

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 9 June 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 16 March 2021 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. This was already approved at the February 2021 Clwyd Pension Fund Committee.

The assets under management (AUM) now stand at £ £9.3m. The transition in relation to Emerging Markets has now received FCA approval and is expected to proceed in September.

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 28th July 2021 which will include the updated WPP Climate Risk Policy which was previously circulated to the Committee for comments.

RECOMMENDATIONS

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| 1. | That the Committee note and discuss the report and agree any comments or questions for WPP. |
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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 1406 472">There was a WPP JGC on the 24th March 2021. The draft minutes of that meeting are attached (Appendix 1) and the full public agenda is available here – Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 24th March, 2021, 10.00 am.</p> <p data-bbox="288 495 962 533">The JGC considered or approved the following:</p> <ul data-bbox="336 555 1422 2085" style="list-style-type: none"><li data-bbox="336 555 1422 797">• An update from the host authority which included next steps and priorities in relation to the launch of the Emerging Market sub fund and the continuing work of the Private Markets sub group, both of which the Clwyd Fund will be invested in. It was confirmed that the review of the Operator contact had commenced and a more detailed timeline would be provided at the next meeting.<li data-bbox="336 819 1422 1016">• The WPP Business Plan for 2021 – 2024 was considered for approval. This had previously been considered at the Clwyd Fund Committee in March. With regard to WPP policies, a query was raised suggesting that WPP could consider adopting a whistleblowing policy. The host authority agreed to take this forward.<li data-bbox="336 1039 1422 1115">• A review of the risk register which is considered quarterly by the OWG and an annual review of the Communications Policy.<li data-bbox="336 1137 1422 1496">• The appointment process for a non-voting scheme member representative on the JGC was discussed and approved subject to two amendments. A deputy from a different Pension Board would also be appointed and the appointment tenure be set at two years. In addition, the establishment of an appointment sub group consisting of the Chair and Vice Chair and a further nominated JGC representative (Councillor Ted Palmer) be approved. This change is now subject to formal approval by all Constituent Authorities. This was already approved at the February 2021 Clwyd Pension Fund Committee.<li data-bbox="336 1518 1422 1639">• An update from the operator including the assets under management (AUM) now stand £ £9.3m and FCA approval has now been received for Emerging Markets which are expected to transition in September.<li data-bbox="336 1662 1422 1975">• An update on investment performance as at December 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 received presentations in February from the fund manager on quarterly performance ending December 2020 and the performance figures are included in the Fund's quarterly Manager Summary report in agenda item 12.<li data-bbox="336 1998 1422 2085">• There is a standing agenda item for which the public are excluded which covers the quarterly Global Securities lending report.

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 (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 private market sub group is currently meeting every other week and the RI group every 5 weeks. In addition, members of the RI sub group are also invited to attend the Host Authority meetings with Robeco.</p> <p>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>
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2.00	RESOURCE IMPLICATIONS
2.01	None.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
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 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 included in the March JGC meeting pack at item 8. The focus was on the Governance and Regulation risk which are mainly on target. The Head of Clwyd Pension Fund attends the WPP Risk sub group.</p>

5.00	APPENDICES
5.01	Appendix 1 – JGC 24 March 2021 draft minutes.

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> <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>