

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Tuesday, 11 February 2020
<b>Report Subject</b>	Pooling Investments in Wales
<b>Report Author</b>	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.

A Joint Governance Committee (JGC) meeting was held on 9<sup>th</sup> December 2019 and the agenda is attached. The JGC approved the appointment of Hymans Robertson as WPP Oversight Advisor along with other governance documents. The current work plan includes:

- developing governance and communication plan
- reporting and monitoring investment performance
- preparation for the transfer of other asset classes
- tender for a WPP voting and engagement agency.

The Head of Clwyd Pension Fund and Deputy continue to assist the Host Authority (Carmarthenshire County Council) and 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 Powys on 12<sup>th</sup> March 2020.

### RECOMMENDATIONS

1	That the Committee: <ol style="list-style-type: none"> <li>a) Note the report.</li> <li>b) Discuss the creation of an impact fund and priority investments.</li> <li>c) Discuss and agree any other comments or questions for WPP.</li> </ol>
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## **REPORT DETAILS**

<b>1.00</b>	<b>Pooling Investment in Wales</b>
1.01	<p><b>Governance and Communication</b></p> <p>The Officer Working Group (OWG) and advisor have been developing a number of governance related items which were approved by the JGC:</p> <ul style="list-style-type: none"><li>• Beliefs policy</li><li>• Communications plan</li><li>• Governance Matrix</li><li>• Training Plan</li></ul> <p>The public report pack from the 9th December JGC can be found here – <a href="http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=234&amp;MId=3030&amp;Ver=4">http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=234&amp;MId=3030&amp;Ver=4</a> and the agenda is attached as Appendix 1. In addition to approving these governance policies and plans, the JGC also approved the appointment of Hymans Robertson as the WPP Oversight Advisor. This will further enhance the governance of the WPP especially in terms of assessing performance.</p>
1.02	<p>The next JGC is in Powys on 12<sup>th</sup> March 2020 and Clwyd Pension Fund will be represented by the Vice Chair supported by the Head or Deputy Head of the Fund. The main items on the agenda will be:</p> <ul style="list-style-type: none"><li>• Business Plan</li><li>• Scheme Member Representation</li><li>• Proxy Voting &amp; Engagement tender</li><li>• Private Markets update</li></ul>
1.03	<p>The next Pension Boards' Chairs' Engagement day is planned for the 2<sup>nd</sup> April 2020 and Phil Pumford will represent the Clwyd Pension Fund Board</p>
1.04	<p>There is a WPP training day on 21<sup>st</sup> February 2020 in Powys and the invite is extended to all Committee and Board members. The agenda will be circulated.</p>
1.05	<p>Both the Head and Deputy Head of the Clwyd Fund attended the OWG in Cardiff on 31<sup>st</sup> January 2020 and the next OWG is 27<sup>th</sup> March 2020. In the meantime bi-weekly Thursday calls will continue.</p>
1.06	<p><b>Reporting and monitoring of WPP investment performance</b></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.</p>
1.07	<p><b>Preparation for the transfer of other asset classes</b></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 12% of our assets which are held in multi asset credit and this transition was</p>

	agreed at an earlier Committee. Both a transition adviser and transition manager have been appointed. The actual transition of assets is now planned for April 2020 and the transition manager is in direct discussion with our current fund manager.
1.08	The provision of on an emerging market equity sub fund through the WPP is in the later stages of development. The Clwyd Pension Fund has a strategic allocation of 10% or £200m. It is likely to be the end of the year before assets will be transitioned and, in the meantime, work will continue on the development of the WPP Climate Risk Policy which may impact the implementation.
1.09	<p>A sub-group of the OWG had their third 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 27% of the Clwyd Pension Fund's current asset allocation hence the outcome is of particular importance.</p> <p>A recommendation from the sub-group is to have a sub fund within private markets for impact investing, although this is yet to be approved by the JGC. This would be in line with Clwyd Pension Fund revised investment strategy which allocates 4% to local/impact investing. Currently, the two priority areas for the WPP impact fund are affordable housing and climate change, although other areas could be considered on the request of constituent authorities. The Committee are asked for feedback on the creation of an impact sub-fund and views on the priority areas. Impact investing will be part of the WPP training day on 21<sup>st</sup> February 2020.</p>
1.10	<p><b>Competitive tenders for the role of Voting &amp; Engagement Agency and Legal Adviser</b></p> <p>The WPP Responsible Investment Policy requires the appointment of a voting and engagement agency. A group of officers, including the Deputy Head of the Clwyd Pension Fund, have agreed a specification and will evaluate tenders including a presentation. The appointment should be ready for approval for the March JGC. This should be seen as an improvement to our current local arrangements and a positive benefit from pooling. The specification includes the requirement of bespoke reporting for constituent authorities.</p> <p>There is also a requirement to re-tender for the legal advisor as the current contract ends on 30<sup>th</sup> June 2020. A procurement process will commence in February using the LGPS framework.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
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.
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<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 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 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.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Agenda WPP JGC 9 <sup>th</sup> December 2019

<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, Head of Clwyd Pension Fund  <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</p>

Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.

- (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
- (h) **Financial Conduct Authority (FCA)** – the regulator of the financial markets and financial services firms in the UK