

FLINTSHIRE COUNTY COUNCIL

REPORT TO : **CLWYD PENSION FUND COMMITTEE**

DATE : **24th MARCH 2015**

REPORT BY: **CHIEF OFFICER (PEOPLE AND RESOURCES)**

SUBJECT: **INVESTMENT AND FUNDING UPDATE**

1.00 PURPOSE OF REPORT

1.01 The purpose of this report is to provide Committee Members with an update of investment and funding matters for the Clwyd Pension Fund including:

- progress of investment, funding and accounting tasks against the Service Plan for 2014/15,
- delegated functions,
- training events and seminars for Pension Finance Officers,
- any other matters of relevant interest.

2.00 BACKGROUND

2.01 The Fund's Finance Section is responsible for the day to day accounting and investment functions. The team comprises four full time members of staff, including two Pension Finance Managers, an Accounting Technician and a Finance Assistant.

2.02 The Pension Finance Managers work closely with the Clwyd Pension Fund Manager, Investment Consultants and Actuary on the investment and funding strategies for the Fund.

3.00 UPDATE ON SERVICE PLAN AND DELEGATED FUNCTIONS

3.01 Appendix 1 shows the dashboard of progress made against key projects within the Finance Service Plan for 2014/15. Within the projects for investment, funding and accounting, all of which have been completed.

3.02 The review of our AVC provider performance has now been deferred to 2015/16. This is due to the Prudential (the Fund's current AVC provider) reviewing their range of funds and also the expected changes in regulation from April 2015 for Freedom and Choice.

Rebalancing and Cash Management

3.03 In-house cash balances as at January 31th 2015 were £60.0m (£52.1m at September 30th 2014). Several strategic allocations as at January 2015 were outside their recommended ranges. As reported previously, these are to be addressed as part of the ongoing transition of assets to implement the 2014/15 strategic fund review which was agreed at the November 2014 Committee. As part of the review there are also some changes to the strategic ranges for 2015/16.

Monitoring of Fund Managers

- 3.04 The in-house team, along with JLT, monitor the Fund's managers quarterly on a rota basis ensuring that the managers with the larger allocations are met with quarterly, whilst the others are seen at least on an annual basis. A record of the managers seen during 2014/15 is shown in the following table. Further details on the managers are reported by JLT, the Fund's Investment Consultant, in agenda item 13 of the committee papers. Given the ongoing transition of managers (see 3.05) Fund officers have postponed individual manager meetings until Q1 2015/16 although JLT have continued to receive all manager summaries for the quarter.

Manager	Strategic Weight %	June 2014	September 2014	December 2014	March 2015
Insight	19		✓		
Stone Harbor	15	✓	✓	✓	
Wellington	11	✓	✓	✓	
Aberdeen	7	✓	✓		
BlackRock	6	✓	✓		
Investec	5		✓	✓	
Duet	5	✓			
Bluecrest	3	✓			
Pyrford	3	✓		✓	
Liongate	2.5	✓			
SSARIS	2.5				

Transition of Fund Assets

- 3.05 The new Fund Strategy was agreed at the November 2014 Committee and the 1st stage of the transition (£100m of assets) was carried out by Fund officers and completed on March 13th 2015. The assets involved were:
- Full redemption of Asia Pac (ex Japan) Equities (Aberdeen)
 - Full subscription to new Diversified Growth Fund (Investec)
 - Additional subscription to Diversified Growth Fund (Pyrford)
 - Additional subscription to Global Equities (Investec)

The next stage of the review implementation involving the Managed Account Platform is ongoing. Due diligence has commenced and an update will be reported to the Advisory Panel on March 24th 2015.

Tactical Asset Allocation Portfolio

- 3.06 The 1st meeting of the Tactical Asset Allocation Group involving Fund officers and JLT Consultants took place on February 24th 2015. The terms of reference are now being agreed and an update will be provided to the Committee on May 21st 2015.

