place as and when the preliminary actuarial valuation data is available (anticipated to be Q3 2016/17).

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. The Investment Adviser's estimated costs in relation to this exercise are included in the 2016/17 budget.

F7 – MiFID II

What is it?

MiFID II is a proposal by the European Commission to amend and expand on the original MiFID directive which came into force on 1st November 2007. The directive has two core aims; to improve transparency in financial markets, and to further strengthen investor protection.

The most significant impact for LGPS Funds will be that they are classified by default as “retail clients”, which has potential implications for ongoing dealings in matters of institutional investment, though there will be an option to “opt up” from retail status and retain existing professional classification.

Timescales and Stages

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

Resource and Budget Implications

The majority of work will be carried out by the Pension Fund Manager and Finance Manager(s) (working in response to what is likely to be national LGPS policy direction guidance) and JLT as Investment Adviser. The Investment Adviser's estimated costs in relation to this exercise are included in the 2016/17 budget.

Administration (including Communications)

Ref	Key Action -Task	2016/7 Period				Later Years	
		Q1	Q2	Q3	Q4	2017/ 18	2018/ 19
A1	Pension Administration and Communication Strategies - final implementation including the set-up of performance monitoring	x					
A2	Tax Changes (Potentially from Spring Budget)	x					
A3	3rd Party Administrators Framework	x	x				
A4	Backlog to 31 March 2013 (Mercers)	x	x				
A5	Backlog from 1 April 2014 (Internal)	x	x	x	x		
A6	Preparation of Member Data for Valuation	x	x	x			
A7	Document production and word integration	x	x	x	x		
A8	Electronic and Centralised internal procedures	x	x	x	x		
A9	Website Update	x	x	x	x	x	
A10	GMP Reconciliation	x	x	x	x	x	x
A11	Trivial Commutation		x	x	x		
A12	i-Connect		x	x	x	x	x
A13	Member Self Service			x	x	x	
A14	Review Administration & Communications Strategy Statements						x

A1 – Pension Administration and Communication Strategies - final implementation including the set-up of performance monitoring

What is it?

These strategies, outlining how we deliver our administration and communication services, are expected to be effective from 1 April 2016. They include the high level service standards we will provide, the standards we expect from employers and how we engage and communicate with our stakeholders. There will be some final work implementing the strategies and the associated performance monitoring.

Timescales and Stages

Implementation and Commencement of Strategies

2016/17 Q1

Resource and Budget Implications

All internal costs are being met from the existing budget

A2 – Tax Changes (potentially from the Spring Budget)

What is it?

HM Treasury has already legislated for several changes to how pensions are taxed, while others may be announced at the next Budget on 16 March. Already coming in the 2016/17 tax year is a reduction in the Lifetime Allowance from £1.25 million to £1 million, which will hit high earners and long-serving scheme members. Also, the Annual Allowance taper for higher earners will potentially reduce maximum contributions eligible for tax relief to £10,000. However, this restriction will only hit those earning six-figure salaries and above. Further changes may include another review of pension taxation (expected in the Budget speech), the long-mooted abolition or reform of pension tax relief and measures to help investors facing pension exit penalties to access the pensions freedoms granted in April 2015.

Timescales and Stages

Communicate as necessary

2016/17 Q1

Resource and Budget Implications

All internal costs are being met from the existing budget.

A3 - 3rd Party Administrators Framework

What is it?

To work with other LGPS administering authorities in establishing a national Framework to enable the procurement of 3rd Party Administrators. Part of this will include the provision to procure assistance with project work, where internal resources are not sufficient to cope, or where they do not have the required knowledge and experience to undertake such work whilst continuing to do "business as usual"

Timescales and Stages

Appointment to Framework

2016/17 Q1/2

Resource and Budget Implications

To be led by the Pension Administration Manager. All internal costs will be met by the existing budget. There will be some initial set-up costs involved in this process, to be determined.

A4– Backlog to 31 March 2013 (Mercers)

What is it?

A backlog of tasks prior to 31 March 2013 amounting to 3,000 member cases was initially identified and was reduced by the pension administration team to approximately 1,700. Plans were put in place to eliminate this accumulated backlog and the Fund's actuary was appointed to complete this project.

Timescales and Stages

Clear cases externally, eliminating backlog.

2016/17 Q1/2

Resource and Budget Implications

Mainly outsourced to the Fund's Actuary and managed internally by the Pensions Administration Manager. It does require some assistance from the operation team. Employers have also needed to dedicate appropriate time in providing information. There are significant external costs associated with this exercise but all alternative options have been considered.

A5 – Backlog from 1 April 2014 to 31 March 2015 (Internal)

What is it?

Following the introduction of the new scheme from 1 April 2014 and late receipt of regulations concerning how members' benefits would be aggregated, a backlog of cases built up, and is in the process of being worked on at the same time as doing the day to day administration.

Timescales and Stages

Clear cases internally for period to 31 March 2015

2016/17 Q1/2

Clear any further backlogs that have accumulated since

2016/17 Q3/4

Resource and Budget Implications

To be completed by the Operations Team. Internal costs are being met from the existing budget albeit this may utilise some of the overtime budget.

A6 – Preparation of Member Data for Valuation

What is it?

The triennial actuarial valuation as at 31 March 2016 requires the pension administration team to provide data to the actuary. This generally involves additional year end cleansing and is particularly detailed for the 2016 actuarial valuation.

Timescales and Stages

Data for 31 March 2016 valuation:

2016/17 Q1/2

Potential final clarification on data

2016/17 Q3

Resource and Budget Implications

Carried out by the Technical Team in the main with assistance from the Communications Officer when communicating the valuation results. All internal costs are being met from the existing budget.

A7 Document Production and Word Integration

What is it?

