

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Thursday, 28 November 2019
Report Subject	Pooling Investments 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 on behalf of the Wales Pension Partnership (WPP) with pooling investments in Wales. There are no decisions required by the Clwyd Fund Committee this quarter, however comments on progress from this Committee can be raised with the WPP by our Chair or officers as appropriate. This update report follows a series of previous reports on the progress of the WPP. This report will be supplemented by a presentation from the Operator for the WPP, Link Fund Solutions who will present annually to each Administering Authority participating in WPP.

A Joint Governance Committee (JGC) meeting was held on 20th September 2019 and the agenda is attached. The WPP Responsible Investment Policy was approved along with a Fixed Income UK credit sub fund. The current work plan includes:

- developing governance and communication
- reporting and monitoring investment performance
- preparation for the transfer of other asset classes
- competitive tender for the role of WPP oversight adviser.

The Head of Clwyd Pension Fund and Deputy continue to assist the Host Authority (Carmarthenshire County Council) and the current WPP adviser Hymans Robertson with their respective roles, as well as representing the interests of the Clwyd Pension Fund on the Officer Working Group. The next JGC is being held in Carmarthenshire on Monday 9th December at 10 am and on this occasion the Clwyd Fund will not be represented.

RECOMMENDATIONS

1	That the Committee: <ol style="list-style-type: none"> a) Note the report b) Receive a presentation from the WPP Operator c) Discuss and agree any comments or questions for WPP.
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REPORT DETAILS

1.00	Pooling Investment in Wales
1.01	<p>Governance and Communication</p> <p>The Officer Working Group (OWG) and adviser have been developing, with the JGC, a number of governance related items which will be finalised at the next JGC:</p> <ul style="list-style-type: none">• Beliefs policy• Communications plan• Governance Matrix• Training Plan• Fund Manager Replacement protocol <p>Further details will be provided at our next Committee but these will feature as background to next years' WPP Business Plan.</p>
1.02	<p>It was agreed at the OWG on 8th November 2019 to issue a press release on the responsible investment policy and move forward on the appointment of a voting and engagement agent for the WPP.</p>
1.03	<p>The second Pension Boards' Chairs' Engagement day has taken place. This is currently an alternative to scheme member representation on the JGC. In terms of member representation on the JGC, this was raised at the last JGC and at the Board Chairs' day and will be considered again in the new year. Phil Pumford attended on that meeting representing the Clwyd Pension Fund Board</p>
1.04	<p>The public report pack from the 20th September JGC can be found here – http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=234&Mid=2577 and the agenda is attached as Appendix 1. The Chair of the Committee represented the Fund on the JGC and the Deputy Head of Clwyd Pension Fund was also in attendance.</p>
1.04	<p>The next OWG is 31st January 2020 in Cardiff. The Fund will be represented by the Head and Deputy Head of Clwyd Pension Fund. The next JGC is in Carmarthenshire on Monday 9th December 2019 and, due to timing, the Clwyd Pension Fund will not be represented. However, the Head and Deputy Head of the Clwyd Pension Fund will watch the web cast and will be joining by teleconference for an OWG discussion after the JGC.</p>
1.05	<p>Reporting and monitoring of WPP investment performance</p> <p>The investment performance of the Clwyd Pension Fund global equity mandate managed by the WPP is reported in the Investment Strategy and Manager Summary agenda item. The WPP Operator, Link Fund Solutions, will provide more information as part of their presentation.</p>
1.06	<p>Preparation for the transfer of other asset classes</p> <p>The project plan for the transition of the fixed income mandates has been agreed by the OWG. In the case of the Clwyd Pension Fund, this relates to</p>

	12% of our assets which are held in multi asset credit and this transition was agreed at an earlier Committee. Both a transition adviser and transition manager have now been appointed. The actual transition of assets is planned for January 2020 and the transition manager is currently in direct discussion with our current fund manager.
1.07	The provision of on an emerging market equity sub fund through the WPP is in the early stages of development which is another positive development for the Clwyd Pension Fund.
1.08	A sub-group of the OWG had their second meeting to discuss the approach of pooling illiquid assets e.g. property, private equity and infrastructure. Further meetings will be required to reach a consensus. This will impact 25% of the Clwyd Pension Fund's current asset allocation hence the outcome is of particular importance.
1.09	<p>Competitive tender for the role of WPP oversight adviser</p> <p>The current advisor Hymans Robertson was appointed as technical advisers and project managers in December 2015 to assist with the initial implementation of the WPP, hence it was now time to appoint an oversight adviser for on-going monitoring and further development. The Deputy Head of the Clwyd Pension Fund has been involved throughout the procurement process, from determining the specification to the final interviews. The appointment will be approved at the next JGC with the commencement of the new contract from 2nd January 2020. The appointment will enhance the governance arrangements of the WPP by providing:</p> <ol style="list-style-type: none"> 1) Oversight of the Operator and services provided by parties appointed by the Operator. 2) WPP/JGC/OWG Governance support. 3) Strategic Investment Adviser to the JGC/OWG, and 4) Project management and ad hoc consultancy support.

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 are being shared equally between the eight WPP LGPS funds and are included in the 2019/20 budget. The estimated Operator costs are also included within that budget.
2.02	There has been considerable time allocated by the Head and Deputy Head of Clwyd Pension Fund 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. 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 2020 and the implications of that guidance are not yet none.
4.02	Given these points, this risk continues to be categorised as significant in the Fund's risk register.

5.00	APPENDICES
5.01	Appendix 1 – Agenda WPP JGC 20 th September 2019

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. <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> <p>(d) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p>

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| <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> <p>(h) Financial Conduct Authority (FCA) – the regulator of the financial markets and financial services firms in the UK</p> |
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