

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Tuesday, 25 September 2018

PRESENT: Councillor P. Lewis (Vice-Chair)

Councillors:

Cllr. G. Caron, Cllr. D. Hughes, Cllr. C. Lloyd, Cllr. J.Pugh Roberts, Cllr. R. Smith (In place of Cllr. M Norris), Cllr. C. Weaver and Cllr. D.E. Williams

The following Officers were in attendance:

C. Moore, Joint Committee Section 151 Officer (CCC)
L.R. Jones, Joint Committee Monitoring Officer (CCC)
J. Dong, Chief Treasury & Technical Officer (C&CS)
D. Edwards, Director of Finance (GCC)
C. Salter, Corporate Director of Resources (CoC)
C. Lee, Director Corporate and Frontline Services (RCTCBC)
A. Parnell, Treasury & Pensions Investments Manager (CCC)
D. Powell, Acting Chief Executive (PCC)
D. Fielder, Pensions Finance Manager (FCC)
K. Davies, Head of Corporate Pensions (C&CS)
G. Morgan, Head of Democratic Services (CCC)

Also present:-

Denise Jones- Link Asset Services
Peter Hugh Smith, Link Asset Services
Sasha Mandich, Russell Investments
Jim Leggate, Russell Investments
Eamonn Gough, Link Asset Services
Duncan Lowman, Link Asset Services
Paul Potter, Hymans Robertson

Siamb Dafydd Orwig, - Gwynedd County Council, Council Offices, Caernarfon, Gwynedd, LL55 1SH - 10.00 - 11.00 am

1. APOLOGIES FOR ABSENCE

An Apology for absence was received from the Chair of the Joint Committee, Councillor Mark Norris, of Rhondda Cynon Taf County Borough Council.

Apologies for absence were also received from Nigel Aurelius of Torfaen County Borough Council and of Philip Latham of Flintshire County Council.



2. DECLARATIONS OF INTEREST

Councillor	Nature of Personal Interest
G. Caron	Member of Greater Gwent Pension Fund Wife is deferred Member of the Greater Gwent Pension Fund
D. Hughes	Member of the Clwyd Pension Fund;
P. Lewis	Member of the Powys Pension Fund;
C. Lloyd	Member of the City and County of Swansea Pension Fund;
R. Smith	Member of the Rhondda Cynon Taf Pension Fund;
J. Pugh Roberts	Member of the Gwynedd Pension Fund;
E. Williams	Member of the Dyfed Pension Fund.

(Note: There is an exemption within the Code of Conduct for Members, which allows a member who has been appointed or nominated by their authority to a relevant body to declare that interest but remain and participate in the meeting).

3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON THE 11TH JUNE 2018

The Chair advised that there was one correction to the minutes as Cllr C. Weaver was not a member of the local government Pension Fund. Cllr Weaver confirmed this was correct.

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 11th June be signed as a correct record, subject to the above amendment.

4. PRESENTATION BY LINK AND HOST AUTHORITY ON MILESTONES AND PROGRESS UPDATE

The Chair welcomed Denise Jones – Head of Change Management of Link Fund Solutions to provide a presentation on Key Milestones and progress in respect of the Wales Pension Partnership.

Ms Jones provided the Joint Committee with a list of the provisional dates for the key milestones, progress to-date on Initial Funds (Global Equity) Tranche 2 (UK and European Equities) and the next steps.

Ms Jones advised that Link were currently working through the reporting templates with a sample pack having been considered by the Officers Working Group in July, it was therefore hoped that agreement on the pack would be received shortly in readiness for the first fund launch.

Ms Jones also informed the Joint Committee that Investment Manager Agreements were underway and it was hoped that all agreements would be signed by the end of September 2018.



In terms of the Global Equity Sub-fund, Link were still targeting mid November 2018 for the launch of the first two funds and it was hoped that agreement would be made within Agenda item 6 for the Tranche 2 funds - UK and European Equities, with approval of the schedule 5 additions to the Fund prospectus by 5th October.

In terms of Transition Manager Appointments for the first two funds (Global Equities), all bids had been received and an initial evaluation had been undertaken, reviewed with officers and final approval was expected within the next week.