There is a facility whereby we can utilise the pension software (Altair) to create and maintain the standard layout of letters, summaries and other documents. This includes the ability to populate variable data from that held within the system. After the completion of a benefit calculation or a bulk calculation, or following a selection of members, the variable data is merged with the document text to produce the required generated documents for each member. Documents are listed in the document history and they can be printed immediately or at a later date. Setting up this facility is time consuming in the short term but produces ongoing efficiencies as well as reducing the risk of manual error.

Timescales and Stages

Obtain all current letters in use:

2016/17 Q1

Update system with all letters including testing

2016/17 Q2/3/4

Resource and Budget Implications

To be led by the Technical Team with assistance from the Operational Team. All internal costs are being met from the existing budget.

A8 – Electronic and Centralised internal procedures

What is it?

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

Timescales and Stages

Develop and collate

2016/17 Q1/2

Upload and maintain

2016/17 Q3/4

Resource and Budget Implications

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

A9 – Website Update

What is it?

An overhaul of the Pension Fund's website, considering the ease of navigation, the look and feel whilst ensuring that the relevant content is included and is correct. As part of this review, the Communications Officer will consider options in relation to how the existing website can be updated including utilising wording prepared at a national level. Although this is separate to the member self-service facility, there will be some overlap due to access being via the website.

Timescales and Stages

Update and revamp

2016/17 Q1/2/3/4

Link with member self-service (if appropriate)

2017/18

Resource and Budget Implications

This will be a significant amount of work to be undertaken in the main by the Communications Officer with some assistance from the Technical Team. All internal costs to be met from the existing budget.

A10 – Scheme/GMP Reconciliation

What is it?

The government's announcement that contracting out will cease and that HMRC will no longer be responsible for maintaining GMP and other contracting out member records. This means that the onus will be on individual funds to ensure that the contracting out and GMP data they hold on their systems matches up to the data held by HMRC before they cease holding these records. Unfortunately this has shown significant discrepancies between the two sets of data. As a result a significant amount of work will be required to determine the correct benefits, ensure all systems are updated and to process a significant number of over/underpayment calculations. After the records are reconciled for former pensionable employees, the Fund will also verify national insurance information held for active members. All GMP's and national insurance information must be reconciled by December 2018, the date the HMRC will cease to provide their services. The timescales below are subject to change depending on the magnitude of the work.

Timescales and Stages

GMP data reconciliation and investigation	2016/17 to 2017/18
Benefit correction and system updates:	2016/17 to 2017/18
Reconciliation of national insurance information	2017/18

Resource and Budget Implications

This project is currently being led by the Technical Team with some assistance from the Operational Team. Some external assistance from Heywood (our software provider) has been provided, this external assistance is at a minimal cost at present. However, it is anticipated that due to the significant additional resource required to complete this project, further external resource will be sought. This has been estimated as £840,000 and is included in the budget.

A11 – 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. This should reduce the administrative burden on Funds 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 recently increased the allowable limit for members to trivially commute their pension in relation to their single pension (£10,000 value) and total benefits (£30,000) and this has meant that more members are now eligible to choose this. The pension administration team will need to identify all historical cases that are eligible in the two categories and communicate with them to determine whether they would like to commute their pensions for lump sums. In addition, they will need to update their processes for all future retirements.

Timescales and Stages

Identify members eligible to commute under £10,000:	2016/17 Q2/3
Communicate with eligible members and pay lump sums:	2016/17 Q2/3
Identify members eligible to commute under £30,000:	2016/17 Q3/4
Communicate with eligible members and pay lump sums:	2016/17 Q3/4

Resource and Budget Implications

Led by the Technical Team with some assistance from the Operational Team. All internal costs to be met by existing budget.

A12 – iConnect

What is it?

Online computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. It involves employers uploading data directly into iConnect from their payroll systems. iConnect will be available to all large employers of the Fund. The first stage will be ensuring that the correct member records are held on the administration system before entering into testing and live roll out of the system. This will be done on a phased basis by employer.

Timescales and Stages

Denbighshire CC	2016/17 Q2/3
Coleg Cambria/North Wales Fire/Glyndwr	2016/17 Q3/4
Wrexham CBC and Flintshire CC	2017/18

Resource and Budget Implications

Time and resource for Employers required. All internal costs are being met from existing budget.

A13 - Member Self Service

What is it?

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

Timescales and Stages

Obtain costings and gain approval from Pension Committee	2016/17 Q3/4
Implement System	2017/18 Q1

Resource and Budget Implications

To be led by the Pensions Administration Manager and implemented by the Technical Team with assistance from the Operational Team. The indicative cost for this is £106,800.

A14 – Review Administration and Communications Strategy Statements

What is it?

The CPF Administration Strategy and Communications Strategy are expected to be approved at the March 2016 PFC. They must be reviewed at least once every three years to ensure they remain relevant and up to date.

Timescales and Stages

Review of Strategies	2018/19
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Resource and Budget Implications

It is expected this will be led out by the Pensions Administration Team.

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 30 employers with active members, and approximately 40,000 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 existing employers in the Fund, and all new employers joining the Fund after the effective date set out on page 12. 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 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. This Strategy is being implemented during a time which continues to present a number of challenges, not least:

- 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 2015/16 business plan, progress has already been made in implementing improvements in the Clwyd Pension Fund Administration Section including:

- initial work towards implementing i-Connect with one major employer (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
- initial work on a major review of the Fund's website

The 2016/17 and 2017/18 business plans include further improvements to help deliver this Strategy including:

- implementing i-Connect with all other major employers
- implementing self-service web functionality to scheme members
- developing on-line procedures for pensions administration staff

This Strategy will be effective from 1 April 2016 and the performance indicators mentioned herein will demonstrate ongoing progress towards the Strategy's aims and objectives.

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.

