

# Document Pack



Wales Pension Partnership Joint  
Governance Committee,  
Democratic Services Unit,  
Chief Executive's Department,  
Carmarthenshire County Council,  
County Hall,  
Carmarthen SA31 1JP.

**FRIDAY, 27 OCTOBER 2017**

**TO: ALL MEMBERS OF THE WALES PENSION PARTNERSHIP JOINT  
GOVERNANCE COMMITTEE**

I HEREBY SUMMON YOU TO ATTEND A MEETING OF THE **WALES  
PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE** WHICH WILL  
BE HELD IN THE **CHAMBER, COUNTY HALL, CARMARTHEN AT 11.00 AM,  
ON TUESDAY, 7TH NOVEMBER, 2017** FOR THE TRANSACTION OF THE  
BUSINESS OUTLINED ON THE ATTACHED AGENDA

*Mark James*

**CHIEF EXECUTIVE  
CARMARTHENSHIRE COUNTY COUNCIL**

**PLEASE NOTE:** THIS MEETING WILL BE FILMED FOR LIVE OR SUBSEQUENT BROADCAST.  
THE IMAGES AND SOUND RECORDING MAY ALSO BE USED FOR TRAINING PURPOSES..

<b>Democratic Officer:</b>	<b>Kevin Thomas</b>
<b>Telephone (direct line):</b>	<b>01267 224027</b>
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**WALES PENSION PARTNERSHIP  
JOINT GOVERNANCE COMMITTEE  
8 MEMBERS**

(1 Member from each Constituent Authority)

**CARMARTHENSHIRE COUNTY COUNCIL**

**COUNCILLOR            ELWYN WILLIAMS**

**CITY & COUNTY OF SWANSEA**

**COUNCILLOR            CLIVE LLOYD**

**CITY OF CARDIFF**

**COUNCILLOR            CHRISTOPHER WEAVER**

**FLINTSHIRE COUNTY COUNCIL**

**COUNCILLOR            DAVID HUGHES**

**GWYNEDD COUNTY COUNCIL**

**COUNCILLOR            STEPHEN CHURCHMAN**

**POWYS COUNTY COUNCIL**

**COUNCILLOR            PETER LEWIS**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**COUNCILLOR            MARK NORRIS**

**TORFAEN COUNTY BOROUGH COUNCIL**

**COUNCILLOR            GLYN CARON**

# **A G E N D A**

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF INTEREST**
- 3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON THE 29TH JUNE 2017** 5 - 8
- 4. WORKSTREAM SUMMARY** 9 - 14
- 5. DCLG AUTUMN REVIEW SUBMISSION** 15 - 28
- 6. NOTES OF THE OFFICER WORKING GROUP HELD ON THE FOLLOWING DATES:-**
  - 6 .1 28TH JULY 2017** 29 - 30
  - 6 .2 4TH SEPTEMBER 2017** 31 - 32
- 7. EXCLUSION OF THE PUBLIC**

THE REPORTS RELATING TO THE FOLLOWING ITEM ARE NOT FOR PUBLICATION AS THEY CONTAIN EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A TO THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) (WALES) ORDER 2007. IF, FOLLOWING THE APPLICATION OF THE PUBLIC INTEREST TEST, THE BOARD RESOLVES PURSUANT TO THE ACT TO CONSIDER THESE ITEMS IN PRIVATE, THE PUBLIC WILL BE EXCLUDED FROM THE MEETING DURING SUCH CONSIDERATION.
- 8. OPERATOR SELECTION REPORT** 33 - 52

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# Agenda Item 3

## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Thursday, 29 June 2017

**PRESENT:** Councillor Churchman – Gwynedd County Council (Chair)

Cllr. Elwyn Williams - Carmarthenshire County Council;  
Cllr. Clive Lloyd - City & County of Swansea;  
Cllr. Chris Weaver - City of Cardiff;  
Cllr. David Hughes - Flintshire County Council;  
Cllr. Peter Lewis - Powys County Council;  
Cllr. Mark Norris - Rhondda Cynon Taf County Borough Council;  
Cllr. Glyn Caron - Torfaen County Borough Council;

### **Officers in attendance:-**

Jeff Dong - Deputy Section 151 Officer, C&CS,  
Dafydd Edwards - Head of Finance, GCC;  
Philip Latham - Manager for Pension Fund, FCC;  
Chris Lee - Director of Corporate Services RCTCBC;  
Chris Moore - Director of Corporate Services, CCC;  
Linda Rees Jones - Head of Administration and Law, CCC;  
Graeme Russell - Head of Pensions, TCBC;  
Gary Watkins - Revenue Services Manager, CofCC  
M.S. Davies - Democratic Services Officer, CCC.