In terms of progress to-date, the Joint Committee was advised that:-

- FCA approval was received for the initial funds on the 24th July;
- An Initial Manager engagement day was held on the 5th September with the 3 Global Growth and 3 Global Opportunities Manager in attendance, an additional 4 managers would meet with the Joint Committee later that morning
- Contract negotiations had commenced with Northern Trust for the depositary agreement, as per the report, with the execution copy due for completion later in the week
- Link had reviewed the Administration agreement and fed initial comments back to Northern Trust
- Letters of engagement were now in place for Audit, Legal and Tax advisors.

In terms of Tranche 2 Link had considered UK and European equities, and the fund proposals had been agreed with the investing local authorities of Cardiff and Torfaen, with the schedule 5 additions completed and issued for initial review by the Officers and then approved for submission to the FCA with a view to launch in mid January 2019. It was hoped that Transition Managers would be appointed by the 11th October 2018. Work had also commenced on fixed income proposals which would hopefully be agreed in November 2018 so that work could commence on the third FCA submission.

Reference was made to the key milestones and dates detailed within the report, and clarification was sought regarding the appointment process for the Transition Manager. The Joint Committee S151 Officer advised that the Transitional Manager would require appointment by each individual authority, and each Authority's appointments process would apply.

In response to a question, Ms Jones advised that the appointment of Global Growth and Global Opportunities Managers would be subject to performance on the first tranche, and it was not therefore guaranteed that the same managers would be appointed to the different funds.

Mr Anthony Parnell provided the Committee with the following update on the host authority's responsibilities:-

- Staffing – following a resource issue, the Host Authority was currently undertaking a recruitment process in respect of the Wales Pension



Partnership Officer and it was hoped that an appointment would be made in the next few months.

- In terms of communications, the first reporting pack had now been produced and discussions were ongoing with another Pension Partnership to ascertain if a consistent approach for reporting could be agreed. The Partnership was also required to provide a progress report to the MHCLG (Ministry of Housing, Communities & Local Government) every season, the Autumn report would shortly be drafted in consultation with Hymans Robertson, and following consultation with the Officer Working Group, the progress report would be circulated for signing off via email by the JGC.
- Governance – Officer Working Groups continued to meet on a regular basis, prospectuses had been approved and the Joint Committee arrangements were working well and compared favourably with other similar pension pools. Work on the development of the website was ongoing. Reporting arrangements continued to be developed in line with CIPFA recommendations and Government expectations.

The Chair congratulated the Partnership on its recent success in being highly commended in the Pool of the Year category at the LAPF Investment Awards 2018 held at the Savoy Hotel, London on Thursday 20th September 2018.

The Committee's Section 151 Officer advised that a request had been received from the Minister for Housing, Communities and Local Government to meet with the Chair of the Committee and officers to discuss the Joint Committee's infrastructure potential proposals, and this meeting would take place shortly.

UNANIMOUSLY RESOLVED that the presentation from Link and the host Authority on milestones and progress update be received.

5. EXCLUSION OF THE PUBLIC

UNANIMOUSLY RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following item as the report contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

6. PRESENTATION BY LINK / RUSSELL ON UK AND EUROPEAN EQUITY SUB-FUNDS

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in minute number 5 above, to consider this matter in private, with the public excluded from the meeting on the basis disclosure of the information detailed in the report would include details of the finer detail of investment opportunities which had yet to be negotiated fully or renegotiated and disclosing the presentation would prejudice those negotiations and impact upon the Funds' costs and returns.

The Committee welcomed Peter Hugh Smith - Managing Director - Link Asset Services and Sasha Mandich - Director, Russell Investments to the meeting.



The Committee proceeded to receive a presentation on the structure of the two regional equity funds namely UK and Europe ex-UK, and considered recommendations in respect of those funds.

Members of the Committee were afforded the opportunity of asking questions on the funds, including fund performance, diversification of investment styles, how funding was split between the two sub-funds, fund manager changes/staffing turnover, and the process for investment./withdrawal.

UNANIMOUSLY RESOLVED:-

- 1. That the presentation be noted.**
- 2. to invest in two separate sub funds in order to achieve effective diversification, and to employ five specialist managers per fund, namely:-**
 - UK Equities – Majedie, Lazard Omega, Baillie Gifford, Investec and Liontrust.**
 - Europe ex-UK equities – Blackrock, Pzena, Invesco, SW Mitchell and Liontrust.**
- 3. to reduce trading costs through an ‘enhanced implementation’ approach, which would involve offsetting overlapping manager trades rather than directing every manager to trade separately with their own brokers.**

CHAIR

DATE

