

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10 th November 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 22 September 2021 and the draft minutes are appended for information.

WPP have also produced their Annual Report for 2020/2021 which is attached for information.

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 WPP Annual Report and agree any comments or questions for WPP.

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 22 September 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">• A progress update from the host authority.• A risk register review which this quarter considered training resources and communication risks. The next review in Q4 2021 will focus on Investment Risks.• An update from the operator including the assets within the pool which are now £15.1bn with emerging markets equity to transition 20 October 2021.• An update on investment performance as at 30 June 2021. From a Clwyd Pension 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 continue to be 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, 22nd September, 2021, 10.00 am</p> <p>There were a further three 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 Global Opportunities Equity Fund and the proposal to add an additional manager to the existing UK Opportunities Equity Fund were approved.• The quarterly Engagement report was received from Robeco.
1.02	<p>Officer Working Group & Sub Groups</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 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.</p> <p>As reported to the June Committee, the Private Market sub-group has been focussed on the current tender to appoint “Allocators” who will select “best in class” private market managers across separate asset classes. This exercise is due to be completed for approval by the JGC in March 2022 and is expected to command considerable input from those officers involved in the process including the Deputy Head of the Clwyd Pension Fund.</p>

	<p>The first stage of the procurement for Private Debt and Closed Ended Infrastructure Allocators and Open Ended Infrastructure managers went “live” on 1 October 2021 with a closing date for submissions of 5 November. The Sub Group continue to work with bFinance on the next stage of the process along with progressing the launch of the tender for the Private Equity Allocator.</p> <p>Since the last Committee the RI sub-group have met in September and October. The main areas of progress are:</p> <ul style="list-style-type: none"> • Discussions and input to the draft Stewardship report for WPP. • An update from Robeco on voting and engagement highlights. • Discussions to progress the implementation of an Active Sustainable Equity Sub Fund including an initial presentation from Russell Investments for consideration by the Constituent Authorities.
1.03	<p>WPP Annual Report</p> <p>The WPP Annual Report is attached for information (Appendix 2) and details the progress of the “Pool” and the policies and processes that have been implemented to date. It includes:</p> <ul style="list-style-type: none"> • How WPP manage and monitor its risks and identifies the most significant risks. • 68% of assets were pooled as at 31 March 2021 which will increase to 70% in October 2021 with the transition of Emerging Market Equities. • The WPP financial statement for 2020/21 Investment performance of the individual Sub Funds. • Costs and fee savings. • WPP approach to Responsible Investing • Communication and delivery of Training.
1.04	<p>Emerging Market Transition</p> <p>The Emerging Markets Opportunities Fund launched on 20 October 2021 at approximately £505m from 5 partner Funds including the Clwyd Pension Fund.</p> <p>Clwyd Pension Fund transitioned £240m into WPP from legacy assets with BlackRock and Wellington (core and local mandates) over three tranches due to the various redemption requirements. To facilitate the transition and limit out of market exposure the individual Funds provided 10% of exposure in cash (£24m for Clwyd) on 21 October. The remainder of the transition for the majority of the Funds was settled on 25 October (£190m for Clwyd Pension Fund) with a final tranche of £26m for Clwyd Pension Fund settled on 27 October.</p> <p>The Clwyd Pension Fund now has all of its equity and fixed income assets (32%) held with the WPP.</p>

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 DLUHC in the next few months 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 22 September 2021 draft minutes.</p> <p>Appendix 2 – WPP Annual Report.</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. <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>

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| <ul style="list-style-type: none">(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. |
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