

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.11.1	Rebalancing and cash management	HCPF (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Rebalancing Asset Allocation

Background

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation as a result of market movements. In addition there is a conditional medium term asset allocation range (Conditional range) to manage major risks to the long term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers), which meets each month, considers whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Head of the Clwyd Pension Fund who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

Action Taken

As reported to the November Committee the following transitions were undertaken in the period October to December 2022.

October 2022 Redeem £125m BlackRock ESG Equity Fund
Invest £120m Insight Cash & Risk Management Framework
(Residual cash to Clwyd bank account)

November 2022 Redeem £90m Russell Emerging Market Equity Fund
Invest £90m Insight Cash & Risk Management Framework

Cash Management

Background

The Deputy Head of the Clwyd Pension Fund forecasts the Fund's 3 year cash flows in the Business Plan and this is monitored quarterly and revised on an annual basis. The bank account balance is monitored daily. The main payments are pension related, expenses and investment drawdowns. New monies come from employer and employee contributions and investment income or distributions. This cash flow management ensures the availability of funds to meet payments and investment drawdowns. The LGPS investment regulations only allow a very limited ability to borrow. There is no strategic asset allocation for cash, although there is a strategic range of +5% and a conditional range of +30% which could be used during times of major market stress.

Action Taken

The cash balance as at 31 December 2022 was £103.6m (£85.6m at 31st September 2022). Private Market distributions exceeded drawdowns by £13.4m during the quarter. The overall cash flow is monitored to ensure there is sufficient monies to pay benefits and capital calls for investments. Work is continuing with the Consultant and Actuary to monitor the cash-flow

situation and be aware of any unforeseen issues. Monthly cash flows for the financial year 2022/23 are shown graphically at the end of the delegations appendix.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.11.2	Short term tactical decisions relating to the 'best ideas' portfolio	HCPF (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to consider how to invest assets within the 'Best Ideas' portfolio given the shorter term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund. The investment performance target is CPI +3 %, although the aim is to also add value to the total pension fund investment performance.

Action Taken

Since the previous report to Committee in November 2022 the following transactions were agreed within the TAA (Best Ideas) Portfolio.

- Sell £22m LGIM Sterling Liquidity Fund
- Invest £22m BlackRock US Opportunities

The current allocations within the portfolio following the transactions are:

- US Equities (1.5%)
- Commodities (1.8%)
- Infrastructure (1.6%)
- UK Equity (0.6%)
- Liquidity Fund (5.5%)

As at the end of December 2022, the Best Ideas portfolio 1 year performance was +3.2% against a target of +13.8% and the 3 year performance was +6.2% against a target of +8.6%.

The Best Ideas portfolio continues to add value to the Fund through its ability to make short-term tactical decisions. The portfolio has outperformed the wider Mercer DGF Universe 1 year and 3 year benchmark of -8.1% and +0.3%, respectively, and has added 1.7% of value at a total fund level for the year to December 2022.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.11.3	Investment into new mandates / emerging opportunities	HCPF and either the CFM or CE (having regard to ongoing advice of the IC)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Fund's current investment strategy includes a 27% asset allocation to private equity (8%), property (4%), infrastructure (including legacy timber and agriculture assets) (8%), private debt (3%) and impact / local investing (4%) These are higher risk investments, usually in limited partnerships, and as such, previously, these are smaller commitments in the range of £8m to £20m in each. Across these asset categories there are currently in excess of 65 investment managers, investing in 150+ limited partnerships or other vehicles.

The Private Equity & Real Estate Group (PERAG) of Officers and Consultants meet at least quarterly and are responsible for implementing and monitoring the investment strategy and limited partnerships across these asset classes. The investments in total are referred to as the 'In-House portfolio'. There is particular focus on Environmental, Social and Governance (ESG), sustainability and impact aspects on the investments made.

A review has been being undertaken of the existing portfolio and future cash flows by the Consultants and the results determined the forward work plan. It is anticipated that when the Wales Pension Partnership (WPP) are able to accommodate commitments in these alternative areas, the Fund will commit any available monies through the WPP. The Fund Consultants and WPP will work closely to ensure the available sub funds are suitable for the Funds existing Private Market strategy. Until these asset classes are available through the WPP, the Fund will continue to work with Mercer recommendations to deploy capital and look for any opportunities which fulfil the current agreed strategy.

Action Taken

Due diligence continues to be completed by Mercer on several managers across several of the asset classes and recommendations made. Two further commitments have been agreed as detailed below and in 1.11 of the main report.

Property

- Newcore £15m

Infrastructure

- Sandbrook I \$20m (£17m)

Clwyd Pension Fund - Cash-flow 2022/23