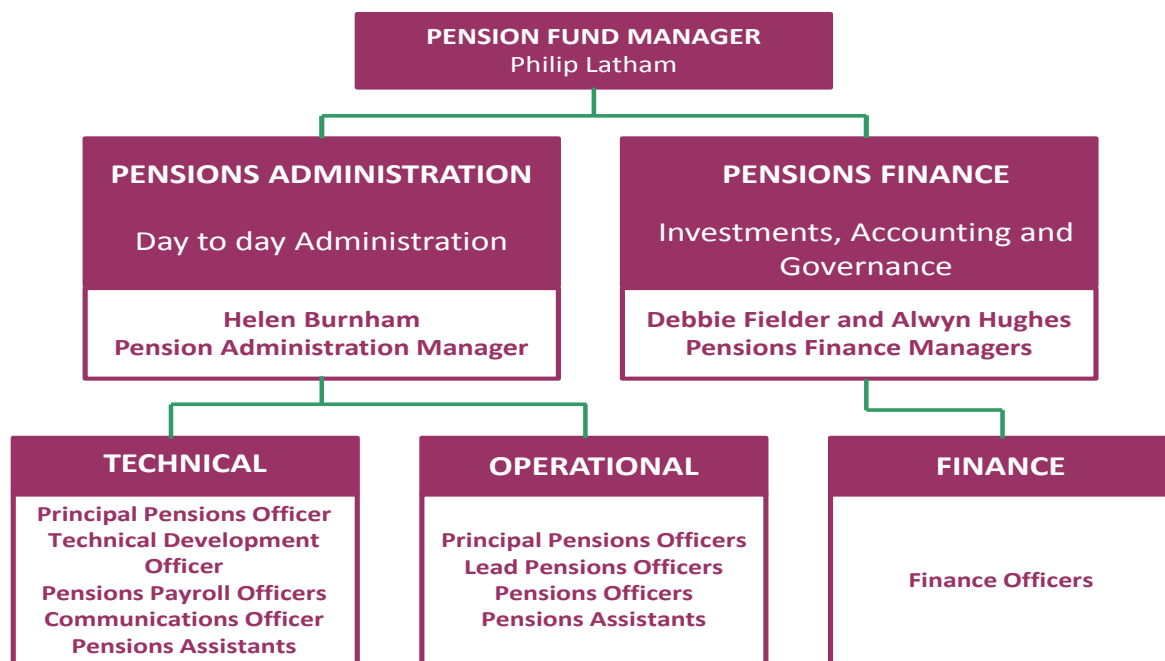
The Administration Strategy has a number of specific objectives, as follows;

- Provide a high quality, professional, proactive, timely and customer focused 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:



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 is launching a secure data system known as i-Connect for its larger employers (and acknowledges that it would not be cost effective to require smaller employers to use this). Any larger employers not submitting data using this data system, once it is made available to them, may risk compromising data security.

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.

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, dependents, 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 administering 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	45 working days from initial notification	15 working days from receipt of all information
To inform members who leave the scheme of their deferred benefit entitlement	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member) ²	40 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	40 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	30 working days from date of request	20 working days from date of request
Notification of amount of retirement benefits and notification of payment of tax free cash sum	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	7 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	40 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	7 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 focused 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 Board, 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 than 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.

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 focused administration service to the Fund's stakeholders.	Key Performance Indicators achieved in 95% of cases*. 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 95% of cases*. Issues included in formal improvement notices issued to employers resolved in accordance with plan. Annual satisfaction surveys with employers and scheme members 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 95% of cases*. Annual satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas.
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 approved in March 2016 by the Clwyd Pension Fund Committee. It is effective from 1 April 2016.

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 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 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

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 IDRPs as used by the Administering Authority*

Administering Authority Responsibilities:

- 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.

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	7 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	7 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	7 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 19 th 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

Breaches Policy

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 Finance Office (Section 151 Officer), and the Chief Executive
- any professional advisers including external auditors, actuaries, legal advisers and fund managers³
- 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). 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.

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.

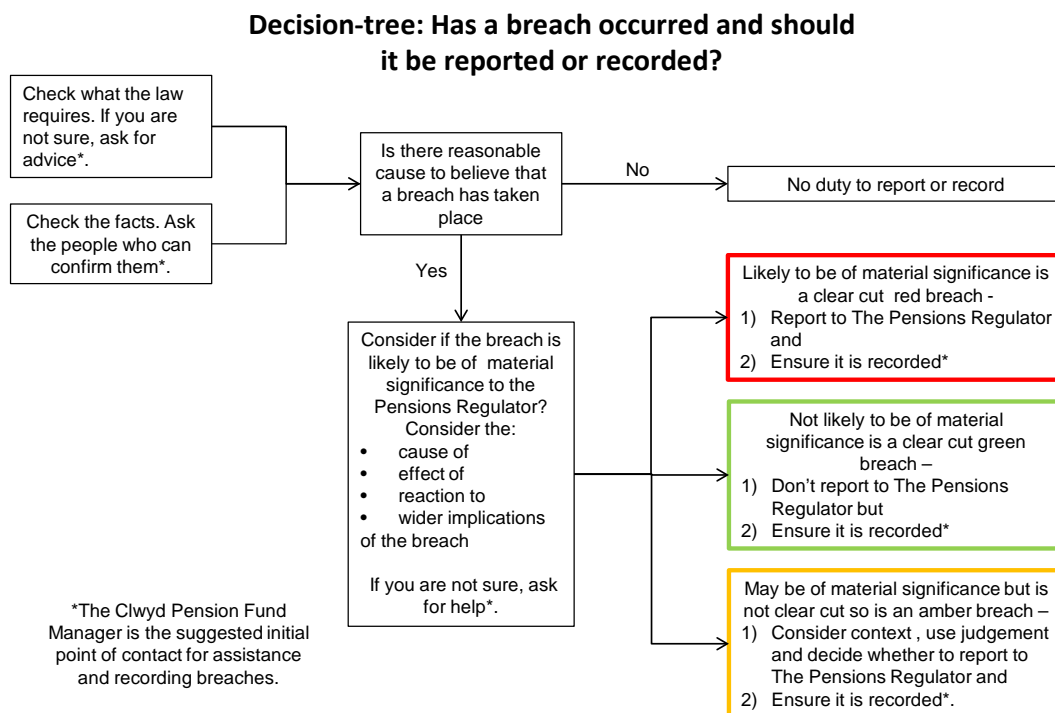
Early identification of very serious breaches

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.



