

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 9 th February 2022
Report Subject	Asset Pooling and WPP Annual Updates
Report Author	Deputy 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 1st December 2021 and the draft minutes are appended for information which includes the extension of Link's Fund Solutions' Operator contract to December 2024

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.

The Committee will receive the annual presentation from the Operator and Investment Management Solution provider (Link Fund Solutions and Russell Investments) for the WPP.

RECOMMENDATIONS

1.	That the Committee note and discuss the JGC agenda and agree any comments or questions for WPP.
2.	That the Committee receive the presentation from the WPP Operator and Investment Manager and agree any comments or questions for WPP.

REPORT DETAILS

1.00	Pooling Investment in Wales
1.01	<p>Joint Governance Committee (JGC) Agenda</p> <p>There was a WPP JGC on the 1st December 2021. The draft minutes of that meeting are attached (Appendix 1).</p> <p>In summary the JGC considered or approved the following:</p> <ul style="list-style-type: none">• A progress update from the host authority including noting that the co-co-opted member representative position is currently going through the appointment process.• A risk register review which this quarter considered investment and performance risks. The next review in Q1 2022 will focus on governance and regulation risks.• The development of a Rebalancing and Alteration Policy to apply to the full range of Sub Funds held in the WPP ACS umbrella.• Annual reviews of the Responsible Investment Policy and the Training Policy.• An update from the operator including the assets within the pool which are now £16.3bn as at September 2021. (A further £500m transitioned into Emerging Markets in October 2021).• An update on investment performance as at 30th September 2021. From a Clwyd Pension Fund point of view, this is for the Global Opportunities Equity Fund (invested since February 2019) and Multi Asset Credit Fund (Invested since August 2020). Both mandates are ahead of their relevant benchmarks. Emerging Market Equity transitioned to WPP in October 2021. <p>Further information on the above is available in the full public agenda which is available here</p> <p>There were a further five items for which the public were excluded:</p> <ul style="list-style-type: none">• The quarterly Global Securities Lending report was received.• The quarterly Engagement report was received from Robeco.• An independent review by Hymans Robertson on the WPP Global Growth and Global Opportunities Equity Funds.• Analysis of a local investment opportunity to be considered by the WPP.• The results of a review of the current Operator and approval to extend the current contract for two years to December 2024.
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</p>

	<p>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>An update was provided at the November Committee on the current tender to appoint “Allocators” who will select “best in class” private market managers across separate asset classes. This exercise is due to be completed for approval by the JGC on 23rd March 2022 and is expected to command considerable input from those officers involved in the process including the Deputy Head of the Clwyd Pension Fund.</p> <p>The second stage of the procurement for Private Debt and Closed Ended Infrastructure Allocators and Open Ended Infrastructure managers was initiated on 6th December 2021 with a closing date for submissions of 10th January 2022. The appointed Consultant, bFinance, who are running the Allocator procurements, will present to the WPP Officer Working Group on 1st February 2022 with final interviews scheduled for 14th to 16th February.</p> <p>The tender for the appointment of a Private Equity Allocator is anticipated to start from April 2022.</p>
1.03	<p>Since the last Committee the RI sub-group have met in November 2021 and January 2022. The main areas of discussion were :</p> <ul style="list-style-type: none"> • An update on the Stewardship Code submission. • An update from Robeco on engagement oversight. • Climate risk and ESG reports for the WPP Credit funds. • The voting policy of the WPP passive manager. • Further updates with Russell Investments to progress the implementation of an Active Sustainable Equity Sub Fund.
1.04	<p>Link Fund Solutions Update</p> <p>Appendix 2 is the presentation from Link Fund Solutions and Russell Investments (the Operator and Investment Manager for WPP) which will detail their role and the current position of assets held within the WPP. The Clwyd Pension Fund has exposure as at December 2021:</p> <ul style="list-style-type: none"> • Global Opportunities Equity £131.5m • Multi Asset Credit £255.6m • Emerging Market Equity £232.4m <p>All three mandates are managed by Russell Investments who will provide an update on each of the mandates as well as an overview of the approach to responsible investing and the sustainable active equity process.</p>
1.05	<p>Performance of WPP Mandates – Update by Russell Investments</p> <p><i>Global Equity Opportunities Fund</i></p> <p>The performance of the WPP Global Equity Opportunities Fund since inception in February 2019 is included in Appendix 2. Russell Investments, the Investment Management Solutions Provider for WPP, and in this case the</p>

	<p>Investment Manager for this sub fund, will present their view on the reasons for the performance of the fund at Committee.</p> <p>The Clwyd Pension Fund has a strategic allocation of 5% or circa £131.5m invested in this fund. Performance since inception is above benchmark but marginally behind target.</p> <p>Hymans Robertson have conducted an independent review of the mandate which reported an overall positive report in all the areas covered in the review.</p>
1.06	<p><i>Emerging Market Equity Fund</i></p> <p>The Fund transitioned £240m (10% strategic allocation) into the WPP Emerging Equity Fund in October 2021. This is too early to report on performance but Russell Investments will provide an update on the characteristics of the sub fund.</p>
1.07	<p><i>Multi Asset Credit Fund</i></p> <p>Russell Investments will provide an update at Committee of the performance of the WPP Multi Asset Credit Fund since inception in August 2020.</p> <p>The Clwyd Pension Fund has a strategic allocation of 12% or circa £255.6m invested in this fund. It is still early days and performance since inception is currently above target.</p>

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 DLUHC in the next few months 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 JGC agenda. The focus last quarter was on investment and performance risks. The Head of Clwyd Pension Fund attends the WPP Risk sub group.</p>

5.00	APPENDICES
5.01	Appendix 1 – JGC 1 st December 2021 draft minutes. Appendix 2 – Link Fund Solutions and Russell Investments Update.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> Earlier Committee reports on the progress of the WPP. <p>Contact Officer: Debbie Fielder, Deputy Head, Clwyd Pension Fund Telephone: 01352 702259 E-mail: debbie.a.fielder@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>