

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Wednesday, 27 March 2019

PRESENT: Councillor Cllr. M. Norris (Chair)

Councillors:

G. Caron, D. Hughes, P. Lewis, C. Lloyd, J.Pugh Roberts, C. Weaver and 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)
G. Russell, Head of Pensions (TCC)
B. Davies, Director of Financial Services (RCT)
J. Dong, Chief Treasury & Technical Officer (C&CS)
D. Edwards, Director of Finance (GCC)
C. Lee, Corporate Director of Resources (CoC)
D. Fielder, Pensions Finance Manager (FCC)
C. Hurst, Pension Fund Manager (PCC)
A. Parnell, Treasury & Pension Investments Manager (CCC)
M. Evans Thomas, Principal Democratic Services Officer (CCC)
T. Williams, Senior Financial Services Officer (CCC)
J. Laimann, Assistant Democratic Services Officer (CCC)

Also present:

Denise Jones, Link Fund Solutions
Duncan Lowman, Link Fund Solutions
Sasha Mandich, Russell Investments
William Marshall, Hymans Robertson

Chamber - Swansea Council, Guildhall, Swansea. SA1 4PE. 10.00 - 11.35 am

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

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;
M. Norris	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 OF THE JOINT COMMITTEE HELD ON THE 25TH SEPTEMBER 2018

With regard to the appointment process for Transition Managers (Minute Item 4 of the Joint Governance Committee meeting on the 25th September 2018 refers), the Committee was advised that a Pension Board Member had referred to this as an example showing that governance arrangements in the JGC could be improved. It was suggested that this matter had been raised by several Pension Boards but was not a governance but a communications issues relating to the evolving nature of relationships with the operator. The Committee was advised that communications was on the agenda at next week's meeting of Pension Board Chairs. Several Section 151 Officers would be attending the meeting.

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 25th September 2018 be signed as a correct record.

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 Tranche 3 (Fixed Income), and the next steps.

Ms Jones advised that Tranche 1 had been successfully launched in January and post trade reports had been issued. Tranche 2 had received approval and a launch date was currently being agreed. With regard to Tranche 3, a final fund structure proposal would be provided later at the meeting (Item 11 refers). The first monthly reporting pack would be circulated this month. Key next steps were the agreement of fund structures for Tranche 3, the agreement of managers and an agreement on stock lending which was subject to approval from all constituent authorities.

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

- Staffing – Tracey Williams had been appointed as the Senior Financial Services Officer in February 2019. Mr. Parnell advised that the second Host Authority Officer role had been budgeted as a provision. It would become clear whether the role was required as the Wales Pension Partnership progressed over the next 12 months.



- Communications – A communications policy had been drafted with Hymans and the website for the Wales Pension Partnership would be functional by early summer. The Officer Working Group continued to liaise on a regular basis.
- Governance – Pension Board Chairs would receive a report on governance at next week's meeting so as to clarify the responsibilities of the JGC, the Officer Working Group, LINK, Russell Investments and the Host Authority.
- Reporting – Reports from LINK were expected soon. Mr. Parnell advised that an agenda item on reporting would be scheduled for the next JGC.

Mr. Parnell further advised that a preliminary meeting had taken place with Wales Audit Office (WAO) regarding the Wales Pension Partnership Audit. WAO would liaise with each of the eight fund auditors and regular meetings would be taking place over the next months. The JGC would receive an update on this in the near future.

A comment was made welcoming plans for a Wales Pension Partnership website and suggesting that this should be completed as soon as possible in order to support communication and transparency.

A query was made regarding trade union involvement in the Wales Pension Partnership and representation on the JGC. It was suggested that this topic should be tabled for a future meeting for a formal consideration and decision by the JGC. A Panel Member suggested that scrutiny and advice functions were taken up by Pension Boards at the level of each individual Pension Fund Committee and their representatives on the JGC, therefore such a role was not required at pool level. It was suggested that involvement and communication with all stakeholders was crucial but had to take place in the appropriate fora.

The Monitoring Officer advised that the Inter-Authority Agreement did not contain provisions for the representation of non-voting or co-opted members on the JGC. If the JGC decided in favour of trade union representation, the Agreement would have to be altered with approval from the eight Constituent Authorities.

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

5. BUDGET 2019-20

The JGC considered a report on the Wales Pension Partnership Budget, which provided an update on the current budget position for 2018-19, the revised budgets for 2019-20 and 2020-21, and the budget for 2021-22.

With regard to External Consultants, Mr. Parnell advised that the initial budget had been based on very early estimates of work required. At later stages it had become apparent that further support was needed from external investment and legal consultants. Work undertaken so far had been very robust. While it was expected that the need for legal consultant advice would decrease in the future, it had been agreed that a contract for an investment consultant would be tendered during 2019-20 and the budget had been increased accordingly.



In response to a query, Mr. Parnell advised that support from investment consultants would be required on a regular basis to help manage and monitor the progress of the Wales Pension Partnership. The need for advice from legal consultants was expected to decrease.

A comment was made thanking the Host Authority for its work and the good progress to date in light of the ambitious timetable set by the Government.

In response to a question regarding financial statements, Mr Chris Moore advised that WAO had indicated at a recent meeting that an annual return would be sufficient for this year. He suggested that the annual return would be provided to the JGC and that WAO could be invited to attend the meeting.