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 approved at the Clwyd Pension Fund Committee on 26 November 2015 and is effective from 1 December 2015. 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 an 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 pension 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 deferred benefit entitlement	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 22 nd 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.

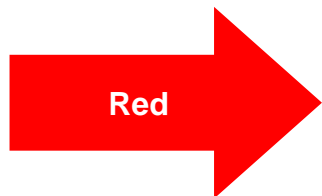
The wider implications of the breach

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.

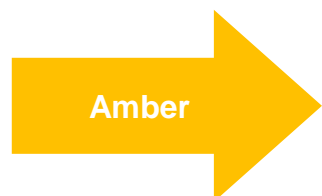
Appendix C - Traffic light framework for deciding whether or not to report

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:

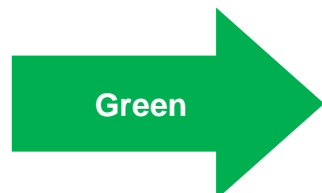
All breaches should be recorded even if the decision is not to report.



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.



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.



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.

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 framework is provided by the Pensions Regulator at the following link

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)

Appendix D – Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

*New breaches since the previous meeting should be highlighted

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 40,000 current and former members of the Fund, and their dependants
- around 28 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 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.

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 encourage 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.

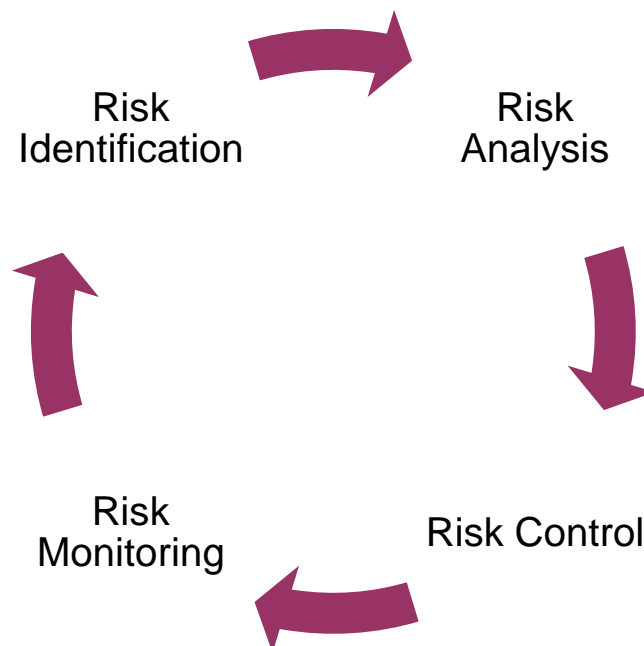
Responsibility

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	Catastrophic 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.	Acceptable 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:

- a summary of the Fund's key risks (red and black)
- a summary of any new risks, risks that have moved into a new risk exposure category or risks that have been removed since the previous report
- the Fund's risk dashboard showing the score of all existing risks and any changes in a pictorial fashion
- a summary of any changes to the previously agreed actions.

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 training costs related to 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. 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

Criteria for assessing likelihood

Description	% of risk happening	OR	potential timescale
Unlikely	Up to 5%		Once in 20 or more years
Very Low	Over 5% to 20%		Once in 10 to less than 20 years
Low	Over 20% to 40%		Once in 5 to less than 10 years
Significant	Over 40% to 60%		Once in 3 to less than 5 years
Very High	Over 60% to 80%		Once in 1 to less than 3 years
Extremely High	Over 80%		At least once in a year

Criteria for assessing impact

Description	FCC Examples (apply to CPF where relevant)	Additional CPF examples
Catastrophic	<p>No confidence in Senior Management / Leadership</p> <p>Formal WG intervention/exercise of their powers</p> <p>Multiple fatalities</p> <p>Complete/critical service failure</p> <p>Exceedingly negative <i>national</i> publicity</p> <p>Serious impact on workforce across more than one Portfolio</p> <p>Legal action almost certain, unable to defend</p> <p>Serious financial impact to budget, not manageable within existing funds and may impact on reserves</p> <p>Non-compliance with law resulting in imprisonment</p>	<p>Incorrect actual benefit calculations affecting more than 500 members</p> <p>Incorrect general/estimate information being communicated that could impact 80% A, D or P members</p> <p>Delay in paying pensioners by more than 3 working days</p> <p>Consistently missing both legal and Fund's agreed delivery timescales</p> <p>Impact on assets or liabilities changing funding level by more than 20% over a 1 month period</p> <p>Formal DCLG/TPR/SAB or other regulatory intervention/exercise of their powers</p> <p>Serious impact on workforce impacting more than one area of CPF team</p>
Critical	<p>Limited confidence in Senior Management/Leadership</p> <p>Significant service failure</p> <p>Negative <i>national</i> publicity</p> <p>Impact on workforce across more than one Portfolio</p> <p>Legal action almost certain and difficult to defend</p> <p>Serious financial impact to budget, manageable across the authority</p> <p>Negative external regulatory reports impacting on Corporate Governance Extracted from FCC</p> <p>Single fatality</p>	<p>Incorrect actual benefit calculations affecting 100-500 members</p> <p>Incorrect general/estimate information being communicated that could impact 25-80% A, D or P members</p> <p>Delay in paying pensioners by 2 working days</p> <p>Missing some legal and regularly missing Fund's agreed delivery timescales</p> <p>Impact on assets or liabilities changing funding level by 10-20% over a 1 month period</p> <p>Informal DCLG/TPR/SAB or other intervention</p> <p>Negative national level information (e.g. outlier on league tables)</p> <p>Serious impact on workforce impacting one area of CPF team</p>
Marginal	<p>Significant service under performance</p> <p>Negative <i>local</i> publicity</p> <p>Expected impact on workforce, but manageable within Portfolio contingency arrangements</p> <p>Legal action expected</p> <p>Expected financial impact to budget, manageable within Portfolio</p> <p>Non-compliance with law resulting in fines</p> <p>Negative external regulatory reports</p> <p>Extensive, permanent/long term injury or long term sickness</p>	<p>Incorrect actual benefit calculations affecting 50-100 members</p> <p>Incorrect general/estimate information being communicated that could impact 10-25% A, D or P members</p> <p>Delay in paying pensioners by 1 working day</p> <p>Meeting the majority of legal but missing some Fund's agreed delivery timescales</p> <p>Impact on assets or liabilities changing funding level by 5-10% over a 1 month period</p> <p>Negative regional level information (e.g. outlier on Welsh or County league tables)</p> <p>Expected, but manageable, impact on workforce impacting one area or more areas of CPF team</p>
Negligible	<p>Some risk to normal service delivery but manageable within contingency arrangements</p> <p>Legal action possible but unlikely and defensible</p> <p>Possible financial impact to budget, manageable within service</p> <p>Non-compliance with regulations / standards or local procedures resulting in disciplinary action</p> <p>First Aid or medical treatment required</p> <p>Previous risk mitigated by completed action plan</p>	<p>Incorrect actual benefit calculations affecting up to 50 members</p> <p>Incorrect general/estimate information being communicated that could impact up to 10% A, D or P members</p> <p>Delay in paying pensioners by less than 1 working day</p> <p>Meeting the majority of legal and Fund's agreed delivery timescales</p> <p>Impact on assets or liabilities changing funding level by up to 5% over a 1 month period</p>

