

DELEGATED RESPONSIBILITIES

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.07.1	Rebalancing and cash management	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Rebalancing Asset Allocation

Background

The Investment Strategy Statement (ISS) includes a target allocation against which strategic performance is monitored (Strategic Allocation). There are strategic ranges for each asset category that allow for limited deviation away from the strategic allocation as a result of market movements. In addition there is a conditional medium term asset allocation range (Conditional range) to manage major risks to the long term strategic allocation which may emerge between reviews of the strategic allocation.

The Tactical Asset Allocation Group (Investment Consultant & Officers) which meets each month consider whether it is appropriate to re-balance to the strategic asset allocation. Recommendations are made to the Head of the Clwyd Pension Fund who has delegated authority to make the decision. Re-balances or asset transitions may be required due to market movements, new cash into the Fund or approved changes to the strategic allocation following a strategic review.

Action Taken

In the period January to March 2021 the remaining £41m held with Stone Harbor was redeemed and £39m invested in the WPP Multi Asset Credit sub fund.

Cash Management

Background

The Deputy Head of the Clwyd Pension Fund forecasts the Fund's 3 year cash flows in the Business Plan and this is monitored quarterly and revised on an annual basis. The bank account balance is monitored daily. The main payments are pension related, expenses and investment drawdowns. New monies come from employer and employee contributions and investment income or distributions. This cash flow management ensures the availability of funds to meet payments and investment drawdowns. The LGPS investment regulation only allow a very limited ability to borrow. There is no strategic asset allocation for cash, although there is a strategic range of +5% and a conditional range of +30% which could be used during times of major market stress.

Action Taken

The cash balance as at 31st March 2021 was £37.1m (£22.9m at 31st December). The cash flow is monitored to ensure there is sufficient monies to pay benefits and capital calls for investments. Work is continuing with the Consultant and Actuary to monitor the cash-flow situation and be aware of any unforeseen issues. As a result of the COVID pandemic, the Fund reviewed the levels of distributions and drawdowns it originally expected. Whilst, as suspected, distributions were lower than expected, drawdowns were also lower and the effect to end of March has been a surplus of £19.6m. As part of the Investment Strategy Review, the new Cash Management and Risk Strategy can be utilised if this situation reverses. Monthly cash flows for the financial year to 2020/21 are shown graphically at the end of the delegations appendix.

	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
1.07.2	Short term tactical decisions relating to the 'best ideas' portfolio	PFM (having regard to ongoing advice of the IC and PAP)	High level monitoring at PFC with more detailed monitoring by PAP

Background

The Tactical Asset Allocation Group (Investment Consultant and Officers) meet each month to consider how to invest assets within the 'Best Ideas' portfolio given the shorter term market outlook (usually 12 months). The strategic asset allocation is 11% of the Fund. The investment performance target is CPI +3 %, although the aim is to also add value to the total pension fund investment performance.

Action Taken

Since the previous report to Committee in February 2021 the transactions agreed within the portfolio were:

- Full redemption LGIM High Yield Bonds - £12.8m (crystallised +28.4%)
- Partial redemption LGIM Liquidity Fund -£10.8m
- Invest £11.8m in LGIM UK Equity
- Invest £11.8m in BlackRock Emerging Market Equity
- Partial redemption LGIM Infrastructure Fund -£11.5m
- Partial redemption of Nighty One Global Natural Resources Fund - £15.5m
- Invest £11.5m BlackRock US Opportunities Fund
- Invest £15.5m in LGIM Commodity Index Fund

The current allocations within the portfolio following the transactions are:

- US Equities (3.4%)
- Commodities (2.4%)
- Infrastructure (1.1%)
- Global Bonds (1.0%)
- UK Equity (1.1%)
- EM Equity (1.6%)
- Liquidity Fund (0.4%)

Detailed minutes of the Group identifying the rationale behind the recommendations made to the Head of the Clwyd Pension Fund and decisions made under this delegation are circulated to the Advisory Panel.

As at the end of March 2021, the Best Ideas portfolio 1 year performance was +21.3% against a target of +3.7% and the 3 year performance was +7.0% against a target of +4.4%.

Clwyd Pension Fund - Cash-flow 2020/21

