

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 11 February 2020
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 complete or 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 7.
- (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.
- (d) Within the risk register (Appendix 3) overall, a number of investment and funding risks have moved towards target.

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 near completion and will be completed by the end of the financial year.</p>
1.02	<p>Current Development and News</p> <p>The National Frameworks are progressing with the procurement of the National Actuarial and Benefits Tender which is due for renewal in June 2020. The Clwyd Fund have agreed to be a Founder in the process and the Deputy Head of the Fund is involved in the full procurement process over the next few months.</p>
1.03	<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 11.</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>
1.04	<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. This will be monitored through the Cash and Risk Management Strategy going forward.• 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, one investment has been agreed 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 several changes to the register since the last Committee. There are now nine risks. F9 has been added which covers Responsible Investing including Climate Change and the risk that it may not be properly considered in the long term strategy. This is currently at an impact of critical and a likelihood of significant compared to a target of low.</p> <p>Four of the previous eight risks have decreased their current likelihood risk moving from significant to low or low to very low. This is following the completion of the Actuarial Valuation exercise and the improvement in funding position. In addition F6 which relates to Pooling and Brexit, has decreased from very high to significant.</p> <p>Risks F1, 3, 5 and 7 are all on target for both impact and likelihood. F2, 4 and 8 are either one step away from target on impact or likelihood and F6 is now one step away on both impact and likelihood.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 - 2019/20 Business plan update Appendix 2 – Delegated Responsibilities 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
7.01	(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) **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.

(m) **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.

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

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