

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 27 September 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. This updates for both quarters 1 & 2, to September 2016. Whilst all relevant tasks relating to the Actuarial Valuation and Asset Pooling are on track, the production of the Investment Strategy Statement has not as yet commenced.
- (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 5. It also details the results of the recent CEM Investment Performance Benchmarking exercise (Appendix 2) and the results of the Government Actuary Department (GAD) Section 13 Dry Run Report (Appendix 3)
- (c) Funding & investment related policy/strategy implementation and monitoring – This section updates members on the progress of the Investment Strategy Statement and highlights the “light touch” review of the Fund’s Investment Strategy (covered in detail in agenda item 9).
- (d) Delegated responsibilities (Appendix 4). 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. And also an update to September 2016. Both the items relating to the Actuarial Valuation and Asset Pooling are on track for quarter 1 but the production of the Investment Strategy Statement has not commenced as yet due to the delay in the DCLG issuing the new investment regulations and guidance.(See 1.07)</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 5 of this Committee.</p>
1.03	<p>Working Together in Wales</p> <p>Work has commenced on the procurement of a regulated third party operator to provide a series of collective vehicles for the Wales LGPS. The procurement exercise is being led by the Clwyd Fund. In advance of a full OJEU process, the decision was made to issue Prior Information Notice (PIN). This would enable the Welsh Funds to engage with potential providers before commencing the full OJEU procurement. The PIN was issued on 12th August 2016 and required potential providers to express an interest and provide responses to specific questions relating to the procurement no later than 7th September 2016.</p> <p>All providers satisfying the core requirements of the PIN have been invited to attend meetings with representatives of the Welsh Funds at "Engagement Days" being held in Cardiff on 22nd & 23rd September 2016.</p>
1.04	<p>CEM benchmarking</p> <p>All LGPS Funds submitted performance data to December 2014 and investment costs for the years ending March 2013, 2014 & 2015 to CEM in order to provide comparisons across the pension funds. The fee information was included in the Welsh Pooling submission to DCLG.</p> <p>Appendix 2 summarises the results for the CPF of the CEM Investment Benchmarking Report for defined benefit plans 2014/15. It shows that, whilst the Fund does not compare favourably in terms of cost, it achieved a very high 'Net Value Add' relative to the LGPS universe. Over the period under review the Fund had benefited from active management and demonstrated much lower volatility than the universe (ranking below the 10th percentile), reflecting the benefit of diversification within the strategy.</p>

	The Fund Investment Consultant will present details of the findings at the Committee.
1.05	<p>GAD Section 13 Valuations</p> <p>Section 13 of the Public Service Pensions Act 2013 (PSPA2013) requires the Government Actuary (GAD) to report on the valuations of the LGPS funds. It has published a report using the 2013 valuation outcomes on a “dry run” basis for actuaries and funds to understand how the GAD will report on Section 13 assessments in the future.</p> <p>The report from GAD is attached as appendix 3 and details the draft results for all 89 LGPS. It reports for each Fund, whether four main aims are achieved;</p> <ul style="list-style-type: none"> • Compliance: whether the fund’s valuation is in accordance with the scheme regulations, • Consistency: whether the fund’s valuation has been carried out in a way which is not inconsistent with other fund valuations within the LGPS, • Solvency: whether the average rate of employer contributions is set at an appropriate level to ensure the solvency of the fund, and • Long term cost efficiency: whether the average rate of employer contributions is set at an appropriate level to ensure long-term cost-efficiency of the scheme, so far as relating to each fund. <p>As expected, given the Fund’s activity, the Clwyd Pension Fund is evaluated as a fund that has met all of these aims.</p> <p>For all measurements in relation to Solvency and Long Term Cost Efficiency the CPF was shown as green under the RAG rating system.</p> <p>The Fund Actuary will present details of the findings at the Committee.</p>
1.06	<p>Policy and Strategy Implementation and Monitoring</p> <p>In August 2016, the Fund’s consultants, JLT, commenced a “light touch” review of the Fund’s investment strategy. The initial results were shared with officers at a meeting on 12th August 2016. The results are covered in agenda item 9.</p>
1.07	<p>Investment Strategy Statement (ISS) – The Fund’s Business Plan identifies the requirement to produce an Investments Strategy Statement which will replace the current Statement of Investment Principles (SIP). This was originally due to commence in quarter 2 but has been delayed awaiting the DCLG guidance on preparing the statements along with revised Investment Regulations.</p> <p>DCLG finally issued the ISS guidance on 16th September 2016. The updated Investment Regulations are still awaited. The guidance will now be looked at in detail by fund officers and our Consultant and a briefing session for Members will be arranged for the November Committee. The deadline for the production of the ISS is 1st April 2017.</p>

	The implementation and monitoring of the Fund's current SIP continues to be undertaken through delegated responsibilities as outlined below.
1.08	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 4 updates the Committee on the areas of delegation used since the last meeting.</p> <p>To summarise:</p> <ul style="list-style-type: none"> • There is sufficient liquidity to meet short term requirements • 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. No action has been taken at present due to the "light touch" Investment Review. • Within the "In House" portfolio, 3 further commitments have been made in the Real Asset portfolio totalling a sterling equivalent of £24 million. All these commitments follow the strategy agreed by the AP for these asset classes. • There are no significant matters to bring to the attention of the Committee as a result of the Fund Manager monitoring meetings.

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	Appendix 5 provides the dashboard and risk register showing the current risks relating to Investments and Funding matters.
4.02	<p>None of the risks in Investments and Funding are substantially different to the target risks with most being just one step away from their targets.</p> <p>Risks F1, F2, F3 and F6 are the significant or very high likelihoods and all relate to matters considered as part of the Actuarial Valuation which are covered in agenda item 13.</p> <p>It is anticipated that the Actuarial Valuation and Flight Path review will assist in bringing these risks closer to their targets.</p>

5.00	APPENDICES
5.01	Appendix 1 - 2016/17 Business plan update Appendix 2 - Summary of Fund results from CEM Benchmarking Appendix 3 – GAD, Section 13 Draft Report Appendix 4 – Delegated Responsibilities Appendix 5 – Risk dashboard and register – Investments and Funding

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – Business Plan 2016/7 to 2018/19 – 22 March 2016. 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>

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| | <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.</p> <p>(h) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(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</p> <p>(j) FSS – Funding Strategy Statement – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(k) DCLG – Department of Communities and Local Government – the government department responsible for the LGPS legislation.</p> <p>(l) GAD – Government Actuary's Department - The Government Actuary's Department is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.</p> <p>(m) Section 13 Actuarial Valuation - Section 13 of the Public Service Pensions Act 2013 provides for a review of the LGPS valuations and employer contribution rates to check that they are appropriate and requires remedial steps to be taken where it is considered appropriate. The GAD will undertake this review based on the results of the 2016 actuarial valuations.</p> <p>(n) A full glossary of Investments terms can be accessed via the following link.
http://www.fandc.com/uk/private-investors/tools/glossary/</p> |
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