
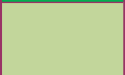


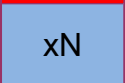

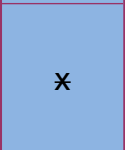


Business Plan 2015/6 to 2017/8 – Q3/4 Update

Funding and Investments

Key Tasks

Key:

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

Funding and Investments (including accounting and audit) Tasks

Ref	Key Action –Task	2015/6 Period				Later Years	
		Q1	Q2	Q3	Q4	2016/17	2017/18
F11	2015 Funding review		x	x			
F13	Employer risk monitoring framework		x	x		x	x
F14	Flightpath “Healthcheck” Review	x			x	x	x
F15a	Review Application of existing admission and termination policy		xN	xN	xN		
F15b	Review of admission and termination strategy/policy		x	x		xM	
F17	Consider impact of 2016 end of contracting out			x	x	x	
F19	Review of In-House investments	x	x	x	x		
F111	Introduction of Tactical Management Portfolio and on-going management	x	x	x	x	x	x
F113	AVC Review				x	xM	
F115	Re-organisation of Asset Portfolio	x	x	x	x		
F116	Collaboration across Welsh Funds for pooling of Passive Assets			xN	xN		
F117	Implement CIV for Welsh Funds			xN	xN	xN	

Funding and Investments (including accounting and audit) Task Descriptions

F11 – 2015 Funding review

What is it?

In the year prior to the formal actuarial valuation an interim actuarial assessment is performed to gauge likely valuation contribution outcomes and identify key issues which may arise in terms of affordability. This will cover issues such as appropriate actuarial assumptions, experience since the last valuation date and how the funding requirements allow for the Flightpath strategy in place. These can then be discussed with the Fund and participating employers ahead of the formal valuation to support budget planning and ensure the right balance of outcomes for all parties.

Timescales and Stages

Effective date:	31 March 2015 (with a later update included)
Initial Whole Fund results:	Q3/15
Individual Employer results:	As required
Communication:	Results will be discussed with finance officers of unitary authorities in Q3/4 15.

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and discussed initially with the Fund officers.

F13 – Employer risk monitoring framework

What is it?

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

Develop framework and processes:	Q2&3/15
Implement framework:	Q3/15
Review framework and identified employers:	Annually.

Resource and Budget Implications

The framework would be implemented taking advice from the Fund Actuary. It will involve the officers gathering financial information from certain employers periodically to monitor covenant strength and also the implementation of a funding monitoring framework for the employers who pose the greatest risk.

FI4 – Flightpath Healthcheck 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, the strategy will require an annual “healthcheck” to ensure its aims remain appropriate and it is still fit for purpose.

Timescales and Stages

A “Healthcheck” is being done in Q1/15 in relation to the inflation triggers give the change in market position and the initial 40% limit being hit. The formal healthcheck is also pencilled in for Q4 15 and is expected to be done at least annually thereafter.

Resource and Budget Implications

To be led by the officers, Fund Actuary and investment advisors with the finding being implemented by the Advisory Panel under the delegations.

FI5a – Application of existing admission and termination policy

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.

Timescales and Stages

Application of existing policy:	Q2&3/15
Implement changes:	Q4/15

Resource and Budget Implications

Fund Actuary and Benefits Advisor will liaise with the administration team to review policy and process application, updating documentation appropriately.

FI5b – Review of admission and termination strategy/policy

What is it?

The Fund implemented a policy in 2013 relating to the admission of employers into the Fund and to how termination of participation is dealt with. Alongside the wider review of the Funding Strategy Statement (FSS), it is appropriate to review the admission and termination strategy in tandem. This is to ensure that the approach taken by the Fund is consistent and serves to protect the Fund against incurring any unfunded liabilities as far as possible

The policy should be reviewed in light of any changes to the overall Funding Strategy of the Fund, and/or to any other specific employer risk management arrangements.

Timescales and Stages

Review of policy and consult (alongside FSS):	Q2&3/16
Implement changes:	Q4/16

Resource and Budget Implications

Fund Actuary will work closely with the Fund Officers in reviewing the policy. It is anticipated that this will be carried out in tandem with the review of the Funding Strategy Statement (where there is a Regulatory requirement for the Administering Authority to consult with all interested parties).

FI7 – Consider 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.