UNANIMOUSLY RESOLVED that

- 5.1. The current budget position for 2018-19 be noted;**
- 5.2. The revised budgets for 2019-20 and 2020-21 be approved;**
- 5.3. The budget for 2021-22 be approved.**

6. WORKPLAN 2019-20

The Committee considered the workplan for the Wales Pension Partnership for 2019-20, which detailed key tasks for the forthcoming year in the following areas:

- Governance
- Ongoing establishment
- Operator services
- Communications and reporting
- Training and meetings
- Resources, budget and fees

It also indicated:

- who the activities have been assigned to
- who needs to ratify/sign off the individual tasks
- what contractual obligation it forms part of (if any), and
- the timeline for the task completion

The Committee noted that the workplan was a working document that could be adapted as required as the Wales Pension Partnership progressed.

A comment was made suggesting that there should be an opportunity for the JGC to have an input into the formulation of objectives and beliefs for the Wales Pension Partnership. Mr. Parnell advised that the JGC would have the opportunity to consider the document at its next meeting in June and either ratify it or suggest amendments. A revised version, if required, could be ratified at the JGC meeting in September.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Workplan for 2019-20 be approved.

7. RESPONSIBLE INVESTMENT - DEVELOPMENT OF POLICY



The JGC welcomed Mr. William Marshall of Hymans, who provided a presentation on the development of a Responsible Investment (RI) Policy. The RI Policy document included an evaluation of the questionnaire responses, draft Responsible Investment policy principles, comparison of voting policies and next steps.

The Committee was advised that, if the principles were approved, a Responsible Investment Policy would be prepared and presented to the next Joint Governance Committee meeting in June for final approval.

The Chair advised that, while each Fund's Committee would have the opportunity to discuss the Policy and suggest amendments, the overall Policy would ultimately be ratified by the JGC.

Several comments were made suggesting that the timeframe for completing the draft Policy by June might be too optimistic, however there was also comments made that delays in developing the Policy could lead to issues with regard to retrospective sub fund developments. It was suggested that the draft RI policy be taken to the OWG meeting in April 2019 and subsequently taken to each constituent authority for consideration. The draft will then be brought back to JGC for approval / review.

A comment was made suggesting that it was important to provide appropriate training to all Committee Members in order to be able to agree achievable targets.

It was suggested that the Policy should consider ethical employment.

UNANIMOUSLY RESOLVED to approve the Principles for the Wales Pension Partnership Responsible Investment Policy.

8. LINK ENGAGEMENT PROTOCOL

The Committee received an Engagement Protocol, developed by Link and the Host Authority, which addressed five main areas of engagement:

- Strategic Relationship Review
- JGC engagement
- OWG engagement
- Annual Shareholder Day
- Individual Pension Fund Committee meetings

A comment was made suggesting that the Engagement Protocol could also provide guidelines regarding reporting, including the form of reports and the frequency at which they are provided to the JGC and individual Pension Fund Committees and Boards. It was suggested that the Officers Working Group could develop a reporting template for the JGC meeting in June.

UNANIMOUSLY RESOLVED that the Engagement Protocol be approved.



9. MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG) CONSULTATION ON DRAFT STATUTORY GUIDANCE ON ASSET POOLING IN THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The Committee considered the MHCLG consultation on draft statutory guidance on asset pooling in the LGPS, appended with a draft response which had been written on behalf of the Wales Pension Partnership. The Committee was advised that the consultation was closing on the next day (28th March 2019).

The JGC was advised that it would be bound by the statutory guidance once it had been finalised and that responses to the consultation could be provided by each individual Pension Fund Committee as well as the JGC. The draft response had been developed from discussions in the Cross-Pool Collaboration Group. It had been suggested that the draft statutory guidance could be improved in areas such as risk management and responsible investment. Several Pension Fund Committees had already commented on the draft and comments from those who had not yet responded were welcome.

A comment was made welcoming the response, in particular with regard to responsible investment. It was suggested that responsible investment would incur additional costs and this should be reflected in the statutory guidance.

Members welcomed the response's suggestion that the statutory guidance should acknowledge the variety of pool structures, especially since the comparatively lean "off the shelf" structure of the Wales Pension Partnership might be more cost-effective than the model referred to in the draft guidance.

A comment was made suggesting that individual Pension Fund Committees should receive a copy of the final JGC response to issue messages of endorsement before the deadline of the consultation. Mr. Parnell advised that the response would be updated to reflect recent comments and a final draft circulated to the JGC the next morning. He advised that the deadline for consultation responses was at the end of the next day.

UNANIMOUSLY RESOLVED that

- 9.1. The Pool's response to the MHCLG consultation be approved;**
- 9.2. A copy of the final response be circulated to the JGC by midday on the next day (28th March 2019).**

10. 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.

11. PRESENTATION BY LINK / RUSSELL ON FIXED INCOME SUB FUNDS

The JGC received a presentation from Link/Russell in relation to the following Fixed Income Sub-funds and their Manager Structure:



- Global Credit Fund;
- Global Government Bond Fund;
- Absolute Return Bond Fund;
- Multi-Asset Credit Fund.

Mr Sasha Mandich advised that, following a request from RCT, another Fund would be created for UK Fixed Assets.

UNANIMOUSLY RESOLVED to approve the following Fixed Income sub-funds including the management portfolio structures:

- **Global Credit Fund;**
- **Global Government Bond Fund;**
- **Absolute Return Bond Fund;**
- **Multi-Asset Credit Fund.**

CHAIR

DATE

