

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 1 September 2021
Report Subject	Asset Pooling in Wales
Report Author	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.

There was a WPP Joint Governance Committee (JGC) on 28 July 2021 and the draft minutes are appended for information.

As previously discussed, each Constituent Authority is now asked to confirm the inclusion of a co-opted Scheme Member Representative on the JGC. To enable this, and other changes, an addendum to the WPP Inter-Authority Agreement is attached and Committee are asked to recommend this to Flintshire County Council for approval along with a change to the Clwyd Pension Board Protocol.

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.

RECOMMENDATIONS

1.	That the Committee note and discuss the JGC agenda and agree any comments or questions for WPP.
2.	That the Committee recommend the Addendum to the WPP Inter-Authority Agreement to Flintshire County Council for approval, and that the amendments are incorporated appropriately into the Council's Constitution.
3.	That the Committee recommend to Flintshire Council that the Protocol for the Clwyd Pension Board is amended to allow the Board to nominate a Scheme Member Representative to the JGC.

REPORT DETAILS

1.00	Pooling Investment in Wales
1.01	<p>Joint Governance Committee (JGC) Agenda</p> <p>There was a WPP JGC on the 28th July 2021. The draft minutes of that meeting are attached (Appendix 1).</p> <p>In summary the JGC considered or approved the following:</p> <ul style="list-style-type: none">• Councillor Clive Lloyd was appointed Chair of the Joint Governance Committee for the forthcoming calendar year.• Councillor Chris Weaver was appointed Vice-Chair of the Joint Governance Committee for the forthcoming calendar year.• The audited Annual Return for 2020/21.• A progress update from the host authority.• A risk register review which this quarter considered new and updated governance risks.• Updates to the Conflicts of Interest, Risk and Climate Risk Policies following an annual review.• An update from the operator including the assets within the pool which are now £14.6bn with emerging markets equity expected to transition in October 2021.• An update on investment performance as at 31st March 2021. From a Clwyd Fund point of view, this is for the Global Opportunities Equity Fund and Multi Asset Credit Fund. Although both have relatively short track records they were ahead of benchmark. <p>Further information on the above is available in the full public agenda which is available here - Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 28th July, 2021, 10.00 am</p> <p>There were a further five items for which the public were excluded:</p> <ul style="list-style-type: none">• The quarterly Global Securities Lending report was received.• A change to one of the fund managers in the forthcoming Emerging Market Equity fund was approved.• The first quarterly Engagement report was received from Robeco.• The first quarterly Responsible Investment & Climate Risk reports on the three WPP equity funds were received.• The appointment of an Allocator Advisor for private markets was approved (see 1.02 below).

1.02 Officer Working Group & Sub Groups

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 the ambitions within our Responsible Investment and Climate Risk policy. The Head of the Clwyd Pension Fund attends the quarterly meetings of the Risk Register group and all three groups report back to the Officer Working Group.

The Private Market sub-group has been focussed on how private markets can be implemented through the pool. A detailed review determined the optimum approach is to appoint an 'Allocator' for each of the private market asset classes (infrastructure, private credit, private equity, property and impact). The Allocator(s)' role will be to select "best in class" private market managers across the separate asset classes. To assist the Private Markets sub-group with the both the specifications and procurement of the Allocator(s) an 'Allocator Adviser', Bfinance, has been recently appointed following a procurement process using the LGPS Frameworks. The Clwyd Fund will continue to be advised by Mercer on the commitments made to these asset classes for 2021/22 & 2022/23 after which time the WPP programme will be operational. The Inter-Authority Agreement also needs to be updated to allow for this approach to be taken (see 1.03 below).

It has been a very busy period for WPP with regard to private markets and significant progress has been made in development of future sub funds for WPP. Other work the group has also undertaken:

- Completion of legal advice on preferred fund structures for each component of private markets.
- Finalising the strawmen preferences for private debt and infrastructure (open and closed ended) sub funds, and initial consideration of a potential private equity strawman structure.
- Consideration of a framework for reviewing local investment opportunities.

Over recent months the RI sub-group have held two meetings. The main areas of progress and discussion are:

- A session with Robeco to discuss their exclusion and engagement lists.
- Meeting with Northern Trust to explore the link between stock lending and responsible investment.
- A review of the WPP Climate Risk Policy and initial discussion on a WPP climate goal.
- Development of WPP RI and Climate Risk reporting, including analysis of scope 3 emissions.
- Progress on development of a stewardship report for WPP to enable the WPP to become a signature of the Stewardship Code.
- Discussion on the specifics of the Asset Owner Diversity Charter.

1.03	<p>WPP Inter-Authority Agreement</p> <p>The WPP Inter-Authority Agreement has been reviewed by the WPP Officer Working Group and WPP’s legal advisers Burges Salmon to enable:</p> <ul style="list-style-type: none"> • A co-opted scheme member representative on the JGC. • The appointment of an Allocator for Private Markets. • Various other minor changes or updates since the WPP was established. <p>Changes to the agreement require the unanimous agreement from all eight of the Constituent Authorities and hence an Addendum to allow for the above changes is attached. The Committee is asked to recommend the Addendum to Flintshire County Council for approval. Given some of the elements in the Inter-Authority Agreement are areas which are incorporated into the Council's Constitution, this amendment will also result in updates to the Constitution to mirror the updates to the Inter-Authority Agreement, in:</p> <ul style="list-style-type: none"> • Section 9.7.2 - the Role and Function of the Pension Fund Committee (as per the amendments to Schedule 2 of the Inter-Authority Agreement) • Section 9.8 – Wales Pooling Collaboration Joint Governance Committee (relating to various amendments). <p>In addition, for the scheme member representative the Addendum allows each Constituent Authority or Local Board to make a nomination. The Committee is asked to recommend to Flintshire County Council that the Pension Board Protocol is updated to allow the Clwyd Pension Board to decide whether to make any such nomination. This would mean amendments as follows:</p> <ul style="list-style-type: none"> • Noting in part (f) of Section 9.7.2 relating to the Role and Function of the Pension Fund Committee that "The Nomination of a Co-Opted Member to the Joint Governance Committee is to be carried out by the Pension Board." • Incorporating the following into Section 3) Role of the Pension Board of the Pension Board Protocol: <ul style="list-style-type: none"> ○ "The Council has determined that, in accordance with the Wales Pooling Collaboration Inter-Authority Agreement, any nomination of a Co-Opted Member to the Joint Governance Committee will be carried out by the Pension Board."
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2.00	RESOURCE IMPLICATIONS
2.01	None.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	<p>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 assumptions in our 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 MHCLG in 2021 and the implications of that guidance are not yet known.</p> <p>Given these points, this risk (risk number 3 on the funding and investment register) continues to be categorised as significant in the Fund's risk register.</p> <p>The WPP risk register is included in the JGC agenda. The focus was on the governance risks which are mainly on target. The Head of Clwyd Pension Fund attends the WPP Risk sub group.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – JGC 28 July 2021 draft minutes.</p> <p>Appendix 2 – Addendum to the Inter-Authority Agreement</p>

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 (provided to Committee and Board members by email). <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund 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>

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| <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> |
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