

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 28th November 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 recent focus on procuring a transition manager for global equity assets, finalising how UK and European equity allocations will be provided and continuing work on the fixed income strategy.

The Joint Governance Committee (JGC) agenda on 25 September 2018 discussed the above areas and received an update from the Host Authority on resourcing, reporting and governance.

Subsequently, a progress report has been provided to the Ministry of Housing, Communities & Local Government which was agreed by the JGC.

The next meeting of the Officer Working Group is 30<sup>th</sup> November 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). Following a procurement exercise organised by the Operator (Link), Legal &amp; General Investment Management (LGIM) have been appointed as the transition manager for the global equity sub funds. After much discussion between all parties impacted by the transition, it is now planned that this will take place during January 2019. The Clwyd Fund will then be transitioning 4% of total Fund assets from the current Investec global equity mandate (circa £80m) to the WPP Authorised Contractual Scheme (ACS) as previously ratified.</p>
1.02	<p>The most recent JGC was 25<sup>th</sup> September 2018 at Gwynedd County Council, Caernarfon. The Fund's Chair was supported by Debbie Fielder, Pension Finance Manager. The main decision related to the sub fund proposals for UK and European Equity which were agreed by the JGC. The Clwyd Fund does not currently have a strategic allocation to these regional equity mandates, hence is not participating in this tranche. At this point in time the details of these funds remain confidential. The Host Authority also provided an update on progress with recruitment, where an appointment is expected 'in the next few months', developing reporting arrangements in line with CIPFA recommendations and Government expectations and governance, including the development of a web-site which is ongoing. The WPP was 'highly commended' in the Pool of the Year category at the LAPF Investment Awards.</p>
1.03	<p>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. This was the focus of the last Officer Working Group on 19<sup>th</sup> October and will again be the focus of the next meeting on 30<sup>th</sup> November where the Operator will provide further recommendations.</p>
1.04	<p>As previously reported 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>
1.05	<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 and Responsible Investment Cross Pool meetings and, at the request of the Host Authority, has also represented WPP at national Cross Pooling meetings.</p>

	<p>The Government organised an “Infrastructure Information” day on 15<sup>th</sup> November for elected members. The Clwyd Fund Chair attended and will provide an update of the main themes discussed.</p>
1.06	<p>The Minister for Local Government requires a ‘seasonal’ update report from all pools. The Autumn WPP update was approved by JGC and is attached.</p> <p>Although the Clwyd Pension Fund is not named it does refer to a fund with an LDI programme (Liability Driven Investments – our flight path strategy) and a managed account. However, commitment to pooling of this fund is also stated. This was also mentioned in the April 2018 progress report highlighting the difficulty in pooling these areas and it is interesting to note that this has not been mentioned in the Minister’s response to date.</p> <p>The update also includes mention of considering private markets, an area of particular interest to the Clwyd Fund, in 2020.</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	<p>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.</p>
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 – WPP Autumn 2018 Update to 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> <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>