Clywd Pension Fund - Risk Register

Governance Risks

Last Updated 14/04/2016

Objectives extracted from Governance Policy (7/2014), Training Policy (12/2016) and Breaches Procedure (12/2016):

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

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Further Action?	Owner	Next review date	Last Updated
1	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately considered (recognising that many risks can be identified but not managed to any degree of certainty)	All	Marginal	Low	3	1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to each PFC 3 - Advisory panel meets at least quarterly discussing changing environment etc 4 - Fundamental review of risk register annually 5 - TFR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Marginal	Low	3	✓	None	CPFM	31/03/2017	14/04/2016
2	Inappropriate or no decisions are made	Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement/preparation / commitment - poor oversight	G1 / G2 / G3 / G4 / G5 / G6 / G7	Marginal	Significant	3	1 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Annual check against TFR Code 4 - Training Policy, Plan and monitoring in place for PC and PB members 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities 6 - Induction training programme in place for new Committee members which covers CIPFA Knowledge and Skills requirements and can be delivered quickly 7 - Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed.	Negligible	Low	2	✗	1 - Complete Training Needs Analysis/consider engagement 2 - Speak to Democratic Services before FOC elections to assist with continuity/retaining knowledge	CPFM	30/09/2016	14/04/2016
3	Our legal fiduciary responsibilities are not met	Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	G1 / G2 / G4 / G6 / T2	Negligible	Very Low	1	1 - Conflicts of interest policy focussed on fiduciary responsibility regularly discussed and reviewed 2 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 3 - All stakeholders to which fiduciary responsibility applies represented at PFC and PB 4 - Training Policy, Plan and monitoring in place for PC and PB members including section on responsibilities 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities 6 - Clear strategies and policies in place with Fund objectives which are aligned with fiduciary responsibility	Negligible	Very Low	1	✓	None	CPFM	31/03/2017	14/04/2016
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Very Low	1	1 - Range of policies in place and all reviewed at least every three years 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually (work in progress) 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored	Negligible	Unlikely	1	✓	1 - Ensure work relating to annual monitoring is completed	Pension Finance Managers	30/06/2016	14/04/2016
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as LGR, scheme change and asset pooling	G1 / G4 / G6 / G7	Critical	Very High	4	1 - Continued discussions at AP, PFC and PB regarding this risk 2 - Involvement of CEO / links to WLGA and WG 3 - Fund's consultants involved at national level/regular reporting back to AP/PFC 4 - Key areas of potential change identified as part of business plan (ensuring ongoing monitoring)	Marginal	Low	3	✗	1 - Regular ongoing monitoring by AP to consider if any action is necessary	CPFM	22/03/2016	14/04/2016
6	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	G3 / G6 / G7 / T1	Critical	Significant	4	1 - 2016/17 business plan identifies key officer risk 2 - Review of admin structure in 2015/16 3 - Quarterly update reports consider resourcing matters 4 - Advisory Panel provide back up when required 5 - Additional resources, such as outsourcing, considered as part of business plan	Negligible	Very Low	1	✗	1 - Review key officer risk (on Business Plan)	CPFM	30/09/2016	14/04/2016
7	Legal requirements and/or guidance are not complied with	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches)	G3 / G6 / T1 / T2 / B1 / B2	Marginal	Very Low	2	1 - TFR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliance areas (relevant individuals provided with a copy and training provided) 4 - Training policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures 7 - Strategies and policies often included statements or measures around legal requirements/guidance 8 - Wide range of advisers and AP in place 9 - Independent adviser in place including annual report which will highlight concerns	Negligible	Very Low	1	✗	1 - Ongoing work to ensure breaches are identified and the procedure used appropriately 2 - Further documented processes (as part of TFR compliance) e.g. contribution payment failure	CPFM	30/09/2016	14/04/2016

Civil Pension Fund - Risk Register

Funding & Investment Risks (includes accounting and audit)

Last Updated

14/04/2016

Objectives extracted from Funding Strategy Statement (S2015) and Statement of Investment Principles (S2015):

- F1 Achieve and maintain assets equal to 100% of liabilities within reasonable risk parameters
- F2 Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain an employer contribution requirement as possible
- F3 Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- F4 Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- F5 Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- F6 Ensure net cash outflows can be met when required
- F7 Minimise unrecoverable debt on employer termination.

