

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 21st March 2018
Report Subject	Pooling Investments in Wales
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The project to pool investments across the eight LGPS fund in Wales continues with the current focus on creating global equity funds that will satisfy the requirements of the eight constituent authorities.

The Officer Working Group has been working with the Operator on the various options with the aim of making a recommendation to the Joint Governance Committee on 28th March 2018.

The Clwyd Pension Fund Manager and Pension Finance Manager, in consultation with the Fund's Investment Consultants as required, have been actively participating to ensure an outcome that can meet the objectives of the Clwyd Fund for this asset class.

The new Minister for Local Government has written to the Chair and Vice Chair of the Wales Pension Partnership demonstrating the on-going scrutiny from Government on progress and their expectations. Another progress report is required by 4th May 2018.

RECOMMENDATIONS

1	That the Committee note the report and discuss progress being made by the Wales Pension Partnership.
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REPORT DETAILS

1.00	Pooling Investment in Wales
1.01	<p>This update report follows a series of previous reports on the progress of the work of the Wales Pension Partnership (WPP). At the February Clwyd Pension Fund Committee the new Operator explained their role in assisting WPP with its objectives and issues specific to the Clwyd Pension Fund. It was also explained that the initial focus was on creating global equity funds and their approach. (See Clwyd Pension Fund Committee Minutes 21st February 2018 for further details).</p>
1.02	<p>The last Joint Governance Committee (JGC) was 7th November 2017 at which the Operator appointment was ratified. Another formal public meeting was planned for 2nd February 2018 but instead this was replaced by an informal meeting of JGC with the WPP's advisor and Operator, in the main to discuss the global equity funds. The Officer Working Group (OWG) met on 26th February and 9th March 2018 with again the focus on the global equity funds.</p> <p>The Clwyd Pension Fund officers have been actively engaged in the discussions of the options presented by the Operator. From a Clwyd Pension Fund point of view the aim is to achieve a better probability of achieving the desired outperformance above benchmark, at a lower cost, without compromising our commitment to the Cost Transparency Code, Stewardship Code or Sustainability Policy within our Investment Strategy Statement. Under the terms of the Inter-Authority Agreement, the JGC must approve the creation of the pooled vehicles and sub-funds to be provided by the operator. Hopefully the recommendations made to the next JGC on 28th March 2018, to be held at County Hall, Mold, will enable the Fund to achieve these objectives for this asset class. In context, the allocation by the Fund to this global equity fund will be small (4% or £80m) but it is very significant for several other of the Wales funds. Hence only minimal advice has been required between Clwyd Pension Fund officers and JLT, the Fund's investment consultant.</p> <p>Following the required approvals for the funds from the Financial Conduct Authority (FCA) the expectation is that assets could be transferred during August or September 2018. The timing of the actual transfer of assets is a reserved matter for administering authorities in the Inter-Authority Agreement. There will be a presentation on details on the new global equity funds at the June 2018 Committee to enable a decision to be made.</p>
1.03	<p>Within the limited resources the focus has had to be on setting up the first funds to satisfy the Government's timetable. However, there is other work continuing in parallel on the longer term plan which will come to this Committee in the next financial year.</p>
1.04	<p>The Minister for Local Government has written to the Chair and Vice Chair of the Wales Pension Partnership. The letter is attached for information but illustrates on-going scrutiny of investment pooling from the Government, who require a further update by 4th May 2018.</p>

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 is being shared equally between the eight pension funds and are included in the 2018/19 budget (within the separate business plan report for this meeting). 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 Pension Finance Managers 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. Performance not in line with the assumptions in our strategy 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 – The Letter from the Minister for Local Government

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Earlier Committee reports on the progress of the Working Together in Wales project. • The Wales Pension Partnership Inter-Authority Committee (available on request) <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 – the governance agreement between the eight Wales pension funds for purposes of pooling</p> <p>(f) Wales Pension Partnership – 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>