### **Also in attendance**

John Wright - Hymans Robertson.

**Committee Room 4, County Hall, City of Cardiff Council -  
10.00 a.m. – 11.05 a.m.**

#### **1. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

#### **2. DECLARATIONS OF INTEREST**

<b>Councillor</b>	<b>Nature of Interest</b>
G. Caron	Member of Local Government Pension Fund;
S. Churchman	Member of Local Government Pension Fund;
M. Norris	Member of Local Government Pension Fund;
C. Lloyd	Member of Local Government Pension Fund;
E. Williams	Member of Local Government Pension Fund.

#### **3. APPOINTMENT OF CHAIR**

**UNANIMOUSLY RESOLVED** that Councillor Stephen Churchman be appointed Chair of the Committee for the municipal year 2017-18.

#### **4. APPOINTMENT OF VICE-CHAIR**

**UNANIMOUSLY RESOLVED** that Councillor Mark Norris be appointed Chair of the Committee for the municipal year 2017-18.

## **5. HOST AUTHORITY - FUNCTIONS AND BUDGET**

The Committee considered a report detailing the host authority [Carmarthenshire County Council] functions and the indicative budget to administer the partnership. It was emphasised that the budget, which was likely to change over time, had been difficult to formulate as the actual work flow and work areas were not yet known and this was also the case in terms of the demands and requirements of the Committee. The budget, as per the inter authority agreement, would be funded equally by the 8 participating local authorities.

### **UNANIMOUSLY RESOLVED**

**5.1 that the functions of the host authority be noted;**

**5.2 that the indicative budget for the period 2017-2020 be noted.**

## **6. TIMETABLE OF EVENTS TO OPERATOR APPOINTMENT AND PROGRESS UPDATE**

John Wright, Hymans Robertson, outlined to the Committee the context and background to investment pooling for Local Government Pension Schemes, including arrangements in other areas, and presented a report incorporating a timetable of events to Operator appointment and progress thereon. It was anticipated that at the next scheduled meeting of the Committee on the 18<sup>th</sup> September 2017 members would consider a recommendation by the Officer Working Group on the preferred Operator to the Joint Governance Committee [JGC], before being approved at local level by the individual Authorities.

In response to a question as to how the Operator, when appointed, would engage with the pension committees of the 8 local authorities individually, John Wright commented that an obligation had been built into the Operator contract to hold quarterly meetings with the Joint Governance Committee and one meeting with each local authority or their pension fund committee. In addition the contract allowed for one training session each year for each local authority. In terms of disinvestment from where funds were currently held and their transfer to the Operator pool the Committee was advised that this was likely to take a few years and careful transition planning would be necessary. In this regard it was pointed out that the Treasurer Group had established an officer group to look at transition arrangements in terms of planning and also cost share.

**UNANIMOUSLY RESOLVED that the timetable of events to the Operator appointment be approved together with the progress of the project.**

## **7. INTER AUTHORITY AGREEMENT**

The Committee considered a report detailing terms of reference and procedures for the Joint Governance Committee, as set out in the Inter Authority Agreement which had been agreed by all 8 local authorities.

**UNANIMOUSLY RESOLVED that the terms of reference and procedures for the Joint Governance Committee, as contained within the Inter Authority Agreement, be endorsed.**

## **8. NOTES OF OFFICER WORKING GROUP MEETINGS**

The Committee had been circulated with the notes of recent meetings of the Officer Working Group and were apprised of the matters which had been

discussed. It was noted that any matters which were identified by the JGC as requiring further investigation would be directed to the Officer Working Group.

