

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Thursday, 28 November 2019
Report Subject	Investment and Funding Update
Report Author	Deputy Head, Clwyd Pension Fund

EXECUTIVE SUMMARY

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

- (a) The Business Plan 2019/20 update on progress. All tasks are on target. Appendix 1.
- (b) Current Developments and News – News and development continues to be dominated by the Pooling across the LGPS which is covered in agenda item 6. New Cost Transparency Templates for completion by Fund Managers signed up to the code have been produced. One of our current managers, Investec Asset Management are to become a separately listed entity in 2020. As a result, they will be changing their name to Ninety One.
- (c) Delegated responsibilities (Appendix 2). This details the responsibilities which have been delegated to officers since the last Committee meeting. These can include, cash management, short term tactical decisions, investments in new opportunities and monitoring of fund managers. There are no items of exception to report.

RECOMMENDATIONS

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

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Business Plan Update</p> <p>Appendix 1 provides a summary of progress against the Investment and Funding section of the Business Plans for 2019/20.</p> <p>All projects are ongoing and on target.</p>
1.02	<p>Current Development and News</p> <p>The Cost Transparency Initiative (CTI) is the new industry standard for institutional investment cost data. The availability of comprehensive and transparent information on costs and charges is important in helping investors to decide whether investments represent value for money. It is supported by the Pensions and Lifetime Savings Association (PLSA), the Investment Association (IA) and the Local Government Pension Scheme Advisory Board. A set of templates and tools which, together form a framework investors can use to receive standardised costs and charges information from Fund Managers.</p> <p>As the Committee are aware, the Fund has been using its' own templates for many years in order to be as transparent as it can be in disclosing the required fees in its Statutory Accounts and also then disclosing increased fees in its Annual Report to include any fees relating to underlying managers which are not required in the accounts.</p> <p>The Fund welcomes the CTI and standard templates and the move towards greater transparency but has some issues with the templates in relation to the capture of underlying manager fees which need to be separately identified for its Hedge Fund manager and some of the Private Market managers. The current templates are not clear on the separation of those fees.</p> <p>The Deputy Head of the Fund has been in discussions with both the PLSA and the Local Government Association (LGA) to express the Funds concerns and agree a way forward.</p> <p>In addition, one of our Fund managers has been selected to pilot the new templates and has requested that our Fund data for that mandate be used.</p>
1.03	<p>In September 2018, following a strategic review, the Boards of Investec plc and Investec Limited (collectively "Investec Group") announced that Investec Asset Management ("IAM") would become a separately listed entity. As a result they had the opportunity to create a new name and brand that was wholly separate from Investec Group and stayed true to who they are; a focused and independent asset manager.</p> <p>They have chosen a name with a strong connection to their heritage, that feels authentic to who they are and will stand out in a competitive market.</p> <p>They are a global company, who never forgot their roots. The investment firm started in South Africa, in 1991. Back then, change was coming, and they were part of it. '91 was a year of transformative change; the world</p>

	<p>wide web went global. '91 also saw the end of the Soviet Union. Perhaps most momentous for them, that year also marked significant steps towards the end of apartheid.</p> <p>With change came the chance to invest in a better future. Being part of that change made them who they are today.</p> <p>Investec Asset Management are changing their name, but not who they are and the new name is Ninety One.</p> <p>This recognises the momentous time in which the firm started.</p> <p>While the name will change, most importantly they will remain exactly the same company, with the same dedicated people focused on meeting our investment needs.</p>
1.04	<p>Policy and Strategy Implementation and Monitoring</p> <p>The Advisory Panel receive a detailed investment report from the Fund's Investment Consultants, Mercer, which shows compliance with the approved Investment Strategy Statement and reports on fund manager performance. A summary of this performance is shown in the Mercer report included in agenda item 13.</p> <p>The Advisory Panel also receive reports from the following groups:</p> <ul style="list-style-type: none"> • Tactical Asset Allocation Group (TAAG) • Funding and Risk Management Group (FRMG) • Private Equity and Real Assets Group (PERAG) <p>Any delegations arising from these meetings are detailed in Appendix 2.</p>
1.05	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting.</p> <p>To summarise:</p> <ul style="list-style-type: none"> • Cashflow forecasting continued to identify low short term liquidity which has resulted in a further redemption from the Insight LDI collateral pool. The Funds cashflow continues to be monitored closely and is being investigated in more detail with the Fund's Consultant and Actuary. • Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG) and are ahead of their target. • Within the Private Market portfolio, due diligence has been undertaken on 1 investment within the Private Equity portfolio which follows the strategy agreed by the Advisory Panel for this asset class.

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

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

4.00	RISK MANAGEMENT
4.01	Appendix 3 provides the dashboard and risk register highlighting the current risks relating to Investments and Funding matters.
4.02	<p>There have been no changes to the register since the last Committee. Three of the eight risks are currently at their overall target risk albeit F1, the individual current likelihood risk is slightly higher than target.</p> <p>Four of the risks are significant, F2, F3, F4 and F6. All are investments and Funding and substantially different to the target risks.</p> <p>Risk F6 relates to matters related to Pooling and Brexit and whilst still different to the target risks has been moved from catastrophic and significant to critical and very high. Risks 2, 3 and 4 relate to the value of assets and liabilities not being as expected - The Likelihood score reflects the increased risks associated with Brexit given the uncertainty. This may well be a short term position and we have now included the implementation of the hedging of the currency risk to mitigate risks associated with the exit.</p> <p>F8 is low risk and only one step away from its target and relates to employer covenants which will be addressed as part of the Actuarial Valuation.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 - 2019/20 Business plan update</p> <p>Appendix 2 – Delegated Responsibilities</p> <p>Appendix 3 – Risk dashboard and register – Investments and Funding</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Debbie Fielder, Deputy Head, Clwyd Pension Fund Telephone: 01352 702259 E-mail: Debbie.a.fielder@flintshire.gov.uk</p>

7.00 GLOSSARY OF TERMS

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- (a) **The Fund - Clwyd Pension Fund** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region
 - (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
 - (c) **The Committee - Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund
 - (d) **TAAG – Tactical Asset Allocation Group** – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.
 - (e) **AP – Advisory Panel** – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.
 - (f) **PERAG – Private Equity and Real Asset Group** – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund’s Investment Consultant and monitored by AP.
 - (g) **In House Investments** – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.
 - (h) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
 - (i) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
 - (j) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
 - (k) **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.

(l) **GMP – Guaranteed Minimum Pension** – This is the minimum level of pension which occupational pension schemes in the UK have to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997.

(m) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

(n) **Actuary** - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.

(o) A full glossary of Investments terms can be accessed via the following link.

<https://www.schroders.com/en/uk/adviser/tools/glossary/>