

## **DELEGATED RESPONSIBILITIES**

	<b>Delegation to Officer(s)</b>	<b>Delegated Officer(s)</b>	<b>Communication and Monitoring of Use of Delegation</b>
1.12.1	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 consider 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**

June 2023                      Redeem c.£130m WPP Global Opportunities Equity Fund  
Invest £195m WPP Sustainable Active Equity Fund

Since the February committee, the Fund has transitioned its WPP Global Opportunities Equity Fund assets to the WPP Sustainable Active Equity Fund. As mentioned in section 1.06 (*Transition of Assets*) of the covering report, additional funding has been sourced from the Fund's cash holdings.

### **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 regulation 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<sup>st</sup> March 2023 was £98.2m (£103.6m at 31<sup>st</sup> December 2022). Private Market drawdowns exceeded distributions by £1.8m 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.

	<b>Delegation to Officer(s)</b>	<b>Delegated Officer(s)</b>	<b>Communication and Monitoring of Use of Delegation</b>
1.12.2	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 February 2023 the following transactions were agreed within the TAA (Best Ideas) Portfolio.

- Full redemption LGIM UK Equity Fund – £15.9m (crystallisation +5.7%)
- Full redemption LGIM Commodity Index Fund – £20.1m (crystallisation +20.2%)
- Invest £15.9m in LGIM Future World Europe (ex UK) Equity Index Fund
- Invest £20.1m in LGIM High Yield Fund
- Full redemption Ninety One Global Natural Resources Fund – £20.8m (crystallisation +16.0%)
- Invest £6.2m in LGIM High Yield Fund
- Invest £13.1m in LGIM Future World Japan Equity Index Fund
- Partial redemption BlackRock US Opportunities Fund – £12.7m
- Invest £10.3m in LGIM Future World Europe (ex UK) Equity
- Invest £13.1m in LGIM Future World Japan Equity Fund
- Invest £13.2m in LGIM Emerging Markets Passive Local Currency Government Bond Fund
- Partial redemption LGIM Sterling Liquidity Fund – £24m

The current allocations within the portfolio following the transactions are:

- US Equities (1.9%)
- European Equity (1.1%)
- Japanese Equity (1.1%)
- Infrastructure (1.6%)
- High Yield Bonds (1.1%)
- Short Dated Bonds (2.2%)
- Emerging Markets Government Bonds (0.6%)
- Liquidity Fund (1.4%)

As at the end of March 2023, the Best Ideas portfolio 1 year performance was -3.8% against a target of +13.3% and the 3 year performance was +12.2% against a target of +8.2%.

- The Fund has made no new commitments during the quarter.

## Clwyd Pension Fund - Cash-flow 2022/23

