

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 5th September 2018
<b>Report Subject</b>	Pooling Investments in Wales
<b>Report Author</b>	Clwyd Pension Fund Manager

### **EXECUTIVE SUMMARY**

The project to pool investments across the eight LGPS funds in Wales continues with the focus on preparing for the transition of global equity assets following the approval of the Prospectus for the Wales Pension Partnership (WPP) Authorised Contractual Scheme (ACS) by the Finance Conduct Authority (FCA).

The Operator is now discussing with constituent authorities requirements for further sub funds for UK Active Equity, European Active Equity and Fixed income.

The Officer Working Group (OWG), along with Hymans Robertson, are also working through a number of miscellaneous issues and outstanding actions covering both investment and governance matters some of which are for consideration by the Joint Governance Committee (JGC) and others to be referred back to the constituent authorities.

The Minister for Local Government wrote to the then Chair and Vice Chair of the WPP responding to a progress report provided in April 2018. He would like to meet during the autumn to discuss the development of our pool and our ambitions for the future, including on infrastructure investment. A further progress report as at 30<sup>th</sup> September is required by 15<sup>th</sup> October 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**

<b>1.00</b>	<b>Pooling Investment in Wales</b>
1.01	This update report follows a series of previous reports on the progress of the work of the Wales Pension Partnership (WPP). The June Clwyd Pension Fund Committee followed the last Joint Governance Committee (JGC) on 11 <sup>th</sup> June 2018 where the 'Prospectus' for the Wales Pension Partnership (WPP) Authorised Contractual Scheme (ACS) was considered and a verbal update given to the Committee (see Clwyd Pension Fund Committee Minutes 13 <sup>th</sup> June 2018 for further details). There have been no JGCs since the last Committee but several Officer Working Group meetings and conference calls
1.02	The 'Prospectus' has now been approved by the Finance Conduct Authority (FCA) which currently includes two global equity sub-funds. This prospectus now provides the platform for sub-funds for other asset classes to be added. This is a major milestone for WPP.
1.03	To enable the efficient transfer of global equity assets from the constituent authorities to the WPP ACS a transition manager is required to be appointed. This is a technically complex and financially important procurement which is being organised by the Operator (Link) with involvement from the OWG and advice from Hymans Robertson. The LGPS Framework for Transition Managers is being used. The appointment is a decision reserved for the JGC.
1.04	The Operator is now working on the next two tranches of asset classes to be considered by the WPP. Two active regional equity funds, one for UK Equity and one for European Equity. Only two of the constituent authorities invest directly in these regions; the Clwyd Fund does not. The next tranche will be fixed income where it is more difficult to find a solution to satisfy the various requirements of all the constituent authorities. Clwyd Fund officers and investment consultant have outlined our current requirements to the Operator, although these may change after the next investment strategy review.
1.05	<p>The Host Authority, OWG and Hymans Robertson are considering the approach to be taken to several other governance and investment matters which will either require approval of the JGC or constituent authorities such as:</p> <ul style="list-style-type: none"> <li>• A response to Local Boards following Scheme Advisory Board guidance on member representation on the JGC.</li> <li>• WPP Business Plan and Policy documents required within the Inter-Authority Agreement</li> <li>• Investment policies for voting, sustainable investing and stock lending.</li> <li>• Investing reporting at WPP and constituent authority level.</li> </ul> <p>A 'fund manager engagement day' has also been arranged by the Host Authority at Celtic Manor on 5<sup>th</sup> September 2018 to enable constituent authorities to receive presentations from the fund managers implementing</p>

	<p>the global equity mandates. A presentation is also being received on options on how Alternative Investments could be implemented via WPP.</p>
1.06	<p>Clwyd officers remain involved in the work of the WPP and the national asset pooling programme. The Pension Finance Manager represents Wales at the national Infrastructure Cross Pool meetings and, at the request of the Host Authority, represented Wales at the last two national Cross Pooling meetings and the recently established national Client Cross Pool Meeting.</p> <p>At the latest Infrastructure Cross Pool Group, the Government have requested that an “Infrastructure Information” day be held for the benefit of Pension Committee and Board Members and officers of the Local Government Pension Funds. The date, venue and agenda have yet to be determined.</p> <p>The next Responsible Investment Cross Pool meeting, to be held in October, has also invited members of the Infrastructure Group as the agenda is to include discussions as to how we can incorporate Responsible Investing in due diligence and investing in Infrastructure.</p> <p>As a representative for the WPP on the RI Cross Pool Group, the Pensions Finance Manager will be in attendance.</p>
1.07	<p>The Minister for Local Government wrote to the Chair and Vice Chair of the Wales Pension Partnership responding to the April 2018 progress report. The response is attached. Some points to note are:</p> <ul style="list-style-type: none"> <li>• The Minister’s understanding on the reliance on advisors.</li> <li>• A meeting to discuss future developments including infrastructure.</li> </ul> <p>The Clwyd Pension Fund LDI programme (Liability Driven Investments – our flight path strategy) was mentioned in the April 2018 progress report highlighting the difficulty in pooling it. It is interesting to note that this has not been mentioned in the Minister’s response.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>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 2018/19 budget (within the separate business plan report for this meeting). The estimated Operator costs are also included within that budget.</p>
2.02	<p>There has been considerable time allocated by the Clwyd Pension Fund Manager and Pension Finance Manager 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.</p>

<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 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.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Letter from the Minister for Local Government.

<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> <li>• The Wales Pension Partnership Inter-Authority Agreement.</li> </ul> <p><b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager  <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	<p>(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</p> <p>(b) <b>Administering authority or scheme manager</b> – 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) <b>The Committee – Clwyd Pension Fund Committee</b> - 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) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p> <p>(e) <b>Inter-Authority Agreement (IAA)</b> – the governance agreement between the eight Wales pension funds for purposes of pooling</p> <p>(f) <b>Wales Pension Partnership (WPP)</b> – the name agreed by the eight Wales pension funds for the Wales Pool of investments</p> <p>(g) <b>The Operator</b> – 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) <b>Financial Conduct Authority (FCA)</b> – the regulator of the financial markets and financial services firms in the UK</p> |
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