

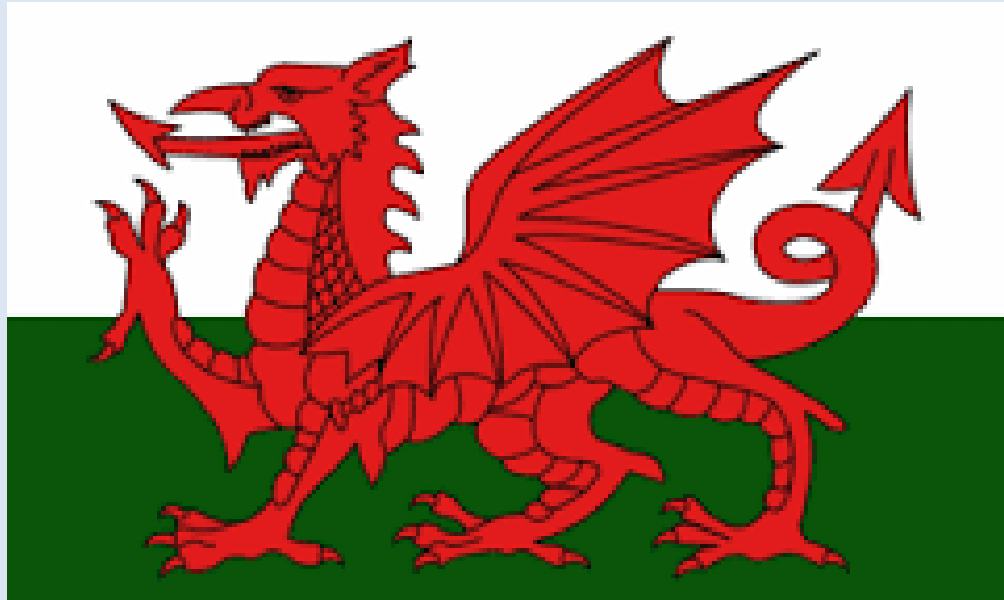


BETTER FUTURES AREN'T DOWN TO CHANCE

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Welcome to Wales





Wales Pension Partnership





We are in the Caernarfon Suite, appropriate as Caernarfon is our Fund's county town



It also happens to be across the water from Anglesey – Llanfair PG



Long name – long term business



All Wales pool - History



- 2010 The Welsh Pensions Treasurers commissioned PwC to identify the potential for collaboration by Welsh Funds
- 2013 Consultation with key stakeholders to gather views on the Pension Funds' interim report 'Working Together'
- 2015 A subsequent report by Mercer as consultants recommended pooling, not merging
- 2015 Westminster Government reform agenda
- 2016 Passive Mandate joint procurement (fee savings realized for all 8)
- 2016 Case for CIV approved by Government (despite size issue)
- 2017 Inter Authority Agreement & JGC established
- 2017 Procurement for an external operator ongoing



Wales Pension Partnership – Future (1)



An FCA Authorised Contractual Scheme
(ACS)

... and non-ACS CIV's (for alternative
investments and possibly also for property)

The operator will need to submit proposal
for FCA authorisation for our scheme



Wales Pension Partnership – Future (2)



... but first we will need to agree and construct the number of sub-funds, which means rationalising our manager line-up.

Sub-funds to provide building blocks, allowing each fund administering authority to implement our own individual investment strategies.



Rationalisation Phase (1)



Figuring out what our Building Blocks will be -

e.g. Sub Funds for Equities - Active –

- Global, UK, EM, ...
- Style, single manager or blended?

What will our partnership look like?

Will rationalising be a “sticky issue”?



Rationalisation Phase (2)