Risk no.	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Further Action?	Owner	Next review date	Last Updated
1	Employer contributions are unaffordable and/or unstable	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Critical	Significant	4	1 - Ensuring appropriately prudent assumptions on an ongoing basis 2 - All controls in relation to other risks apply to this risk 3 - Consider employer covenant and reasonable affordability of contributions for each employer as part of the valuation process	Critical	Very Low	3	X	1 - This risk will be considered and quantified in more detail as part of the 2016 Actuarial Valuation including building a framework to monitor employer risk	CPFM	30/09/2016	14/04/2016
2	Funding level reduces, increasing deficit	Movements in assets and/or liabilities (as described in 3,4,5) in combination	F1 / F2 / F3 / F4 / F5 / F7	Critical	Significant	4	See points within points 3,4 and 5	Marginal	Low	3	X	See points within points 3,4 and 5	CPFM	30/09/2016	14/04/2016
3	Investment targets are not achieved therefore reducing solvency / increasing contributions	- Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented.	F1 / F2 / F3 / F4 / F7	Critical	Significant	4	1 - Use of a diversified portfolio (regularly monitored) 2 - Flightpath in place to exploit these opportunities in appropriate market conditions 3 - Monthly monitoring of funding position versus flightpath targets 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensioners Advisory Panel and Committee 5 - On going monitoring of appointed managers (including in-house investments) managed through regular updates and meetings with key personnel 6 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of investment opportunities available	Critical	Low	3	X	1 - The impact of the assumptions will be considered and quantified in more detail as part of the 2016 Actuarial Valuation 2 - Review of flight path strategy following valuation 3 - Review of investment strategy following valuation	Pension Finance Managers	30/09/2016	14/04/2016
4	Value of liabilities increase due to market yields/inflation moving out of the from actuarial assumptions	Market factors impact on inflation and interest rates	F1 / F2 / F4 / F5 / F7	Critical	Low	3	1 - LDI strategy in place to control/limit interest and inflation risks. 2 - Use of a diversified portfolio which is regularly monitored. 3 - Monthly monitoring of funding and hedge ratio position versus targets. 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensioners Advisory Panel and Committee.	Marginal	Very Low	2	X	1 - This risk will be considered and quantified in more detail as part of the 2016 Actuarial Valuation 2 - Review of flight path strategy following valuation	Pension Finance Managers	30/09/2016	14/04/2016
5	Value of liabilities/contributions change due to demographics being out of line with assumptions	This may occur if employer matters (early retirements, pay increases, S0-S0 take up), life expectancy and other demographic assumptions are out of line with assumptions	F1 / F2 / F5 / F7	Marginal	Low	3	1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases.	Marginal	Very Low	2	X	1 - Assumptions and experience will be considered as part of the 2016 valuation.	Pension Finance Managers	30/09/2016	14/04/2016
6	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Legislation changes such as LGPS regulations (e.g. asset pooling), tax treatments, results of the EU referendum, MiFID II and other funding and investment related requirements - ultimately this could increase employer costs	F1 / F2 / F3 / F4 / F5 / F6 / F7	Critical	Very High	4	1 - Ensuring that Fund concerns are considered by the Pensioners Advisory Panel and Committee as appropriate 2 - Employers and interested parties to be kept informed and impact monitored 3 - Monitor developments over time, working with investment managers, investment advisers, Actuary and other LGPS	Marginal	Low	3	X	1 - Fund has no control over this except through responses to consultations etc. There are tax changes proposed by Government which could adversely affect membership.	CPFM	30/09/2016	14/04/2016
7	Insufficient assets to pay benefits	Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in anticipated investment costs	F1 / F6	Negligible	Very Low	1	1 - Cashflow monitoring to ensure sufficient funds 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Holding liquid assets 4 - Monitor cashflow requirements 5 - Treasury management policy is documented	Negligible	Very Low	1	✓	1 - Inform major employers of the requirement to notify Fund of any significant restructuring exercises. (Need to consider controls currently in place).	Pension Finance Managers	30/09/2016	14/04/2016
8	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist with insufficient funding (bond or guarantee)	F5 / F7	Marginal	Very Low	2	1 - Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. 2 - When setting terms of new admissions require a guarantee or bond. 3 - Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength. 4 - Identify any deterioration and take action as appropriate through discussion with the employer.	Marginal	Unlikely	1	X	1 - Employer risk management framework to be developed	Pension Finance Managers	31/12/2016	14/04/2016

Ciwyd Pension Fund - Risk Register

Administration and Communication Risks

Last Updated 14/04/2016

Objectives extracted from Draft Administration Strategy (02/16) and Draft Communications Strategy (02/16):

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

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Further Action?	Owner	Next review date	Last Updated
1	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	There are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades	A1	Marginal	Significant	3	1- Training Policy, Plan and monitoring in place 2- BP 2016/17 Improvements assist with staff engagement 3- Benefit consultants available to assist if required 4- Ongoing task/SLA reporting to management/AP/PC/LPB to quickly identify issues 5- Recent restructuring of team 6- Data protection training, policies and processes in place 7- System security and independent review/sign off requirements	Negligible	Low	2	X	1 - Consider risk from senior staff/similar age	Pensions Administration Manager	30/09/2016	14/04/2016
2	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters	A1 / A4 / A5 / C2 / C3 / C4 / C5	Critical	Extremely High	4	1- Administration strategy recently agreed 2- Employer steering group established 3- Greater engagement through Pension Board 4- Backlog project in place 5- Part of 2016/7 Internal audit plans for all Councils	Negligible	Very Low	1	X	1 - Roll out admin strategy including I-connect	Pensions Administration Manager	30/04/2016	14/04/2016
3	Unable to meet legal and performance expectations due to external factors	Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Critical	Low	3	1- Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues 2- Benefit consultants available to assist if required	Marginal	Low	3	✓		Pensions Administration Manager	30/06/2016	14/04/2016
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted or insufficient	C1/ C2 / C3	Marginal	Low	3	1- Communications Strategy in place 2- Annual communications survey for employees and employers 3- Specialist communication officer employed	Negligible	Very Low	1	X	1-Continue with website development 2-Roll out member self service	Pensions Administration Manager	30/09/2016	14/04/2016
5	High administration costs and/or errors	Systems are not kept up to date or not utilised appropriately, or other processes inefficient	A2 / A4 / C4	Critical	Significant	4	1- Business plan has number of improvements (task management, doc prod etc) 2- Recent efficiency review 3- Pension Admin Manager on management group for admin software	Negligible	Very Low	1	X	1 -Various improvements in 2016/17 business plan (e.g. doc prod)	Pensions Administration Manager	30/06/2016	14/04/2016
6	Service provision is interrupted	System failure or unavailability	A1 / A4 / C2	Negligible	Unlikely	1	1- Disaster recover plan in place and regularly checked	Negligible	Unlikely	1	✓		Pensions Administration Manager	31/03/2017	14/04/2016

