

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.091	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 due to ordinary 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

December 2023 Redeem £40m Insight Liquidity Fund
 Proceeds £40m Trustee Cash

Cash Management

Background

The Deputy Head of the Clwyd Pension Fund produces a 3-year cash flow forecast as part of the Fund's Business Plan which is monitored quarterly and is revised on an annual basis. The Fund's bank account balance is monitored daily. The main payments relate to members' pensions, expenses, and investment drawdowns. New monies are received from employer and employee contributions, investment income, or distribution income. This cash flow management ensures there are available funds to meet pension payments and investment drawdowns as and when they fall due. The LGPS investment regulations allows very limited borrowing ability. The Fund has no strategic asset allocation to cash, although there is a strategic range of +5% and a conditional range of +30% which may be implemented during periods of major market stress.

Action Taken

The Fund's in-house cash balance at 31st December 2023 was £53.2m (£44.8m at 30th September 2023). There were several Private Market capital calls during the period (drawdowns exceeded distributions by £30.6m during the quarter), and the usual monthly pension payments. The overall cash flow is monitored regularly to ensure there is sufficient funds to pay benefits and capital calls for investments as and when they fall due. Work continues to be undertaken by Officers and the Fund's Consultant and Actuary to monitor the cash flows in the event any unforeseen situations arise. Monthly cash flows for the 2023/24 financial year are shown graphically at the end of the Delegations appendix.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.092	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 review and consider investment opportunities 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 +2.5% (from March 2022 based on the Bank of England 20-year breakeven inflation spot rate, previously 3%), however, the aim is to add value to the Fund's total investment performance.

Action Taken

Since the previous report to Committee in November 2023 the following transactions were agreed and implemented within the TAA (Best Ideas) Portfolio.

- Full redemption LGIM North American Equity Fund - £21.4m (12.4% crystallised gain)
- Invest £21.4m in LGIM Future World North American Equity (GBP Hedged)
- Full redemption LGIM Over 5 Year US Index-Linked Index Fund - £26.5m (2.7% crystallised gain)
- Invest £26.5m in LGIM Sterling Liquidity Fund

The current allocations within the portfolio following the transactions are:

US Equities	(2.1%)
Japanese Equity	(1.7%)
Maturing Bonds	(0.7%)
Short Dated Bonds	(1.7%)
Liquidity Fund	(2.3%)
Index-Linked Bonds	(1.1%)
Emerging Markets Government Bonds	(1.6%)

As at the end of December 2023, the Best Ideas portfolio 1 year performance was +5.3% against a target of +6.0% and the 3-year performance was +7.4% against a target of +7.3%.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.093	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 29% asset allocation to Private Markets, which includes investments in Private Equity (8%), Property (4%), Infrastructure (including Timber and Agriculture assets) (8%), Private Debt (3%), and Impact / Local Investing (6%). These investments are considered higher risk due to their illiquid nature. For this reason, the Fund makes smaller commitments typically ranging from £8m to £20m to this space. The Fund currently has more than 65 managers and 150 separate mandates across these asset classes within its Private Markets portfolio.

The Private Equity & Real Asset 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. All investments made under this remit are referred to as the 'In-House Portfolio'. There is a particular focus on Responsible, Sustainable, and Impact themes, as well as Environmental, Social and Governance (ESG) considerations when investments are made.

A review of the existing portfolio and future cash flows has been undertaken by Consultants to establish the forward work plan. It is expected that future commitments to Private Market investments, including these alternative areas, will be made through the Wales Pension Partnership (WPP) once available. The Fund Consultants continue to work closely with WPP to ensure appropriate sub-funds are available and remain suitable for the Fund's existing Private Market strategy. In the meantime, the Fund continues to take recommended advice from Mercer to deploy capital in new impact / local opportunities.

Action Taken

Due diligence continues to be undertaken by Mercer on several managers across the various asset classes, and recommendations are being considered. One new commitment has been agreed since the November 2023 committee and is detailed below and is referenced in 1.06 within the main report.

Impact / Local Mercer, Private Investment Partners VII Global Impact Fund – £40m

Clwyd Pension Fund - Cash-flow 2023/24

