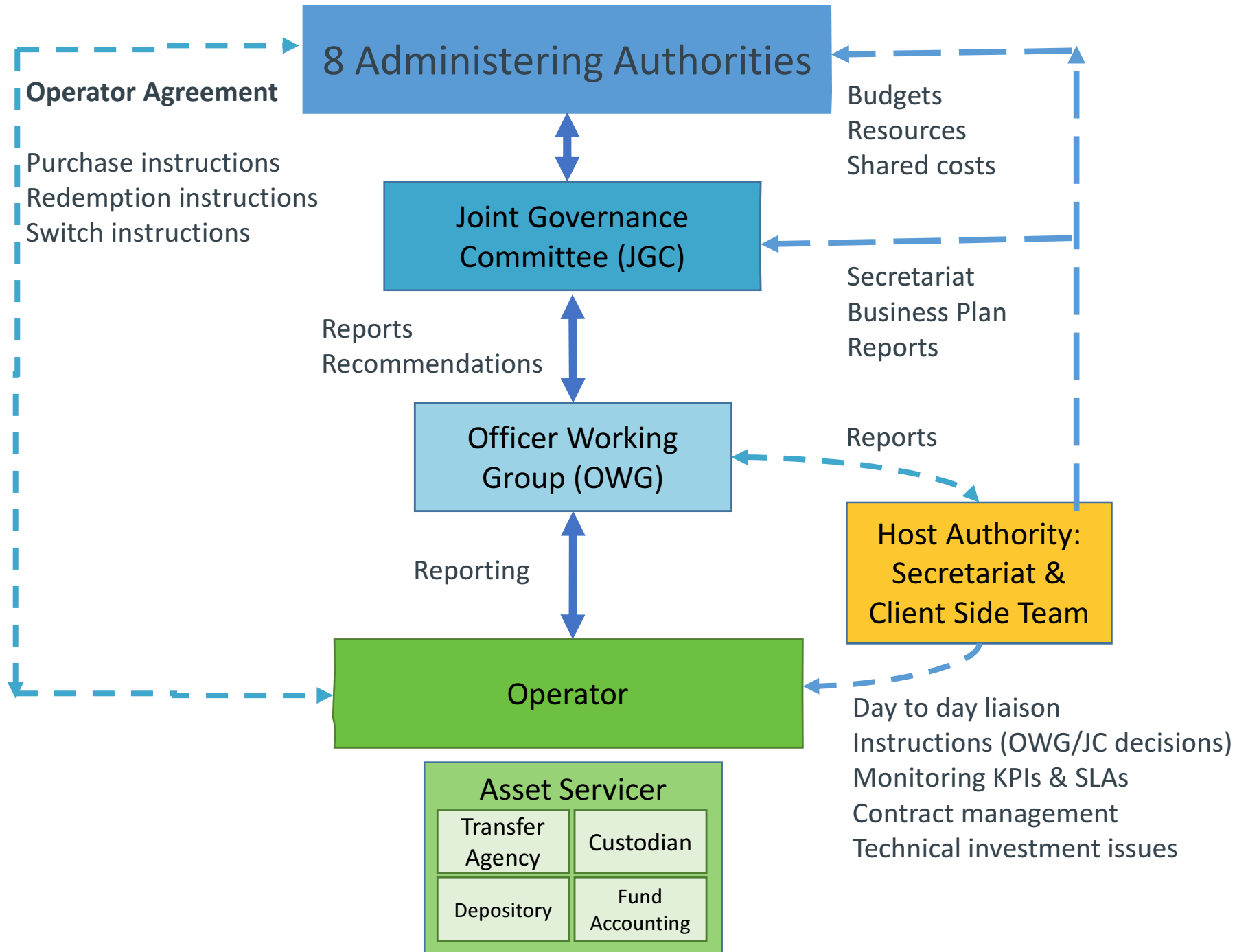




# All Wales Pool Host Authority Role March 2017



# Individual Fund Responsibilities

- Strategic decisions
  - Strategic asset allocation
  - ISS/FSS
  - Investment beliefs
  - Delegation of decisions to the Pool
- Monitoring/reporting
  - Monitoring investment performance of own portfolio
  - Challenge pool if investment managers are underperforming
  - Performance and consolidated reporting for non-pooled assets (or operator? TBC)
- Governance
  - Holding pool to account (e.g if not happy with sub-fund performance, can ask for a review)
- Operational/BAU
  - Timing of own transitions and switches between sub-funds
  - Custody for non-pooled assets
  - Sub-fund choice (e.g. uk equity active)
- Policies (*FOR DISCUSSION*)
  - Responsible investment
  - Rebalancing policy
  - Voting policy
  - Stock lending – what is in/out – existing/future
  - Policy/rules for investment in infrastructure
  - Currency overlay strategy

# Joint Governance Committee Responsibilities

- Governance
  - Conform with IAA (joiners/leavers/cost allocation)
  - Hold Officer Working Group (OWG) to account
  - Oversight of all assets under pool governance
- Operator relationship
  - Agree specification for Operator
  - Recommend initial choice of 3<sup>rd</sup> party Operator to constituent Local Authorities
  - Recommend termination or extension or new supplier to Local Authorities
  - Hold Operator to account
- Strategic planning, resourcing plan, business plan and budget
- Sub-funds
  - Sub-funds and asset class investments required
  - Access to alternatives (i.e. infrastructure)
  - Strategic migration plan\*
  - Consolidation of managers
- Value for money
- Implement common policies (e.g, stock lending/voting)
- Cross pool liaison
- Approve other advisors and suppliers

\*Subject to market conditions, to minimise the cost of transition

# Operator responsibilities

## **Core responsibilities**

- Fund administration
- All regulated functions and reporting
- Appoint and contract with fund managers to support needs of Administering Authorities
- Select and procure asset servicer (transfer agent/depository/custodian/accounting)
- Obtain FCA authorisation, establish and operate vehicles
- Support the needs of investors

## **Establishment and Discretionary functions**

- Initial sub-fund structure
- Manager searches, short-lists and recommendations
- Asset transition management
- Enhanced performance reporting
- Implementing individual fund rebalancing policy? TBC
- After a period yet to be decided, full discretion on manager hire and fire

# Host Authority & Client Side Team

## Host Authority

- **Secretariat** to Joint Governance Committee
- Lead on procurement for pool services (e.g. advisers, etc) **DISCUSS**
- **Client side team** for:
  - Operator contract management and co-ordination role
  - Monitoring performance of Operator against SLAs and KPIs
  - Day to day liaison with the Operator and its provider of Discretionary Services especially on matters affecting all funds / investors in the pool
  - Liaison with other advisers
  - Reporting Operator performance to the OWG and JGC
  - Executing and reporting progress on the Business Plan agreed with the JGC and OWG
  - Other analysis, support and reports for the OWG and JGC as required. Examples:
    - options for accessing alternatives / illiquid assets including infrastructure
    - pool policies on ESG
    - implications of regulatory change and required action e.g. MiFID
    - options at end of Operator contract – extend, re-tender, build and own
  - Client side team will NOT be middle man for all instructions to the Operator from individual administering authorities (investors and clients of the Operator) e.g. payments into the pool's investment funds, redemptions, switch instructions can all go directly to the Operator

# Host Authority & Client Side Team (cont'd)

## **Skills and experience required in Host Authority and Client Side Team**

- Secretarial
- Contract management, negotiation
- Relationship management
- Technical investment experience (e.g. working in the LGPS team at an administering authority)