

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 31 <sup>st</sup> August 2022
<b>Report Subject</b>	Asset Pooling
<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 by the Wales Pension Partnership (WPP) with pooling investments in Wales.

There was a WPP Joint Governance Committee (JGC) on 8<sup>th</sup> July 2022 and the draft minutes are appended for information which includes the appointment of the Cllr Ted Palmer as Vice-Chair of the WPP JGC.

The Head and Deputy Head of Clwyd Pension Fund continue to assist the Host Authority (Carmarthenshire County Council) and the WPP Oversight Adviser (Hymans Robertson) with their respective roles, as well as representing the interests of the Clwyd Pension Fund on the:

- Officer Working Group
- Risk sub group
- Responsible Investment sub group
- Private Markets sub group – this includes the procurement process for private market allocators.

### RECOMMENDATIONS

1.	That the Committee note and discuss the JGC agenda and agree any comments or questions for WPP.
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## REPORT DETAILS

1.00	<b>Pooling Investment in Wales</b>
1.01	<p data-bbox="288 255 962 293"><b>Joint Governance Committee (JGC) Agenda</b></p> <p data-bbox="288 315 1406 510">There was a WPP JGC on the 8<sup>th</sup> July 2022. The draft minutes of that meeting are attached (Appendix 1). A number of questions were asked by Cllr Palmer during the meeting and satisfactory answers received. Although these questions were not recorded in the minutes, the webcast recording of the hybrid meeting is available to view on <a href="#">this</a> Host Authority webpage.</p> <p data-bbox="288 533 1129 571">In summary the JGC considered or approved the following:</p> <ul data-bbox="336 593 1422 1870" style="list-style-type: none"><li data-bbox="336 593 1422 712">• Cllr Chris Weaver (Cardiff Pension Fund) was appointed Chair and Cllr Ted Palmer appointed Vice- Chair. Osian Richards the first Scheme Member Representative on the JGC was welcomed to his first meeting.</li><li data-bbox="336 734 1422 817">• The Annual Return and Audit for 2021/22 including the Statement of Accounts.</li><li data-bbox="336 840 1422 878">• An Update form the Host Authority.</li><li data-bbox="336 900 1422 983">• A risk register review which this quarter considered the governance and regulation risks. There were three risk behind ‘target’.</li><li data-bbox="336 1005 1422 1043">• New Whistleblowing Policy and Business Continuity Plan.</li><li data-bbox="336 1066 1422 1384">• Annual reviews of the Voting Policy, Conflict of Interest Policy, Governance Matrix, Risk Policy and Climate Risk Policy. The Oversight Advisor also provided an update report providing an assessment of the progress the WPP has made during the 12 months to 31 March 2022 in relation to Responsible Investment and Climate Risk, highlighting some of the key areas. It also details some areas where work had not progressed over the year and potential areas for activity/improvement over 2022/23.</li><li data-bbox="336 1406 1422 1568">• An update from the operator including the assets within the pool which are £16.6bn as at March 2022. The JGC was advised that it would continue to be kept up to date as Dye &amp; Durham proceeds with the acquisition of Link Group.</li><li data-bbox="336 1590 1422 1870">• An update on investment performance as at 31st March 2022. From a Clwyd Pension Fund point of view, this is for the Global Opportunities Equity Fund (invested since February 2019), Multi Asset Credit Fund (Invested since August 2020) and the Emerging Market Equity Fund (invested since October 2021). The Global Equities was ahead of benchmark at that date but the other two mandates had fallen marginally behind their relevant benchmarks during the quarter.</li></ul> <p data-bbox="288 1892 1398 1966">Further information on the above is available in the full public agenda which is available <a href="#">here</a>.</p> <p data-bbox="288 1989 1241 2027">There were a further four items for which the public were excluded:</p> <ul data-bbox="336 2049 1422 2089" style="list-style-type: none"><li data-bbox="336 2049 1422 2089">• The Sustainable Global Active Equity sub fund was approved. Approval</li></ul>

