

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10 February 2021
Report Subject	Asset Pooling 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 by the Wales Pension Partnership (WPP) with pooling investments in Wales.

There was a WPP Joint Governance Committee (JGC) on 10 December 2020 and the draft minutes and key policy documents approved are appended for information. As previously discussed each Constituent Authority is now asked to confirm the inclusion of a co-opted Scheme Member Representative on the JGC.

The Head of Clwyd Pension Fund and Deputy 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.

The next WPP JGC is planned for 24th March 2021 which will consider the WPP Business Plan for 2021/22 and the following two years.

RECOMMENDATIONS

1.	That the Committee note and discuss the report and agree any comments or questions for WPP.
2.	That the Committee approve changes to the Inter-Authority Agreement (IAA) to allow for the inclusion of a Scheme Member Representative on the JGC, subject to agreement of the proposed changes to the IAA wording by the Head of Clwyd Pension Fund.

REPORT DETAILS

1.00	Pooling Investment in Wales
1.01	<p data-bbox="288 255 962 293">Joint Governance Committee (JGC) Agenda</p> <p data-bbox="288 315 1398 510">There was a WPP JGC on the 10th December where the Clwyd Pension Fund Chair was welcomed to his first meeting and the success of the WPP at the LAPF awards was recognised. The draft minutes and other reports referred to here are available here - Agenda for Wales Pension Partnership Joint Governance Committee on Thursday, 10th December, 2020, 10.00 am.</p> <p data-bbox="288 533 962 571">The JGC considered or approved the following:</p> <ul data-bbox="336 593 1361 1400" style="list-style-type: none"><li data-bbox="336 593 1361 674">• An update from the host authority including that the timeline for the review of the operator will be brought to the next JGC.<li data-bbox="336 696 1361 817">• The results of the WPP risk register update which this quarter considered investment risks. The WPP risk register is attached as Appendix 1.<li data-bbox="336 840 1361 1400">• A number of policies:<ul data-bbox="432 898 1361 1400" style="list-style-type: none"><li data-bbox="432 898 1361 1019">○ The WPP Beliefs Statement was reviewed and changed to reference climate risk and changes made to the Governance Matrix. The Beliefs Statement is attached as Appendix 2.<li data-bbox="432 1041 1361 1122">○ The WPP Responsible Investment Policy was updated and approved to reflect progress made over the last 12 months.<li data-bbox="432 1144 1361 1225">○ A new WPP Training Policy was approved and attached as Appendix 3.<li data-bbox="432 1247 1361 1400">○ It was agreed to adopt the Voting Policy of Robeco who are WPP's Voting and Engagement Service whilst intending to develop and tailor specifically to the requirements of the WPP and its Constituent Authorities over the next 12 months. <p data-bbox="384 1422 1342 1543">Officers have been involved in the development of these areas and believe they continue to align with the Clwyd Pension Fund's own strategies and policies.</p> <ul data-bbox="336 1565 1414 2063" style="list-style-type: none"><li data-bbox="336 1565 1414 1848">• The inclusion of a non-voting scheme member representative on the JGC with the appointment process to be recommended to the next JGC and approval to be sought for changing the Inter-Authority Agreement from all Constituent Authorities. Hence the recommendation in this report on to allow for the Inter–Authority Agreement (IAA) to be changed, subject to the Head of Clwyd Pension Fund being comfortable with the proposed changes to the (IAA) wording.<li data-bbox="336 1870 1414 2063">• An update from the operator including the expected deferral from May to July 2021 of the emerging equity markets launch due to the climate reduction model being used. Although the issue is now resolved, the launch date is now estimated to be September 2021. This delay is not optimal for the Clwyd Fund but not a significant problem either.

	<ul style="list-style-type: none"> • An update on investment performance as at September 2020. From a Clwyd Fund point of view, this is for the Global Opportunities Equity Fund and Multi Asset Credit Fund. Although both have relatively short track records they were ahead of benchmark. Officers will receive a quarterly presentation in February from the fund manager on performance ending December 2020 and the performance figures are included in the Fund's quarterly Manager Summary report in agenda item 8. • There were agenda items for which the public were excluded; following a tender process Burges Salmon have been re-appointed as WPP legal advisor, a presentation was received on the fixed income transition and an update on the income generated from the Stock Lending programme.
1.02	<p>Officer Working Group & Sub Groups</p> <p>The Deputy Head of Clwyd Pension Fund attends the private market sub group and Responsible Investment 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. These groups are meeting regularly and report progress to the Officer Working Group.</p>
1.03	<p>Future Work Plan</p> <p>The Officer Working Group will be recommending the WPP Business Plan for the next three years to the next JGC which will then need approval by the Constituent Authorities. This will be brought to the Clwyd Pension Fund March Committee meeting for approval.</p>

2.00	RESOURCE IMPLICATIONS
2.01	There has been considerable time allocated by the Head and Deputy Head of Clwyd Pension Fund on WPP matters which has affected 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	<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. In addition, further guidance on pooling is expected from MHCLG in 2021 and the implications of that guidance are not yet known.</p> <p>Given these points, this risk (risk number 3 on the funding and investment register) continues to be categorised as significant in the Fund's risk register.</p> <p>The WPP risk register is appended to this report which identifies risks that are higher than target and the actions to be taken. The Head of Clwyd Pension Fund attends the WPP Risk sub group.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – WPP risk register Appendix 2 – WPP Beliefs Statement Appendix 3 – WPP Training Policy.</p>

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>

(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.