

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 23rd November 2022
<b>Report Subject</b>	Asset Pooling
<b>Report Author</b>	Head of Clwyd Pension Fund

### EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the work undertaken by the Wales Pension Partnership (WPP) with pooling investments in Wales.

The planned WPP Joint Governance Committee (JGC) on 21<sup>st</sup> September 2022 was cancelled, due to the passing of the Queen. The Committee was not re-scheduled hence the next JGC is 5<sup>th</sup> December 2022.

Otherwise the work of the WPP continued as normal, including publishing the WPP Annual Report, which is attached, and submitting the second WPP Stewardship Code Report to the Financial Reporting Council (FRC).

The Head and Deputy Head of Clwyd Pension Fund continue to assist the Host Authority (Carmarthenshire County Council) and the WPP Oversight Adviser (Hymans Robertson) with their respective roles, as well as representing the interests of the Clwyd Pension Fund on the:

- Officer Working Group
- Risk sub group
- Responsible Investment sub group
- Private Markets sub group – this includes the procurement process for private market allocators.

### RECOMMENDATIONS

1.	That the Committee note and discuss the update and agree any comments or questions for WPP.
----	---

## **REPORT DETAILS**

<b>1.00</b>	<b>Pooling Investment in Wales</b>
1.01	<p><b>Joint Governance Committee (JGC)</b></p> <p>The WPP JGC planned for 21<sup>st</sup> September 2022 was cancelled due to the passing of the Queen. The Host Authority decided, after consultation with the Officer Working Group (OWG), that it was not practical to re-schedule hence the next Committee is scheduled for 5<sup>th</sup> December 2022.</p> <p>The main item for approval for the September JGC was the appointment of the private equity allocator following the completion of a competitive tender. The Host Authority determined that there was no option to approve outside a formal JGC.</p> <p>The only impact for the Clwyd Pension Fund of the delay in the implementation of the private equity allocator is that it may be necessary to continue to use Mercer to provide advice on our planned 2023/24 commitments, rather than using the WPP allocator as originally planned. However this will be reviewed once the allocator is formally appointed and an implementation timeline is developed.</p> <p>The members of the JGC were still provided with the standard investment reports as at 30<sup>th</sup> June for information. From a Clwyd Pension Fund point of view, this is for the Global Opportunities Equity Fund (invested since February 2019), Multi Asset Credit Fund (invested since August 2020) and the Emerging Market Equity Fund (invested since October 2021). The Global Opportunities Equity Fund was ahead of benchmark since inception at that date but the other two mandates were behind. This position can change quarter to quarter.</p>
1.02	<p><b>Officer Working Group &amp; Sub Groups</b></p> <p>The Deputy Head of Clwyd Pension Fund attends the Private Market sub-group and Responsible Investment (RI) sub-group. These are both complex areas and important for the Clwyd Pension Fund because 27% of our assets are in private markets and because of the ambitions within our Responsible Investment and Climate Risk policy. The Head of Clwyd Pension Fund attends the quarterly meetings of the Risk sub-group and all three groups report back to the Officer Working Group.</p> <p>An update was provided by WPP's Oversight Adviser and the Host Authority to the Officer Working Group on 14<sup>th</sup> October 2022 on the work of these groups and other matters. The main items for discussion in line with the WPP Business Plan were:</p> <ul style="list-style-type: none"><li>• Plans for the launch of funds for infrastructure and private credit funds. These should be available for Clwyd Pension Fund's 2023/24 commitments.</li><li>• The submission of the second Stewardship Code Report to the Financial Reporting Council (FRC).</li><li>• Operator contract procurement preparation as the current contract ends December 2024 – a new WPP sub-group is being established to focus</li></ul>