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.

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 on any 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. At the point of writing this Policy, the shadow LGPS national scheme advisory board has issued guidance relating to the creation of Pension Boards including a section on conflicts of interest. It is expected that this guidance will be adopted by the scheme advisory board when it is created by statute and possibly also by the Secretary of State. 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.

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. 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.

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
<i>Step 1 - Initial identification of interests which do or could give rise to a conflict</i>	<p>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.</p> <p>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.</p>
<i>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</i>	<p>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 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest.</p>
<i>Step 3 - Periodic review of potential and actual conflicts</i>	<p>At least once every 12 months, the Pension Fund Manager will provide to all individuals to whom this Policy applies a copy of the Fund's Register of conflicts of interest. All individuals will complete a new Declaration of Interest (see Appendix 2) confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration. Following this exercise, the updated Register will then be circulated by the Pension Fund Manager to all individuals to whom it relates.</p>

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.

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.

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 addition, it will be published in the annual report and accounts

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 approved using delegated responsibilities on 24 March 2015. 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

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 or providing assistance with monitoring the covenant of employers.	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	No

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.	
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

* 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.

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

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.

					Key	⁽¹⁾ E.g. verbal declaration at meeting, written conflicts declaration, etc		
Last Updated		31/03/2016				⁽²⁾ E.g. withdrawing from a decision making process, left meeting		
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
23/03/2015	Colin Everett	Chief Executive	Chief Executive of Flintshire County Council and member of the Pension Fund	P	Written	N/A		27/07/2015
23/03/2015	Philip Latham	Clwyd Pension Fund Manager	Employee Flintshire County Council, Member of Clwyd Pension Fund, Brother CPF Pensioner	P	Written	N/A		27/07/2015
23/03/2015	Debbie Fielder	Pensions Finance Manager	Employee Flintshire County Council, Member of Clwyd Pension Fund	P	Written	N/A		28/07/2015
23/03/2015	Alwyn Hughes	Pensions Finance Manager	Employee Flintshire County Council, Member of Clwyd Pension Fund, Unison Branch Treasurer FCC	P	Written	N/A		27/07/2015
23/03/2015	Helen Burnham	Pensions Administration Manager	Employee Flintshire County Council, Member of Clwyd Pension Fund	P	Written	N/A		26/11/2015
23/03/2015	Stephen Wilson	PF Committee Member	Councillor, Wrexham County Borough Council, Pensioner of CPF, Member of CPF, Retired member of Unison, Wife is retired member of CPF	P	Written	N/A		10/07/2015
23/03/2015	Stephen Hibbert	PF Committee Member	Branch secretary of Unison, member of CPF, Employee of WCBC, Vice Chair Unison LG Committee, Member of Joint Council for Wales, wife is pensioner of CPF	P	Written	N/A		21/03/2015
23/03/2015	Andrew Rutherford	PF Committee Member	Town Councillor Rhyl Town Council, FT Trade Union Official, Unison	P	Written	N/A		21/05/2015

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
23/03/2015	Ron Hampson	PF Committee Member	Flintshire CC Councillor, Buckley Town Council Councillor	P	Written	N/A		15/06/2015
23/03/2015	Huw Ll Jones	PF Committee Member	Denbighshire County Council Councillor, Member of CPF	P	Written	N/A		15/06/2015
23/03/2015	Matthew Wright	PF Committee Member	Flintshire CC Conservative Councillor, Works 3 days a week for Dr James Davies, MP. Police and Crime Commissioner prospective candidate. School Governor. Qualified agent from time to time running campaigns for the Conservative Party/	P	Written	N/A		15/06/2015
23/03/2015	Haydn Bateman	PF Committee Member	Flintshire CC Councillor, Mold Town Councillor, Northop Community Councillor. Wife, Marion Bateman is FCC Councillor and Northop Community Councillor.	P	Written	N/A		15/06/2015
23/03/2015	Alan Diskin	PF Committee Member	Flintshire County Councillor, Hawarden Community Council. Wife Glenys Diskin, Flintshire County Council Councillor and Hawarden Community Councillor	P	Written	N/A		15/06/2015
23/03/2015	Brian Dunn	PF Committee Member	Flintshire County Council Councillor, Connah's Quay Town Councillor	P	Written	N/A		15/06/2015
23/03/2015	Mark Owen	Pension Board Member	Member CPF, Employer S151 WCBC	P	Written	N/A		27/07/2015
23/03/2015	Steve Jackson	Pension Board Member	Coleg Cambria Finance and employer link to CPF, Member of CPF	P	Written	N/A		27/07/2015
23/03/2015	Gaynor Brooks	Pension Board Member	Retired member CPF, Retired member Unison	P	Written	N/A		27/07/2015
26/11/2015	Gaynor Brooks	Pension Board Member	Vice Chair Chair Denbighshire Citizens Advice	P	Written	N/A		26/11/2015
23/03/2015	James Duffy	Pension Board Member	Employee WCBC, Unison representative on the Local Board	P	Written	N/A		27/07/2015

