

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 13th June 2018
Report Subject	Pooling Investments in Wales
Report Author	Clwyd Pension Fund Manager

EXECUTIVE SUMMARY

The project to pool investments across the eight LGPS funds in Wales continues with the focus on documenting a Prospectus for the Wales Pension Partnership (WPP) Authorised Contractual Scheme (ACS).

This is the umbrella under which all the sub funds will be held. It requires approval by the Finance Conduct Authority (FCA) and, in the first instance, will include two global equity funds. The WPP Joint Governance Committee (JGC) will receive the Prospectus for approval on 11th June 2018. By investing in the WPP ACS the Authorities, including Flintshire County Council, will agree and become subject to the terms of the Prospectus. A verbal update of the outcome of the JGC will be provided at this Committee. The decision to agree the transition of assets will be brought to a later Committee meeting.

The new Minister for Local Government wrote to the Chair and Vice Chair of the WPP requesting a progress report, which is included as Appendix 1. One point to emphasise is that approximately 80% of the assets across the Wales funds should be pooled over the next 12 months. In terms of the Clwyd Pension Fund this percentage will be lower due to its investments in private markets and liability driven investing. The latter is specifically mentioned in the update to Government.

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). At the February Clwyd Pension Fund Committee the new Operator explained their role in assisting WPP with its objectives and issues specific to the Clwyd Pension Fund. It was also explained that the initial focus was on creating global equity funds and their approach. (See Clwyd Pension Fund Committee Minutes 21st February 2018 for further details).</p>
1.02	<p>Since the last Committee there have been two Joint Governance Committees (JGC), one at County Hall Mold on 28th March 2018 and another on 11th June 2018 in Cardiff. The main item for the March JGC was a confidential presentation on the two global equity funds to ensure that all Authorities were confident that one or both of the funds would be suitable. Although there remains some detailed due diligence on the global funds by Clwyd Fund Officers and investment consultant we should be in position to make a recommendation to the September Committee. Early due diligence suggests that the Clwyd Fund will be able to achieve its investment and sustainability objectives for this asset class at a lower cost. A transition of assets, which is a reserved matter for this Committee under the Inter-Authority Agreement, should be achievable this calendar year.</p> <p>The focus of the JGC on 11th June 2018 is to receive the Prospectus for the WPP ACS. The Officer Working Group, including Clwyd Pension Fund officers have been actively engaged in the production of this document but due to its technical content much of the detailed work has been undertaken by legal and investment advisors. This ACS is the umbrella under which all the sub funds will be held. It requires approval by the Finance Conduct Authority (FCA) and, in the first instance, will include two global equity funds. By investing in the WPP ACS the Authorities, including Flintshire County Council, will agree and become subject to the terms of the Prospectus. A verbal update of the outcome of the JGC will be provided at Committee.</p> <p>The Prospectus is a 70+ page document which includes an explanation of the ACS structure, buying and redeeming units, valuation process, risk factors, fees and expenses, taxation, voting rights and much more detailed information including brief details about the two global equity funds. Further sub-funds will be added as they are agreed by the JGC.</p>
1.03	<p>Clwyd Officers remain committed to 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>
1.04	<p>The Minister for Local Government wrote to the Chair and Vice Chair of</p>

	<p>the Wales Pension Partnership requesting an update on progress. The response is attached. Some highlights points to note are:</p> <ul style="list-style-type: none"> • 80% of assets across the Wales funds should be pooled in the next 12 months. • Long term savings are still forecast. Although for individual assets classes pooling fees may be higher than current fees, as experienced by some funds for global equity and may be experienced by Clwyd Pension Fund for other asset classes. • The Clwyd Pension Fund LDI programme (Liability Driven Investments – our flight path strategy) is mentioned with a view of the difficulty in pooling.
1.05	Before the JGC on the 11 th June, members of the JGC and the Officer Working Group will receive a presentation from First State Investments on the Swansea Tidal Bay Lagoon.

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 2018/19 budget (within the separate business plan report for this meeting). The estimated Operator costs are also included within that budget.
2.02	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.

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.
4.02	This risk has been identified as significant in the Fund's risk register.

5.00	APPENDICES
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5.01	Appendix 1 – The Response to the Minister for Local Government on WPP Progress.
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Earlier Committee reports on the progress of the Working Together in Wales project. • The Wales Pension Partnership Inter-Authority Agreement (available on request). <p>Contact Officer: Philip Latham, Clwyd Pension Fund Manager 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> <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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