Review of In-House Portfolio

- 3.07 Following the approval of the strategic review in November 2014, Fund officers and Bob Young, the previous Independent Consultant to the Clwyd Pension Fund are progressing with a review of the In-House portfolio of Private Equity and Real Asset holdings. The 1st stage of this review was presented to JLT on March 17th 2015 in advance of the Advisory Panel on March 24th. It is intended to provide Committee Members with training on the different asset classes within the In-House portfolio over the next 12 months.

4.00 OTHER MATTERS

DCLG Collective Investment Vehicle (CIV) and Passive Fund Management Consultation

- 4.01 As Members are aware, the Fund's response to the DCLG Consultations for Opportunities for Collaboration, Cost Savings and Efficiencies was reported at the July 2014 committee. The consultation closed on July 11th 2014 but, as reported in November, there had been no more information released by the DCLG. It is now understood that there will be no response until after the General Election.

Welsh Treasurers Group – Business Case for Welsh CIV

- 4.02 In December 2013, the Welsh Treasurers issued a tender for a consultant to produce a business case for a Welsh CIV. This process was subsequently postponed due to the DCLG also issuing a similar tender for a CIV. In September 2014, the Welsh Treasurers agreed to now continue the process in Wales and have appointed Mercer to conduct a business case. It should be noted that this will incur a cost of £8,500 for each of the Welsh funds. The 1st meeting with Mercer was held on November 11th 2014 for the Society of Welsh Treasurers and Investment Practitioners from the relevant Funds.

Each Fund has been asked to provide specific information relating to their Funds to assist Mercer with the report. A meeting has been arranged with the Society of Welsh Treasurers for March 26th 2015 to discuss the initial findings.

LGPS Management Costs

- 4.03 As reported to November Committee, CIPFA have produced guidance for Pension Funds for accounting for LGPS management costs which aims to assist Fund's in producing information relating to their costs on a comparable basis. This involves categorising and reporting costs across the following three areas:
- Investment Management Expenses
 - Administration Expenses
 - Oversight and Governance
- 4.04 Investment management costs now need to be disclosed for all managers, including those investing in pooled vehicles and Private Equity. The costs should include manager fees, underlying manager fees for any fund of fund managers, performance fees and transaction costs. The Fund has contacted all its managers to provide this detailed information for both 13/14 and 14/15 so that comparators can be included in the 2014/15 Pension Fund Accounts.

Training Policy Update for Pension Finance Officers

- 4.05 In line with the Clwyd Pension Fund training policy, officers are required to attend various conferences and seminars in order to maintain and expand their knowledge in specialist investment and funding areas. The following events have been attended since reported to the last Committee, at no charge to the Pension Fund.

Date	Events & Meetings	Attendees
November		
11th	SPS Current Investment Issues	PFM
12th	CIPFA Annual Conference	PFM
December		
3 rd – 5 th	LAPFF Annual Conference	PFM
January 15		
15th	SPS Private Equity	PFM
27th	BlackRock Economic Update	PFM
February		
5th	LAPF Annual Conference	PFM
11th	CIPFA Accounts and Investments	PFM(s)
25th – 26th	LGC Investment Seminar	PFM
March		
19th	SPS LGPS Investment Strategies	PFM
20th	Insight Annual Investor Conference	PFM

5.00 RECOMMENDATIONS

- 5.01 That Committee Members note the report.

6.00 FINANCIAL IMPLICATIONS

- 6.01 The Fund will contribute £8,500 towards the Welsh CIV Business Case project.

7.00 ANTI-POVERTY IMPACT

- 7.01 None.

8.00 ENVIRONMENTAL IMPACT

- 8.01 None.

9.00 EQUALITIES IMPACT

- 9.01 None.

10.00 PERSONNEL IMPLICATIONS

10.01 None.

11.00 CONSULTATION REQUIRED

11.01 None.

12.00 CONSULTATION UNDERTAKEN

12.01 None.

13.00 APPENDICES

13.01 2014/15 Service Plan Update.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Documents: 22nd July 2014 Pension Fund Committee – Working Practices
22nd July 2014 Pension Fund Committee – Clwyd Pension Fund Service Plan 2014/15

Contact Officer: Philip Latham, Clwyd Pension Fund Manager
Tel : 01352 702264
Fax: 01352 702279
E Mail: Philip.Latham@Flintshire.gov.uk