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
26/11/2015	Karen McWilliam	Independent Advisor - AON Hewitt	Potential that company may bid for national Wales work including provision of Pooling operator	P	Verbal	Minuted at initial and subsequent Committee meetings including assurance of appropriate controls in place which have been accepted by the Monitoring Officer		26/11/2015
26/11/2015	Paul Middleman	Actuary - Mercer	Potential that company may bid for national Wales work including provision of Pooling operator	P	Verbal	Minuted at initial and subsequent Committee meetings including assurance of appropriate controls in place which have been accepted by the Monitoring Officer		26/11/2015
26/11/2015	Kieran Harkin	Consultant - JLT	Potential that company may bid for national Wales work	P	Verbal	Minuted at Committee meeting		26/11/2015

⁽¹⁾ E.g. verbal declaration at meeting, written conflicts declaration, etc

⁽²⁾ E.g. withdrawing from a decision making process, left meeting

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 40,000 current and former members of the Fund, and their dependants
- over 25 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 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 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 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 and TPR 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.

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. It is expected that guidance will also be issued by the Local Government Pension Scheme Advisory Board which will explain further how these requirements will relate to LGPS administering authorities.

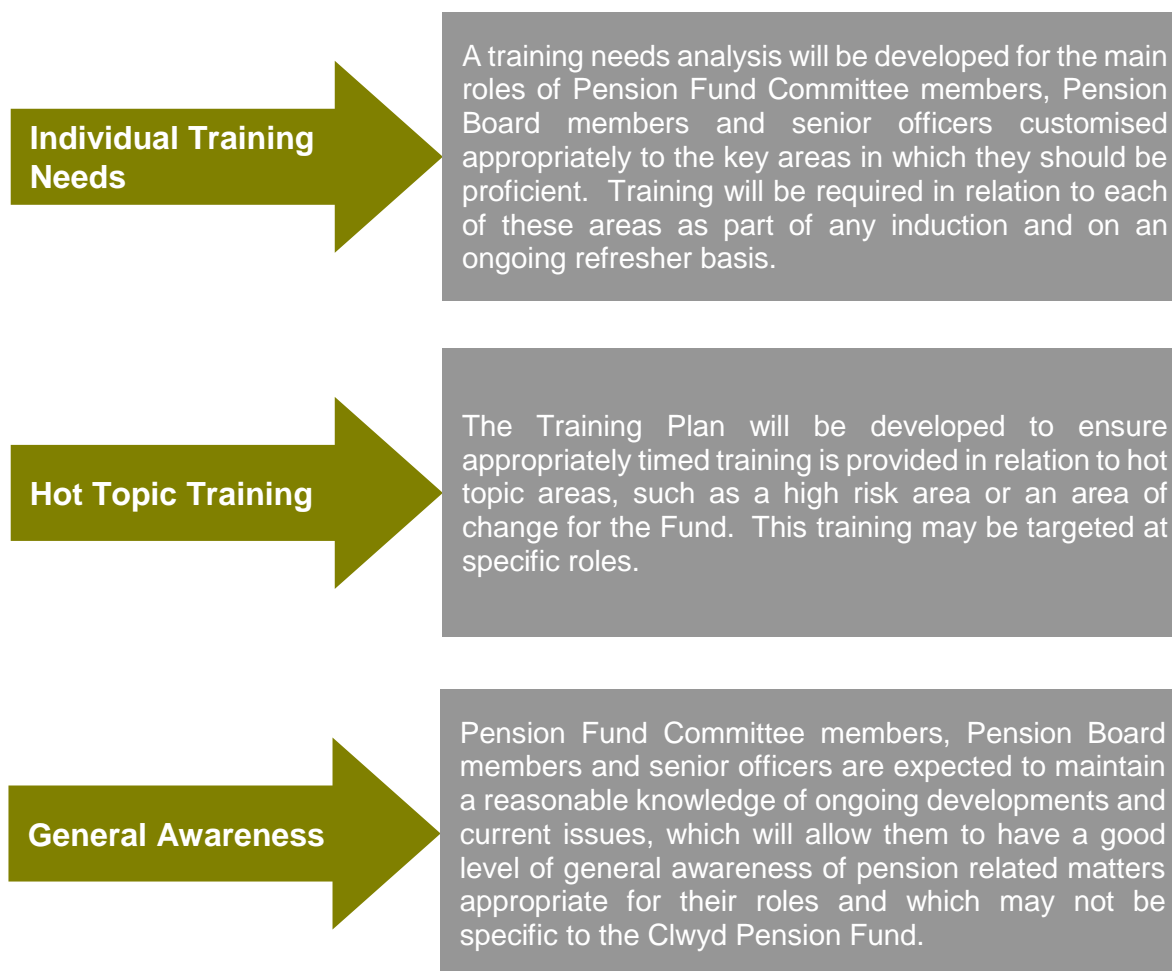
Application to the Clwyd Pension Fund

Flintshire County Council fully supports the use of the CIPFA Knowledge and Skills Frameworks, and TPR's Code of Practice. Flintshire County Council adopts the principles contained in these publications in relation to Clwyd Pension Fund, and this Training Policy highlights how the Council will strive to achieve those principles 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:



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
- 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 (LGPS)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
 - The Funding Strategy Statement
 - The Governance Policy and Compliance Statement
 - The Statement of Investment Principles 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

In addition, an individual 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

A report will be presented to the Pension Fund Committee on an annual basis setting out:

- The training provided / attended in the previous year at an individual level
- The results of the measurements identified above.

This information will also be included in the Clwyd Pension Fund's Annual Report and Accounts.

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 amendments to incorporate the requirements of the CIPFA Local Pension Boards Framework were approved on 26 November 2015. 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:

Philip Latham, Clwyd Pension Fund Manager, Flintshire County Council

E-mail - Philip.latham@flintshire.gov.uk

Telephone - 01352 702264