

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 1 September 2021
Report Subject	Investment and Funding Update
Report Author	Deputy Head, Clwyd Pension Fund

EXECUTIVE SUMMARY

An investment and funding update is on each quarterly Committee agenda.

There are separate agenda items on asset pooling in Wales, investment performance and the funding and flight path risk management framework. This update includes matters that are mainly for noting, albeit comments are clearly welcome.

This report provides updates on the following items:

- The Business Plan 2021/22 – all projects are currently on track
- Update on work ongoing in relation to climate analysis
- Risk register - there has been one change to the scoring of the current risks.
- Delegated responsibilities – this details the delegated responsibilities which have been completed by officers since the last Committee meeting.

RECOMMENDATIONS

1	That the Committee consider and note the update, and provide any comments.
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REPORT DETAILS

1.00	INVESTMENT AND FUNDING RELATED MATTERS
1.01	<p>Business Plan Update</p> <p>Appendix 1 provides a summary of progress against the Investment and Funding section of the Business Plans for 2021/22. Key tasks F1 to F4 are mainly currently on target and further information is as follows:</p> <ul style="list-style-type: none">• F1 (Implement Responsible Investment Strategic Priorities) – the six areas highlighted in the business plan are all progressing. In particular:<ul style="list-style-type: none">○ following the last Committee meeting, officers have now submitted a formal request to WPP to establish an active sustainable global equity sub-fund○ further investments are being made in the local/impact portfolio as outlined in paragraph 1.05 and Appendix 2.• F2 (Climate Change) – included in section 1.02 of this report.• F3 – Ongoing Asset Pooling Implementation and Transition – see separate Asset Pooling in Wales report. Key points to note are:<ul style="list-style-type: none">○ MHCLG asset pooling guidance has not yet been issued and this may therefore be delayed○ The transition of assets to Emerging Markets is now due in October 2021, so slightly behind target• F4 – see the separate Funding, Flight-Path and Risk Management Framework report.
1.02	<p>Current Development and News</p> <p><i>Climate Analysis</i></p> <p>The Fund Consultant, Mercer have started the process of the analysis of the stocks held with our asset managers. This will be calculated as at March 31st and will be instrumental for the implementation of the plan to achieve a net zero ambition. It is intended to bring the findings and subsequent plan to the November 2021 Committee.</p> <p><i>Requests for information</i></p> <p>The Fund has also had several requests for information about the holdings we have in fossil fuel companies from scheme members as well as employers within the Fund, and has responded and provided details.</p> <p>As far as we are aware, we have only received correspondence from one of the Fund’s employers, Caia Park Community Council who have supported a resolution to “Inform the Clwyd Pension Fund of a request that they rapidly disinvest in carbon fuel producing companies”.</p> <p>In addition, following a request from a local group, Together Creating Communities (TCC), the Head and Deputy Head of the Fund attended a meeting on August 10th with the Community organiser and several members of the group to update them with our current position and answer any questions they wished to ask of us.</p> <p>Following the meeting, we provided further Fund information that may be helpful.</p>

1.03	<p><i>Pensions for Purpose Awards</i></p> <p>Pensions for Purpose are holding their annual award ceremony on November 17th 2021. This year there is a new “Impact Investing Adopter Award” for which the Fund has put forward a submission.</p>
1.04	<p>Policy and Strategy Implementation and Monitoring</p> <p>The Advisory Panel receive a detailed investment report from the Fund’s Investment Consultants, Mercer, which shows compliance with the approved Investment Strategy Statement and reports on fund manager performance. A summary of this performance is shown in the Mercer report included in agenda item 10.</p> <p>The Advisory Panel also receive reports from the following Clwyd Pension Fund officer/adviser working groups:</p> <ul style="list-style-type: none"> • Tactical Asset Allocation Group (TAAG) • Cash and Risk Management Group (CRMG) • Private Equity and Real Assets Group (PERAG) <p>Due to the WPP taking longer to implement private markets, Mercer as the Fund's investment consultant have been working with officers to determine the Fund's requirements for infrastructure and private debt until they are transitioned to WPP. This work includes identifying potential managers on a sustainable basis. This means that additional costs that were budgeted in relation to WPP will now come through as consultancy costs.</p> <p>Any decisions arising from these meetings which have been agreed using delegated responsibilities are detailed in Appendix 2.</p>
1.05	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. Appendix 2 updates the Committee on the areas of delegation used since the last meeting. To summarise:</p> <ul style="list-style-type: none"> • Cash-flow forecasting continues to be monitored through the Cash and Risk Management Strategy. • Shorter term tactical decisions continue to be made by the Tactical Asset Allocation Group (TAAG). • One further investment has been agreed within the Impact portfolio.

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	Appendix 3 provides the dashboard and risk register highlighting the current risks relating to Investments and Funding matters.
4.02	<p>There have been no additional risks added to the register since the last Committee and eight of the risks have remained the same as reported to the June 2021 Committee. Of the eight that have remained the same, most remain on target and the remainder are one step away from the target impact or likelihood, which is mainly due to the uncertainty around markets.</p> <p>Risk seven, which is the risk of the Fund having insufficient cash to pay benefits, is now assessed being on target. This due to a number of internal controls being in place to manage the situation, and also the Fund's current cash holdings being sufficient.</p> <p>The risk which is furthest from target is risk four, which is that the value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions. The target for this risk is longer term and it will next be considered as part of the Interim Valuation review.</p> <p>The most significant risk (but still just one step away from target) is risk nine which is that the Fund's long-term Investment Strategy fails to deliver on its ambition or objectives as a responsible investor, due to either responsible investment not being properly considered or WPP does not provide the Fund with the tools to enable implementation of its RI policies. Whilst the Fund is addressing this in a number of ways, due to the magnitude of the risk, it is still not appropriate to consider this on target.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – 2021/22 Business plan update</p> <p>Appendix 2 – Delegated Responsibilities</p> <p>Appendix 3 – Risk dashboard and register – Investments and Funding</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Debbie Fielder, Deputy Head of Clwyd Pension Fund Telephone: 01352 702259 E-mail: Debbie.a.fielder@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	(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

- (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.
- (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) **TAAG – Tactical Asset Allocation Group** – a group consisting of The Clwyd Pension Fund Manager, Pensions Finance Manager and consultants from JLT Employee Benefits, the Fund Consultant.
- (e) **AP – Advisory Panel** – a group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Clwyd Pension Fund Manager, Fund Consultant, Fund Actuary and Fund Independent Advisor.
- (f) **PERAG – Private Equity and Real Asset Group** – a group chaired by the Clwyd Pension Fund Manager with members being the Pensions Finance Managers, who take specialist advice when required. Recommendations are agreed with the Fund’s Investment Consultant and monitored by AP.
- (g) **In House Investments** – Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments. The due diligence, selection and monitoring of these investments is undertaken by the PERAG.
- (h) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of
- (i) **ISS – Investment Strategy Statement** – the main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
- (j) **FSS – Funding Strategy Statement** – the main document that outlines how we will manage employers contributions to the Fund
- (k) **Funding & Risk Management Group (FRMG)** - A subgroup of Pension Fund officers and advisers set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Clwyd Pension Fund Manager, Pension Finance Manager, Fund Actuary, Strategic Risk Adviser and Investment Advisor.
- (l) **Actuarial Valuation** - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

(m) **Actuary** - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.

(n) A full glossary of Investments terms can be accessed via the following link.

<https://www.schroders.com/en/uk/adviser/tools/glossary/>