	<p>on this.</p> <ul style="list-style-type: none"> <li>• An update on Link Fund Solutions. Further details are included in agenda item 12.</li> <li>• ESG and climate risk reports on certain sub-funds</li> <li>• Reports from Link/Russell, Robeco and Northern Trust on investments, voting and engagement and stocking lending respectively.</li> <li>• Review of certain items on the risk register.</li> </ul> <p>Further details will be provided in future updates when relevant matters are reported to the next JGC.</p>
1.03	<p>The Host Authority has published the WPP Annual Report 2021/22 which is attached as an appendix. The report summarises :</p> <ul style="list-style-type: none"> <li>• Background to WPP, policies and role of its suppliers</li> <li>• Progress made during the year</li> <li>• Costs and savings and other financial information.</li> <li>• Investment and responsible investment</li> <li>• Risks</li> <li>• Training</li> </ul> <p>The WPP provides training for officers, JGC and constituent authority committee and board members. There was a training session on 19<sup>th</sup> October on WPP governance and another is planned on Responsible Investment and Climate Risk on 5<sup>th</sup> December 2022. Clwyd Pension Fund members are encouraged to attend.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There is considerable time allocated by the Head & Deputy of the Clwyd Pension Fund in delivering and monitoring the WPP Business Plan which is not recognised in the Clwyd Pension Fund budget, however it does result in greater reliance on external advisors on local matters than would otherwise be the case.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	How the Wales Pension Partnership operates is key in enabling the Fund to implement its investment strategy. If performance is not in line with the

	<p>assumptions in the Fund’s strategy, it will impact on the cost of the scheme to employers at future Actuarial Valuations. In addition, further guidance on pooling is expected from Department for Levelling Up, Housing and Communities (DLUHC) shortly and the implications of that guidance are not yet known.</p> <p>The WPP risk register is normally included in the JGC agenda. The focus for the quarter which would have been reported to the September JGC was Training &amp; Resource risk. All of these risks are on target.</p> <p>The current key WPP risk is the uncertainty on the change of ownership of Link Fund Solutions and the potential impact of the outcome of the Financial Conduct Authority (FCA) investigation. Further details on how this is being managed by the Host Authority is included in agenda item 12.</p> <p>Investment and performance risks have also been updated and reported to Officer Working group and will be reported to the next JGC. The two risks currently behind target are :</p> <ul style="list-style-type: none"> <li>• WPP sub funds fail to achieve long term investment targets and</li> <li>• WPP fail to adequately account for climate risk and other ESG factors.</li> </ul> <p>In terms of the first risk there is currently only short term evidence to consider but several sub–funds are behind target at the time of review. The second risk identifies more work is required in considering the benefits of a more consistent approach across the constituent authorities in setting net zero targets.</p> <p>The Head of Clwyd Pension Fund attends the WPP Risk sub group.</p>
--	--

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – WPP Annual Report 2021/22

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<ul style="list-style-type: none"> <li>• Earlier Committee reports on the progress of the WPP.</li> </ul> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> <a href="mailto:Philip.Latham@flintshire.gov.uk">Philip.Latham@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	(a) <b>The Fund – 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

- (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) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (e) **Inter-Authority Agreement (IAA)** – the governance agreement between the eight Wales pension funds for purposes of pooling
- (f) **Wales Pension Partnership (WPP)** – the name agreed by the eight Wales pension funds for the Wales Pool of investments
- (g) **The Operator** – an entity regulated by the FCA, which provides both the infrastructure to enable the pooling of assets and fund management advice. For the Wales Pension Partnership, the appointed Operator is Link Fund Solutions Limited.
- (h) **Financial Reporting Council (FRC)** – an independent regulator in the UK and Ireland, responsible for regulating auditors, accountants and actuaries, and setting the UK’s Corporate Governance and Steward.
- (i) **Financial Conduct Authority (FCA)** – The Financial Conduct Authority (FCA) regulates the financial services industry in the UK. Its role includes protecting consumers, keeping the industry stable, and promoting healthy competition between financial service providers.
- (j) **Department for Levelling Up, Housing and Communities (DLUHC)** – The Department for Levelling Up, Housing and Communities supports communities across the UK to thrive, making them great places to live and work.