

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 24 May 2016
Report Subject	Investment and Funding Update
Report Author	Pension Finance Manager

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 2016/17 update is attached as appendix 1. Although we are only part way through the quarter all relevant tasks relating to the Actuarial Valuation and Asset Pooling are on track.
- (b) Current Developments and News – News and development continues to be dominated by the Pooling debate across the LGPS which has been covered in agenda item 8.
- (c) Funding & investment related policy/strategy implementation and monitoring – This section highlights the update to the Fund's Funding Strategy Statement. This is covered in more detail in agenda item 16.
- (d) Delegated responsibilities (Appendix 2). This details the responsibilities which have been delegated to officers since the last Committee meeting. These include, cash management, short term tactical decisions, investments in new opportunities and monitoring of fund managers. There are no items of exception to report.

RECOMMENDATIONS

1	That the Committee consider and note the update including the 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 Plan up to the end of quarter 1 to 30 June 2016. Both the items relating to the Actuarial Valuation and Asset Pooling are on track for the quarter.</p>
1.02	<p>Current Developments and News</p> <p>LGPS Pooling of Investments.</p> <p>A verbal update on the current position on Pooled Investments within Wales has been provided as part of agenda 7 of this Committee.</p>
1.03	<p>Working Together in Wales</p> <p>At the March 2016 committee, Members were provided with an update on the appointment of a single passive manager. Since that committee, it has been announced that BlackRock were the successful manager appointed. Initial savings look to be in the region of £1.4m across the 8 Welsh Funds. In terms of the Clwyd Fund, the transition of applicable assets is in the Business Plan for Q2/3 2016.</p>
1.04	<p>WM Performance Services</p> <p>The Fund has received notification from our current performance measurers, WM Company that they are ceasing to provide those services to the Public Sector Pension Schemes. The Fund will be given access to all historical data to provide to any subsequent providers of the data. In the short term, the Fund has been using the performance services of its Investment Consultants, JLT, so initially this has not caused any issues. Funds in Wales are now looking at the possibility of collaborating to find a new provider.</p>
1.05	<p>Policy and Strategy Implementation and Monitoring</p> <p>Funding Strategy Statement – A separate report on Funding and Flight-Path provides an update on the progress against the Fund’s Funding Strategy Statement objectives. The FSS will be updated as part of the Actuarial Valuation process and a Special Committee is arranged for July 5th 2016 where Members will agree assumptions before the draft statement is circulated to employers for consultation. The draft statement will be submitted to the Committee in September and the final FSS approved in February 2017. Further details will be provided in agenda item 15.</p> <p>The implementation and monitoring of the Fund’s SIP continues to be undertaken through delegated responsibilities as outlined below.</p>

1.06	<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"> • Deficit payments from the Unitary Authorities have been paid in advance and the cash flow will need to be monitored to identify any surplus which can be reinvested. • Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG). • The Fund's strategic allocation is mainly within the SIP ranges. The exception is Stone Harbour, Multi Asset Credit, who are marginally outside. • Within the "In House" portfolio, 2 further commitments have been made in the Private Equity space totalling a sterling equivalent of £16 million. All these commitments follow the strategy agreed by the AP for these asset classes. The Fund is now looking at investments in Property and Infrastructure. • There are no significant matters to bring to the attention of the Committee as a result of the Fund Manager monitoring meetings.
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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	<p>The Fund will consider many risks as part of its Funding and Investment strategies, some of which are covered in specific agenda items. The key risks considered in this report include cash flows and the inability to meet payments due from the Fund, the risk of managers not meeting targets expected thus leading to lower valuations. Investment risk is considered when conducting appropriate due diligence on potential investments. Legislative risk is considered in preparing and considering changes which affect the accounts.</p>

5.00	APPENDICES
5.01	Appendix 1 - 2016/17 Business plan update Appendix 2 - Delegated responsibilities

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – Business Plan 2016/7 to 2018/19 – 22 March 2016. Report to Pension Fund Committee – Statement of Investment Principles – 21 May 2015 Contact Officer: Debbie Fielder, Pension Finance Manager Telephone: 01352 702259 E-mail: debbie.a.fielder@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – 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</p> <p>(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.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>

- (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) **SIP – Statement of Investment Principles** – 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) **DCLG – Department of Communities and Local Government** – the government department responsible for the LGPS legislation.
- (l) A full glossary of Investments terms can be accessed via the following link.
<http://www.fandc.com/uk/private-investors/tools/glossary/>