Timescales and Stages

Legislation effective:	6 April 2016
Consider potential impacts Q3/Q4 2015 and as part of the 2016 triennial valuation	

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.

FI9 – Review of In-House investments

What is it?

A fundamental review of the current specific in-house property, private equity and infrastructure investment strategies. This is to include a review of current performance, a report to the Advisory Panel with recommendations and followed up with a workshop for the Members of the CPF Committee.

Timescales and Stages

A review of current performance	2015/16 Q1/Q2
Report(s) to the Advisory Panel:	2015/16 Q1/Q2
Workshops for Members:	2015/16 Q3/Q4

Resource and Budget Implications

To be led and undertaken by the Pension Finance Managers with assistance from Mr Bob Young (YCS UK Limited). All costs are met from the existing budget.

FI11 – Introduction of Tactical Management Portfolio and on-going management

What is it?

The Tactical Management Portfolio was agreed as part of the revised Investment Strategy. The purpose of this 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. This work includes the review of the Total Return Swaps (TRS) structure within the Liability Driven Investment (LDI) Hedging Portfolio. The 'mix' between the various geographic equity regions needs review and monitoring to ensure that full advantage is taken of the expected differences of return between the regions and exposures are consistent with the overall investment strategy.

Timescales and Stages

This consists of a monthly review meeting to review potential opportunities and adjustments to the Fund.

Resource and Budget Implications

There are agreed costs for the work carried out by JLT which are being judged against the value that is added through decisions made. There will also be a cost of officers' time in preparing for and being involved in the monthly reviews, which is being managed within the existing budget. There may also be costs for the implementation of the portfolio changes.

FI13 – AVC Review

What is it?

This is to review the offering to members for the investment of Additional Voluntary Contributions (AVCs) and their suitability.

Timescales and Stages

The review is to be carried out in Q4 2015.

Resource and Budget Implications

This review will be jointly carried out by JLT (as Investment Advisor) and Mercer (as Fund Actuary).

FI15 – Re-organisation of Asset Portfolio

What is it?

This follows the agreement of the new strategy as agreed with the Advisory Panel and Committee in November 2015 and involves the transition of assets between managers.

Timescales and Stages

A phased approach is being adopted as certain of the structures and new managers need to be appointed before transitions can take place, but the intention is that the work is completed during Q3 2015.

Resource and Budget Implications

The budget is currently under discussion. There are various possibilities for carrying out this work ranging from officers completing the work, JLT Transition team being employed to using a specialist Transition manager (or a combination of all three).

The work is currently being scoped and it is intended that the suggested method and budget will be provided and agreed at the next Advisory panel.

FI16 – Collaboration across Welsh Funds for pooling of Passive Assets

What is it?

The Society of Welsh Treasurers have recommended that the 8 Welsh Pension Funds seek to appoint one Manager for all their collective passive mandates. This was formally agreed by each Committee in September 2015. The process will cover 2 stages. The 1st involves the procurement of a consultant to assist the Funds in selecting a Manager. This Process is being led by the Clwyd Pension Fund but all 8 Funds will be involved in the appointment process. The 2nd stage will be appointing a manager and transitioning the assets.

Timescales and Stages

Procurement of a consultant to assist with the Manager search	Q3 2015
Appointment of a Manager for Passive Assets across the 8 Welsh Funds	Q4 2015

Resource and Budget Implications

Officer time for the Pension Finance Manager will be met from the existing budget. The Consultant costs are unknown until the procurement for a Manager commences but will be met equally by the 8 Welsh Funds. This cost has not been factored into the 2015/16 budget.

FI17 – Implement CIV for Welsh Funds.

What is it?

The Society of Welsh Treasurers have recommended that the 8 Welsh Pension Funds seek to implement a CIV for Wales. This was formally agreed by each Committee in September 2015. The process will cover 2 stages. The 1st involves the appointment of an Advisor to assist the Funds in implementing a CIV. This procurement is being led by the Gwynedd Pension Fund but all the 8 Funds will be involved in the appointment process. The 2nd stage is the implementation of the CIV.

Timescales and Stages

Appointment of an Advisor to implement a CIV
Implement CIV for Wales

Q3 2015
2016/17

Resource and Budget Implications

Officer time for the Clwyd Pension Fund Manager and Pension Finance Manager will be met from the existing budget. The Advisor and CIV costs are as yet unknown but will be met by the 8 Welsh Funds.