

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 4 th September 2019
Report Subject	Pooling Investments in Wales
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the work undertaken on behalf of the Wales Pension Partnership (WPP) with pooling investments in Wales. There are no decisions required by the Clwyd Fund Committee this quarter, however comments on progress from this Committee can be raised with the WPP by our Chair or officers as appropriate. This update report follows a series of previous reports on the progress of the WPP.

A Joint Governance Committee (JGC) meeting was held on 28th June 2019 and the agenda and minutes are attached. The current work plan includes

- developing governance and communication
- reporting and monitoring of WPP investment performance
- preparation for the transfer of other asset classes
- developing a WPP Responsible Investment Policy
- providing updates to UK Government

The Clwyd Pension Fund Manager and Deputy continue to assist the Host Authority (Carmarthenshire County Council) and the WPP adviser Hymans Robertson with their respective roles, as well as representing the interests of the Clwyd Pension Fund on the Officer Working Group.

The next JGC is being held in Pontypool on 20th September 2019.

RECOMMENDATIONS

1	That the Committee: <ul style="list-style-type: none"> a) Note the report b) Discuss and agree any comments or questions for WPP
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REPORT DETAILS

1.00	Pooling Investment in Wales
1.01	Governance and Communication As stated in the WPP Inter Authority Agreement the position of Chair and Vice Chair of WPP are changed each year. At the June JGC Cllr Peter Lewis (Powys) was appointed as Chair and Cllr Glyn Caron (Torfaen) as Vice Chair.
1.02	The advisers to the WPP, Hymans Robertson, facilitated a workshop on communication for the JGC and OWG. This included how WPP manage communication with our stakeholders to ensure a positive perception of WPP. In connection with this the Host Authority will launch a web-site this month. Officers on the OWG have had an opportunity to input on the content.
1.03	After the September JGC, Hymans Robertson will facilitate a workshop for JGC and OWG on 'Beliefs and Policies' with the aim of clearly defining and documenting the objectives, priorities and decision making process of the WPP. OWG have been asked to comment on a draft questionnaire produced by Hymans which will be issued to members of the JGC to gather views on WPP's beliefs.
1.04	The next OWG is 28 th August 2019 in Cardiff. The Fund will be represented by the Clwyd Pension Fund Manager. The next JGC is in Pontypool on 20 th September 2019 where our Chair will be supported by the Deputy Head of Clwyd Pension Fund. The agenda and minutes from the 28 th June JGC are attached and the public report pack from the meeting can be found here – http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=234&MId=2576&Ver=4 .
1.05	Reporting and monitoring of WPP investment performance The investment performance of the Clwyd Pension Fund global equity mandate managed by the WPP is reported in the Investment Strategy and Manager Summary agenda item. The JGC and OWG are receiving more detailed attribution performance reports from Northern Trust and, in the case of the Global Equity Opportunities Fund, a commentary from Russell Investments as the fund manager. These reports are shared with Mercer, as the Clwyd Pension Fund advisors, who currently monitor our fund managers.
1.06	The approach to monitoring fund managers varies across the constituent authorities in WPP. Therefore an investment manager engagement day has been arranged on 19 th September 2019 in Cardiff where any pension fund committee member from a constituent authority can attend. The Deputy Head of the Clwyd Pension Fund will represent the Fund.
1.07	As part of the WPP contract it was agreed that the Operator, Link Fund Solutions, would attend each committee annually to provide an update. This will be included on our 28 th November 2019 committee agenda.
1.08	Preparation for the transfer of other asset classes The project plan for the transition of the fixed income mandates has been agreed by the OWG. In the case of the Clwyd Fund, this relates to 12% of our

	assets in multi asset credit which was agreed at the last Committee. The plan includes process for the approval of the prospectus by the Financial Conduct Authority (FCA), the appointment of a transition adviser and a transition manager. The actual transition of assets is planned for late November 2019.
1.09	Although not involving the Clwyd Pension Fund, the transition of assets for the regional UK and European equity mandates is planned for late September 2019.
1.10	A sub-group of the OWG has met for the first time to discuss the approach of pooling illiquid assets e.g. private equity and infrastructure. Further meetings will be required to reach a consensus. This will impact 25% of the Clwyd Pension Fund's current asset allocation hence the outcome is of particular importance.
1.11	Developing a WPP Responsible Investment Policy An update is provided on the progress of the WPP Responsible Investment Policy is included on another agenda item for this meeting.
1.12	Providing updates to UK Government Due to a new Secretary of State responsible for the LGPS Scheme and a new Local Government Minister a request has been sent to all LGPS pools to provide an update on the assets transitioned and those still held locally.
1.13	The Scheme Advisory Board (SAB) is asking each pool for details of whether or not the joint committee has adopted the SAB guidance on appointing a scheme member representative or representatives. Where a decision has been taken to exclude scheme member representatives from the JGC they are asking for confirmation that the local pension boards in the pool has been notified of this decision as advised in the SAB guidance. In the case of WPP, the Clwyd Pension Fund Manager believes the intention is that engagement with scheme member representatives is through six monthly meetings arranged with representatives from the eight Pension Boards.
1.14	Both the Clwyd Pension Fund and WPP responded to the informal consultation on Statutory Guidance for Pooling. There has been no further information on the next steps.

2.00	RESOURCE IMPLICATIONS
2.01	The costs of the Host Authority and advisors appointed on behalf of the eight funds to assist with the implementation process are being shared equally between the eight WPP LGPS funds and are included in the 2019/20 budget. The estimated Operator costs are also included within that budget.
2.02	There has been considerable time allocated by the Clwyd Pension Fund Manager and Deputy Head of Clwyd Pension Fund on this project which has impacted on time available for other Fund matters. This is expected to continue for the foreseeable future and may result in greater reliance on external advisers for other matters than would otherwise be the case.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	How the Wales Pension Partnership operates will be key in enabling the Fund to implement its investment strategy in the future. If performance is not in line with the assumptions in our strategy, it will impact on the cost of the scheme to employers at future Actuarial Valuations.
4.02	This risk has been identified as significant in the Fund's risk register.

5.00	APPENDICES
5.01	Appendix 1 – Agenda WPP JGC 28 th June 2019 Appendix 2 – Minutes WPP JGC 28 th June 2019

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Earlier Committee reports on the progress of the WPP. • The Wales Pension Partnership Inter-Authority Agreement. <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(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</p> <p>(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.</p> <p>(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</p> <p>(d) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p>

	<p>(e) Inter-Authority Agreement (IAA) – the governance agreement between the eight Wales pension funds for purposes of pooling</p> <p>(f) Wales Pension Partnership (WPP) – the name agreed by the eight Wales pension funds for the Wales Pool of investments</p> <p>(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</p> <p>(h) Financial Conduct Authority (FCA) – the regulator of the financial markets and financial services firms in the UK</p>
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