	<p>will now be required from the Financial Conduct Authority (FCA) who are heavily scrutinising such funds to ensure there is no 'greenwashing' on the sustainable objectives.</p> <ul style="list-style-type: none"> <li>• The Stock Lending Report was noted.</li> <li>• The quarterly Engagement report was received from Robeco.</li> <li>• A Responsible Investment and Climate Risk report was received for the UK Credit Fund.</li> </ul>
1.02	<p><b>Officer Working Group &amp; Sub Groups</b></p> <p>The Deputy Head of Clwyd Pension Fund attends the Private Market sub-group and Responsible Investment (RI) sub-group. These are both complex areas and important for the Clwyd Pension Fund because 27% of our assets are in private markets and the ambitions within our Responsible Investment and Climate Risk policy. The Head of the Clwyd Pension Fund attends the quarterly meetings of the Risk Register group and all three groups report back to the Officer Working Group.</p> <p>The Deputy Head of the Clwyd Pension Fund was part of the group that evaluated and interviewed the candidates for an Allocator for private equity. The appointment should be approved at the 21<sup>st</sup> September JGC. The WPP private equity funds should therefore be available from December 2022 for commitments from Clwyd Pension Fund.</p> <p>Work continues on the launch of funds for infrastructure and private credit now the appointments of Allocators named below is complete.</p> <ul style="list-style-type: none"> <li>• Closed Ended Infrastructure – GCM Grosvenor</li> <li>• Open ended Infrastructure – IFM; CBRE; Octopus</li> <li>• Private Credit – Russell Investments</li> </ul> <p>Initial discussions on the approach on investing in a property fund are due to commence.</p>
1.03	<p>Since the last Committee the RI sub-group have met in July 2022. The next meeting is 19<sup>th</sup> September. The areas of discussion were :</p> <ul style="list-style-type: none"> <li>• Responsible securities lending.</li> <li>• Voting priorities and engagement themes – implementation framework.</li> <li>• UK Stewardship Code reporting framework.</li> </ul> <p>The Host Authority and RI sub group are continuing to work with Robeco, (WPP Voting &amp; Engagement provider) and Northern Trust (Stock Lending provider) on bespoke reports on voting, engagement and stock lending which provide more details on individual sub funds as the Constituent Authorities are not invested in all the sub funds. Initial reports are included with the Funding and Investment Update (agenda item 8) and that report explains ongoing work in this area.</p>

	<p>An update on the work carried out by the RI sub group was also provided at the Officer Working Group in July 2022. The level of resources focused on RI issues for WPP has now been increased to 3 days a week due to the increased workload and requirements in this area.</p> <p>In addition to the items from the last sub group meeting, an update was also provided on the progress with Task Force on Climate - related Financial Disclosures (TCFD) metrics and reporting.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There is considerable time allocated by the Head & Deputy of the Clwyd Pension Fund in delivering and monitoring the WPP Business Plan which is not recognised in the Clwyd Pension Fund budget, however it does result in greater reliance on external advisors on local matters than would otherwise be the case.

<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 is key in enabling the Fund to implement its investment strategy. If performance is not in line with the assumptions in the Fund's 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 DLUHC this year and the implications of that guidance are not yet known.</p> <p>In addition to these points, the likelihood rating of risk F3 on the funding and investment register, which relates to investment targets not being achieved, has been increased from low to significant due to the current level of inflation, which means there is a higher likelihood that short term investments will fail to keep pace. The WPP risk register is included in the JGC agenda. The focus last quarter was on governance and regulation risks. The Head of Clwyd Pension Fund attends the WPP Risk sub group. The key governance risks behind 'target' are :</p> <ul style="list-style-type: none"> <li>• Implementing responsible investment and climate risk to meet the various requirements across the eight Constituent Authorities.</li> <li>• The uncertainty on the change of ownership of Link Fund Solutions.</li> </ul>
<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – JGC 8 <sup>th</sup> July 2022 draft minutes.

<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> </ul> <p><b>Contact Officer:</b> Philip Latham, Head of Clwyd Pension Fund  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> Philip.Latham@flintshire.gov.uk</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>