

Wording to replace wording within existing "Cash Strategy" section on page 18 of the Clwyd Pension Fund Investment Strategy Statement

Wording to be deleted:

As part of the 2019/20 review the Fund is developing its Cash Management Strategy and when this has been agreed this document will be updated to reflect this.

The Deputy Head of the Clwyd Pension Fund will arrange for the implementation of the cash strategy.

New wording to be added:

As part of the improved funding position at the 2019 valuation, the Fund will receive less cash from employer contributions. Further, the Fund invests a proportion of assets in private markets, which reduces the amount of liquid assets available to the Fund for meeting benefit payments. Whilst these investments do distribute cashflow, it can be sporadic and drawdowns on commitments do not always neatly align with distributions.

In the past, the Fund has relied upon sourcing cash from the Risk Management Framework. The Risk Management Framework is implemented via a QIAIF (Qualified Investor Alternative Investments Fund) managed by Insight. The QIAIF is monthly dealing with an 8 day settlement period, meaning the process for raising cash quickly can be somewhat problematic.

The Fund has therefore designed this cashflow procedural, which defines a clear process and provides more certainty regarding the management of the Fund's cashflow requirements.

Cashflow procedure

Should there be insufficient cash holdings within the Fund's bank account, the QIAIF will be used as the vehicle for managing the Fund's cashflow needs.

To remove the practical limitations of sourcing cash quickly, the Fund has opened a daily dealing low risk liquidity fund that sits outside of the QIAIF, the Insight Liquidity Plus ("ILF Plus") fund.

Should the Fund require additional cash to meet benefit payments or fund private markets drawdowns, then this is to be sourced from the ILF Plus Fund. Excess private market distributions or cash holdings within the Fund's bank account should be transferred to the ILF Plus fund from time to time where appropriate.

The ILF Plus fund balance is monitored as part of the monthly monitoring process as well as the QIAIF's collateral requirements on a quarterly basis.

Should the value of the ILF Plus fund balance fall below £15m, a decision will be made by the Head of Clwyd Pension Fund, having regard to the Fund's Investment Consultant, whether to top it back up from the QIAIF to £30m at the next available monthly dealing date subject to the QIAIF's collateral requirements and prevailing market conditions.

If the balance of the ILF Plus fund is greater than £40m, then the excess above £30m should be moved back into the QIAIF at the next monthly dealing date subject to a decision by the Head of Clwyd Pension Fund, having regard to the Fund's Investment Consultant.

Extenuating circumstances

Should the Clwyd Pension Fund officers have foresight that upcoming benefit payments or a private market drawdown will deplete the ILF Plus fund balance materially, they should inform the Fund's Investment Consultant in advance such that a decision can be made as to whether the ILF Plus fund balance needs recapitalising from the QIAIF before the £15m threshold is breached.

Should unexpected benefit payments amass to more than the ILF Plus fund balance, the Clwyd Pension Fund officers should inform the Investment Consultant immediately in order for them to liaise with Insight and arrange an emergency ad-hoc dealing date to source additional cash from the QIAIF.

Should it be deemed that the ILF Plus fund cannot be recapitalised by sourcing additional funds from the QIAIF for any reason, the appropriate Clwyd Pension Fund officers and the Investment Consultant will convene a meeting to determine the most appropriate source of capital to fund the cashflow needs.