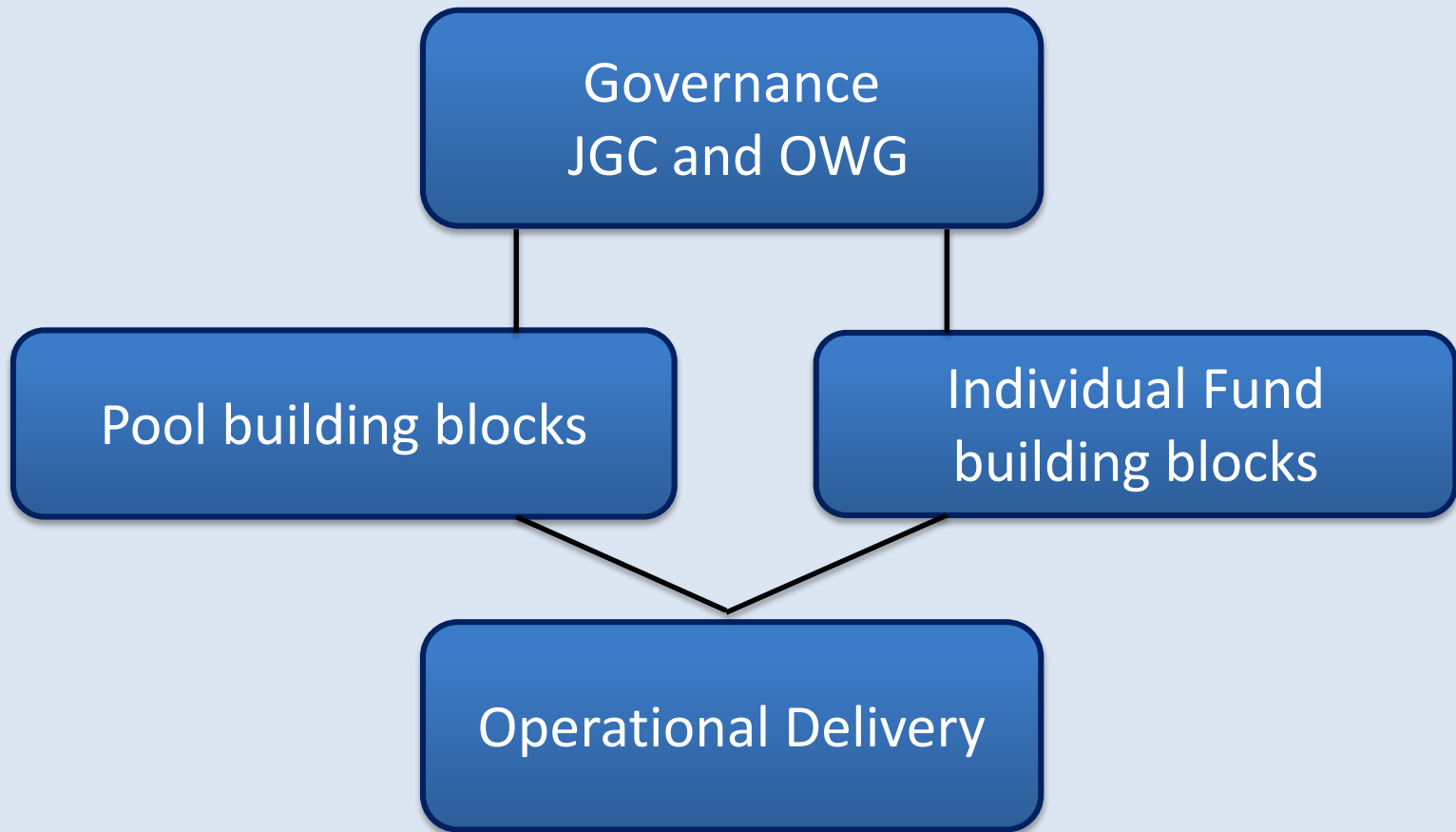


Iterative discussions with the ‘Operator’ –

- do Funds have “favourites” regarding investment management firms
- we do have our own requirements regarding strategy / style

Timescale: 4 to 8 weeks after exchange of our operator contract to design our sub-fund structure

How do we make the most of our structure?





Key Milestones (1)



FCA must approve a proposal for an ACS (submitted by the appointed Operator specifically for our partnership)

“Product Design Workshops” to rationalise mandates, an iterative process with the operator to construct sub-funds

Identify any quick wins – existing commonality / new ideas?



Key Milestones (2)



Operational set-up ACS then execution of transition

Transition planned over extended period with some elements (global equity) from April, then others (e.g. fixed income mandates) later in 2018/19

Need to negotiate / contract with each individual fund management firm for asset sub-funds (two month process to establish cost, risk, returns, quality)



Relationship Management



- Liaise with the group / JGC / OWG
- Liaise with each individual Fund's administrators and committees

Another “sticky issue” may be elected members / officers not meeting investment managers from firms – losing “granularity”



Realistic View on Fees



Reduced? Pension Boards looking for target savings

Get the right mandate ... that'll be simple, the best returns, lowest fee!

Scale / buying power will drive down fees and Manager A may be lower than current, but ... we may wish to go with Manager B – and potential for better returns is subjective!



ESG / Infrastructure



Identify the common principles that apply across our partnership

What parameters can we set when selecting our building blocks (sub funds)?



“Sticky Issues”

- Rationalisation – managers / styles
 - ESG
 - Infrastructure
- } political dimensions





Working Together



The All Wales Pool's 2013 report was titled "Working Together"

We have succeeded in remaining a close band of 8, and we're still working well together!

Now, we're looking to do more new things in future, so over to John ...