

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 29 November 2017
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 2017/18 update for quarter 2 (July to September 2017) is attached as Appendix 1. There are two tasks relating to this quarter, Asset Pooling and MiFID II, both of which are 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 which is updated in paragraph 1.02 and Cost Transparency, updated in paragraph 1.03
- (c) Delegated responsibilities (Appendix 2). This details the responsibilities which have been delegated to officers since the last Committee meeting. These can 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 2 to 30 September 2017.</p> <p>Work in relation to Asset Pooling is continuing and the approval for the appointment for an Operator for the Wales Pension Partnership has been detailed in Agenda item 4.</p>
1.02	<p>Current Developments and News</p> <p>MiFID II.</p> <p>As discussed at the September Committee the Fund was required to contact all its managers to inform them we wish to be considered as Professional Investors. This involved completion of quantitative and qualitative questionnaires including the provision of all supporting documentation. In order to ensure all the managers had sufficient time to satisfy themselves with the documentation provided to them by the 3rd January 2018 deadline, the documents were provided by 30th September 2017.</p> <p>The Fund contacted 52 Investment Managers, 3 Consultants and the Fund Custodian. To date we have received 18 confirmations of our classification as a “professional” investor along with indications from others that this will also be the case for them.</p> <p>This will continue to be an on-going process as the Fund will also need to provide all the “opt up” documentation to the successful bidder of the Wales Pension Partnership Operator as well as any non-current managers who wish to discuss investments with us.</p> <p>The Fund also has a duty to inform and provide revised documentation to all its managers if there are any changes to the information previously provided such as key personnel movements and changes with Committee membership</p>
1.03	<p>Cost Transparency</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. A full list of the managers who have signed up so far is available on the Scheme Advisory Board web-site. Of the 23 signed up to date, the following Clwyd Pension Fund Equity, Fixed Income and Diversified Growth managers are included:</p> <ul style="list-style-type: none"> • BlackRock • Investec • Pyrford • Stone Harbour

	<ul style="list-style-type: none"> Wellington <p>Insight, another of the Fund's investment managers is also working towards signing up to the code.</p> <p>Currently, the template is applicable to traditional managers investing in equities and fixed income and should be finalised by the end of 2017. Work is also on-going to create a template suitable for alternative and private market managers. It is anticipated that this should be complete within the next 6 months.</p>
1.04	<p>Policy and Strategy Implementation and Monitoring</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 11.</p> <p>The Advisory Panel also receive reports from the following groups:</p> <ul style="list-style-type: none"> Tactical Asset Allocation Group (TAAG) Funding and Risk Management Group (FRMG) Private Equity and Real Assets Group (PERAG) <p>There were previously 3 outstanding items from the investment review undertaken in August 2016 reported to the September Committee:</p> <ul style="list-style-type: none"> Appointment of a US Private Credit Manager Allocation to Smart Beta mandate Reduction of Property (3%) and increase to Infrastructure exposures (3%) <p>The first two have now been actioned and more detail is provided in the delegated responsibilities in Appendix 2. The move between Property and Infrastructure has a longer term objective although we are actively looking for suitable infrastructure investments.</p>
1.05	<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"> There is sufficient liquidity to meet short term requirements Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG). Within the "In House" portfolio, 1 further commitment has been made in the Real Asset portfolio totalling a sterling equivalent of £8 million. This commitment follows the strategy agreed by the AP for these asset classes. The search for a North American Private Debt manager has now been completed and BlackRock have been appointed to a \$27m mandate. The redemption of £70m from Investec Global Equities and

	subscription of £70m to BlackRock ACS World Multifactor Equity Tracker Fund was transitioned between the two Fund Managers on November 15 th 2017.
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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	Appendix 3 provides the dashboard and risk register showing the current risks relating to Investments and Funding matters.
4.02	<p>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 target. 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 remains the only risk with a significant likelihood and this relates to matters related to Pooling, Brexit and MiFID II.</p>

5.00	APPENDICES
5.01	Appendix 1 - 2017/18 Business plan update Appendix 2 – Delegated Responsibilities Appendix 3 – Risk dashboard and register – Investments and Funding

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

7.00	GLOSSARY OF TERMS
7.01	(a) The Fund - 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

- (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.
- (c) **The Committee - Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund
- (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.
- (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.
- (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/>