

## FLINTSHIRE COUNTY COUNCIL

**REPORT TO :** **CLWYD PENSION FUND COMMITTEE**

**DATE :** **5<sup>th</sup> NOVEMBER 2014**

**REPORT BY:** **CHIEF OFFICER (PEOPLE AND RESOURCES)**

**SUBJECT:** **INVESTMENT AND FUNDING UPDATE**

### **1.00 PURPOSE OF REPORT**

1.01 The purpose of this report is to provide Committee Members with an update of investment and funding matters for the Clwyd Pension Fund including:

- progress of investment, funding and accounting tasks against the Service Plan for 2014/15,
- delegated functions,
- training events and seminars for Pension Finance Officers,
- any other matters of relevant interest.

### **2.00 BACKGROUND**

2.01 The Fund's Finance Section is responsible for the day to day accounting and investment functions. The team comprises four full time members of staff, including two Pension Finance Managers, an Accounting Technician and a Finance Assistant.

2.02 The Pension Finance Managers work closely with the Clwyd Pension Fund Manager, Investment Consultants and Actuary on the investment and funding strategies for the Fund.

### **3.00 UPDATE ON SERVICE PLAN AND DELEGATED FUNCTIONS**

3.01 Appendix 1 shows the dashboard of progress made against key projects within the Finance Service Plan for 2014/15. Within the projects for investment, funding and accounting, most have been completed or on target

3.02 The review of our AVC provider performance has now been deferred to quarter 4. This is due to the Prudential (the Fund's current AVC provider) reviewing their range of funds and also the changes in regulation which are expected later in 2014/15.

3.03 The 2014/15 budget has been produced and reported in the Annual Report but the monitoring arrangements now have to be revised to incorporate the new guidance issued by CIPFA for accounting for LGPS management costs (see 4.05). This should be actioned in quarter 3.

#### **Rebalancing and Cash Management**

3.04 In-house cash balances as at September 30<sup>th</sup> 2014 were £52.1m (£56.3m at June 30<sup>th</sup> 2014). Strategic allocations as at August 2014 were generally in line with the recommended ranges except for GTAA. The underweight to BlackRock contributed to an overall GTAA underweight. This, and the slightly

higher cash balances, will be addressed as part of the upcoming strategic fund review.

### **Monitoring of Fund Managers**

- 3.05 The in-house team, along with JLT, monitor the Fund's managers quarterly on a rota basis ensuring that the managers with the larger allocations are met with quarterly, whilst the others are seen at least on an annual basis. A record of the managers seen during 2014/15 is shown in the following table. Further details on the managers are reported by JLT, the Fund's Investment Consultant, in agenda item 11 of the committee papers.

<b>Manager</b>	<b>Strategic Weight %</b>	<b>June 2014</b>	<b>September 2014</b>	<b>December 2014</b>	<b>March 2015</b>
Insight	19				
Stone Harbor	15	✓	✓		
Wellington	11	✓	✓		
Aberdeen	7	✓	✓		
BlackRock	6	✓	✓		
Investec	5		✓		
Duet	5	✓			
Bluecrest	3	✓			
Pyrford	3	✓			
Liongate	2.5	✓			
SSARIS	2.5				

### **4.00 OTHER MATTERS**

#### **DCLG Collective Investment Vehicle (CIV) and Passive Fund Management Consultation**

- 4.01 As Members are aware, the Fund's response to the DCLG Consultations for Opportunities for Collaboration, Cost Savings and Efficiencies was reported at the July 2014 committee. The consultation closed on July 11<sup>th</sup> but, as yet, there has been no more information released by the DCLG.

#### **Welsh Treasurers Group – Business Case for Welsh CIV**

- 4.02 In December 2013, the Welsh Treasurers issued a tender for a consultant to produce a business case for a Welsh CIV. This process was subsequently postponed due to the DCLG also issuing a similar tender for a CIV. In September 2014, the Welsh Treasurers agreed to now continue the process in Wales and have appointed Mercer to conduct a business case. It should be noted that this will incur a cost of £8,500 for each of the Welsh funds. An Initial meeting with Mercer has been arranged for 11<sup>th</sup> November 2014 for the Society of Welsh Treasurers and Investment Practitioners from the relevant Funds.

## **Cost Management and Deficit Management**

4.03 The cost management draft regulations were released in October 2014. A summary of these along with a deficit management working group update are included in the LGPS update from Mercer, agenda item 7 of the committee papers.

### **LGPS Management Costs**

4.04 As mentioned in 3.03, CIPFA have produced guidance for Pension Funds for accounting for LGPS management costs which aims to assist Fund's in producing information relating to their costs on a comparable basis. This involves categorising and reporting costs across the following three areas:

- Investment Management Expenses
- Administration Expenses
- Oversight and Governance

4.05 Investment management costs will need to be disclosed for all managers, including those investing in pooled vehicles and Private Equity. The costs should include manager fees, underlying manager fees for any fund of fund managers, performance fees and transaction costs.

### **Training Policy Update for Pension Finance Officers**

4.06 In line with the Clwyd Pension Fund training policy, officers are required to attend various conferences and seminars in order to maintain and expand their knowledge in specialist investment and funding areas. The following events have been attended at no charge to the Pension Fund.

<b>Date</b>	<b>Events &amp; Meetings</b>	<b>Attendees</b>
<b>June</b>		
11th	Milltrust Residential Fund	CPFM, PFM(s)
25 <sup>th</sup> – 27th	LGC Investment Symposium	PFM
<b>September</b>		
26th	North West & Wales Pension Group	PFM
29th – 30th	Quant Invest 2014 – Managed Futures	PFM
<b>October</b>		
8th	BVCA Private Equity LP Summit	PFM
9th	SPS Property & Real Assets	PFM
21st	JLT Client Investment Conference	PFM
22nd	Local Government Pension Investment Forum	PFM

## **5.00 RECOMMENDATIONS**

5.01 That Committee Members note the report.

## **6.00 FINANCIAL IMPLICATIONS**

6.01 The Fund will contribute £8,500 towards the Welsh CIV Business Case project.

**7.00 ANTI-POVERTY IMPACT**

7.01 None.

**8.00 ENVIRONMENTAL IMPACT**

8.01 None.

**9.00 EQUALITIES IMPACT**

9.01 None.

**10.00 PERSONNEL IMPLICATIONS**

10.01 None.

**11.00 CONSULTATION REQUIRED**

11.01 None.

**12.00 CONSULTATION UNDERTAKEN**

12.01 None.

**13.00 APPENDICES**

13.01 2014/15 Service Plan Update.

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**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

Background Documents: 22<sup>nd</sup> July 2014 Pension Fund Committee – Working Practices  
22<sup>nd</sup> July 2014 Pension Fund Committee – Clwyd Pension Fund Service Plan 2014/15

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