

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 20 September 2017
<b>Report Subject</b>	Investment and Funding Update
<b>Report Author</b>	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 2017/18 update for quarter 1 (April to June 2017) is attached as Appendix 1. The only task relating to this quarter is in relation to Asset Pooling and is progressing on target.
- (b) Current Developments and News – News and development continues to be dominated by the Pooling across the LGPS which has been covered in agenda item 4. MiFID II is now progressing since final guidance was issued. An update is given on paragraph 1.02.
- (c) Delegated responsibilities (Appendix 3). 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

<b>1.00</b>	<b>INVESTMENT AND FUNDING RELATED MATTERS</b>
1.01	<p><b>Business Plan Update</b></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 2017.</p> <p>Work in relation to Asset Pooling is ongoing and the appointment for an Operator for the Wales Pension Partnership is currently in progress. A verbal update has been provided at Agenda item 4.</p>
1.02	<p><b>Current Developments and News</b></p> <p><b>MiFID II.</b></p> <p>Members were provided with an update on MiFID II at the June 2017 Committee along with a presentation from the Fund Consultant, JLT. The report recommended that the Clwyd Pension Fund follow the procedures which would be set in the Financial Conduct Authority Handbook in order for the Fund to be recognised as a professional investor. The FCA published the Handbook in late June which confirmed that the LGPS will be required to complete an “opt up” process with each of its fund managers.</p> <p>The Fund will be required to contact all its managers to inform them we wish to be considered as Professional Investors and will need to complete quantitative and qualitative questionnaires and provide supporting documentation. A copy of these is attached at Appendix 2.</p> <p>In order to ensure all the managers have sufficient time to satisfy themselves with the documentation provided to them, they have requested that this is provided by 30<sup>th</sup> September 2017.</p> <p>The Pension Finance Manager is working alongside the Funds Consultant, JLT to ensure all the documentation is available to achieve the deadline requested by the managers.</p>
1.03	<p><b>Cost Transparency</b></p> <p>Work is ongoing with the Financial Conduct Authority and the Local Government Association on finding ways to ensure consistent reporting of manager costs across the LGPS.</p>
1.04	<p><b>Policy and Strategy Implementation and Monitoring</b></p> <p>The Advisory Panel receive a detailed investment report from the Funds Investment Consultants, JLT which shows compliance with the approved Investment Strategy Statement and reports on fund manager performance. A summary of this performance is shown in the JLT report included in agenda item 13.</p>

	<p>The Advisory Panel also receive reports from the following groups:</p> <ul style="list-style-type: none"> <li>• Tactical Asset Allocation Group (TAAG)</li> <li>• Funding and Risk Management Group (FRMG)</li> <li>• Private Equity and Real Assets Group (PERAG)</li> </ul> <p>There are currently 3 outstanding items from the investment review undertaken in August 2016:</p> <ul style="list-style-type: none"> <li>• Appointment of a US Private Credit Manager</li> <li>• Allocation to Smart Beta mandate</li> <li>• Reduction of Property (3%) and increase to Infrastructure exposures (3%)</li> </ul> <p>Progress on the first two are explained in more detail in the delegated responsibilities in Appendix 3. The move between Property and Infrastructure has a longer term objective although we are actively looking for suitable infrastructure investments.</p>
1.05	<p><b>Delegated Responsibilities</b></p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 3 updates the Committee on the areas of delegation used since the last meeting.</p> <p>To summarise:</p> <ul style="list-style-type: none"> <li>• There is sufficient liquidity to meet short term requirements</li> <li>• Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG).</li> <li>• Within the “In House” portfolio, 2 further commitments have been made in the Real Asset portfolio totalling a sterling equivalent of £16 million. All these commitments follow the strategy agreed by the AP for these asset classes.</li> <li>• There are no significant matters to bring to the attention of the Committee as a result of the Fund Manager monitoring meetings.</li> </ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Appendix 4 provides the dashboard and risk register showing the current risks relating to Investments and Funding matters.
4.02	Five of the eight risks are currently at their overall target risk albeit the individual current impact or likelihood risk may be slightly higher than

	<p>target. Four of the five risks (relating to the Actuarial Valuation) improved from the previous risk status one of the area target risk. Of the remaining three risks in Investments and Funding, one is substantially different to the target risk with the other two being just one step away from their targets.</p> <p>Risk F6 is now the only risk with a significant likelihood and this relates to matters related to Pooling, Brexit and MiFID II.</p>
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<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 - 2017/18 Business plan update  Appendix 2 – Delegated Responsibilities  Appendix 3– MiFID II Questionnaire  Appendix 4 – Risk dashboard and register – Investments and Funding</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Report to Pension Fund Committee – Business Plan 2017/18 to 2019/20 – 21 March 2017.</p> <p><b>Contact Officer:</b> Debbie Fielder, Pension Finance Manager  <b>Telephone:</b> 01352 702259  <b>E-mail:</b> <a href="mailto:debbie.a.fielder@flintshire.gov.uk">debbie.a.fielder@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – 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) <b>Administering authority or scheme manager</b> – 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) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>TAAG – Tactical Asset Allocation Group</b> – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.</p> <p>(e) <b>AP – Advisory Panel</b> – 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>

- (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.
- (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. This will be replaced by the **Investment Strategy Statement (ISS)**
- (j) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (k) **MiFID II** – this and the Regulation on Markets in Financial Instruments and Amending Regulation (“MiFIR”) are both European Commission legislation and are commonly referred to as "MiFID II". Together they seek to provide a European-wide legislative framework for regulating the operation of financial markets in the EU.
- (l) A full glossary of Investments terms can be accessed via the following link.  
<http://www.fandc.com/uk/private-investors/tools/glossary/>