## **UNANIMOUSLY RESOLVED**

- 8.1 that the notes of the Officer Working Group meetings held on the 10<sup>th</sup> May 2017 and 16<sup>th</sup> June 2017 be received;**
- 8.2 that the wording 'Wales Pension Partnership' be confirmed as the identity label for the pension pooling arrangement in Wales;**
- 8.3 that the possibility of rearranging the meeting of the JGC scheduled for 20<sup>th</sup> December 2017 be looked into in view of the fact that some members are otherwise engaged on that date.**

\_\_\_\_\_  
**CHAIR**

\_\_\_\_\_  
**DATE**

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## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 7 NOVEMBER 2017**

<b>SUBJECT</b>  <b>WORKSTREAM SUMMARY</b>		
<b>RECOMMENDATIONS / KEY DECISIONS REQUIRED:</b>  <b>To approve the Workstream Summary as at 30 September 2017</b>		
<b>REASONS:</b>  Members of the committee are aware of the workstream summary to the Operator appointment.		
<b>Report Author:</b> <b>Chris Moore</b>	<b>Designation:</b> Director of Corporate Services  <b>Carmarthenshire County Council</b>	<b>Tel No. 01267 224160</b>  <b>E. Mail:</b> <a href="mailto:CMoore@carmarthenshire.gov.uk">CMoore@carmarthenshire.gov.uk</a>

**EXECUTIVE SUMMARY  
JOINT GOVERNANCE COMMITTEE**

**DATE 7 NOVEMBER 2017**

<b>WORKSTREAM SUMMARY</b>
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<b>BRIEF SUMMARY OF PURPOSE OF REPORT</b>
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Hymans Robertson have provided a procurement and governance workstream update.
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<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
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## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal <b>NONE</b>	Finance <b>NONE</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>
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## CONSULTATIONS

Details of any consultations undertaken are to be included here

**Section 100D Local Government Act, 1972 – Access to Information**  
**List of Background Papers used in the preparation of this report:**  
**THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

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# Wales Pension Partnership – Workstream Summary as at 30 September 2017

## Governance Workstream

Action	Date (Due/Complete)	Status
Memorandum of Understanding signed-off by Administering Authorities and Officer Working Group formed	November 2016	Complete
Inter-Authority Agreement (IAA) Workshop held between Officer Working Group and Legal Advisors	December 2016	Complete
IAA signed off by Administering Authorities	March 2017	Complete
Host Authority for Wales Pension Partnership appointed	June 2017	Complete
Establishment of Joint Governance Committee (JGC) and first formal JGC meeting held	June 2017	Complete

## Procurement Workstream

Action	Date (Due/Complete)	Status
Prior Information Notice (PIN) issued	August 2016	Complete
Engagement days held with the Officer Working Group and PIN respondents	September 2016	Complete
Procurement process agreed	October 2016	Complete
Operator Specification signed-off by Administering Authorities	February 2017	Complete
OJEU Notice and Selection Questionnaire (SQ) issued	March 2017	Complete
Scoring performed on Selection Questionnaire responses	July 2017	Complete
Invitation to Tender (ITT) and Operator Agreement issued	June 2017	Complete
Scoring performed on ITT responses	July-September 2017	Complete
Bidder presentations to verify scoring	August 2017	Complete
Operator evaluation completed	September 2017	Complete
Operator selection report drafted by officers and advisors	October 2017	Complete
Recommendation considered by JGC	November 2017	Not Yet Due
Administering Authorities approve operator selection and award notice issued	December 2017	Not Yet Due
FCA application for the establishment of the ACS drafted by the operator, with input from the Officer Working Group	December 2017	Not Yet Due
Operator Agreement finalised	January 2018	Not Yet Due

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## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 7 NOVEMBER 2017**

### **SUBJECT**

**DCLG AUTUMN REVIEW SUBMISSION**

### **RECOMMENDATIONS / KEY DECISIONS REQUIRED:**

**To note the DCLG Autumn Review Submission**

### **REASONS:**

Members of the committee to note the DCLG Autumn Review Submission

**Report Author:**  
**Chris Moore**

**Designation:**  
Director of Corporate Services  
  
**Carmarthenshire County  
Council**

**Tel No. 01267 224160**

**E. Mail:**  
**CMoore@carmarthenshire.gov.uk**

# **EXECUTIVE SUMMARY JOINT GOVERNANCE COMMITTEE**

**DATE 7 NOVEMBER 2017**

## **DCLG AUTUMN REVIEW SUBMISSION**

### **BRIEF SUMMARY OF PURPOSE OF REPORT**

The report includes:

- The estimated total value of assets included in the transition plan for investment through the pool structure
- The estimated total value of assets to be invested outside of the pool structure by participating funds
- An updated high level project plan to achieve delivery by April 2018 including progress with operator procurement/build, design of sub funds, recruitment of core team, appointment of depository and FCA authorization
- Any risks or issues which may delay delivery by April 2018, and any plans to mitigate risks and/or manage issues
- Progress with governance arrangements
- Progress on infrastructure investment and timetable to achieve stated ambition

**DETAILED REPORT ATTACHED?**

**YES**



## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal <b>NONE</b>	Finance <b>NONE</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>
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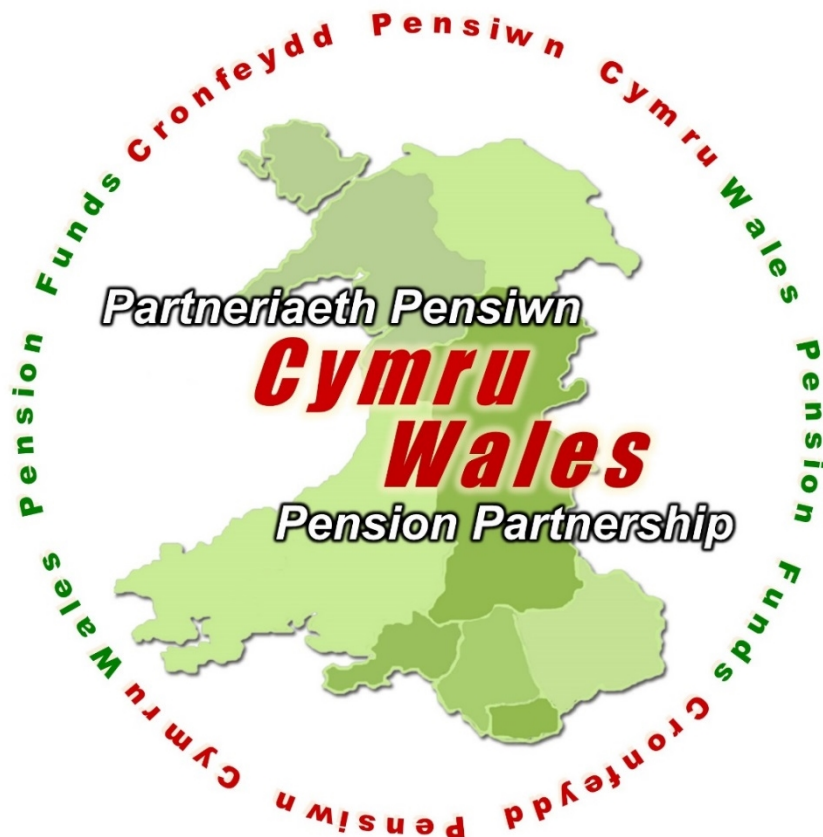
## CONSULTATIONS

Details of any consultations undertaken are to be included here

**Section 100D Local Government Act, 1972 – Access to Information**  
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**Wales Pension  
Partnership  
Local Government Pension Scheme Pooling:  
Progress Report - October 2017**

## **Pool: Wales**

**Date: 20 October 2017**

### **Criterion A: Scale**

#### **For pools in development**

- **Scale – please state the estimated total value of assets included in your transition plan for investment through the pool structure, with date of estimate**
- **Assets outside the pool - please state the estimated total value of assets to be invested outside of the pool structure by participating funds**

In our final submission to DCLG in July 2016, we stated that the ambition for the Wales Pool was to create appropriate vehicles for collective investment for all participating funds across all asset classes in time. We can confirm that remains our intention.

The total value of assets of the participating funds referred to in that proposal, valued as at March 2015, was £12.8bn. The total value of assets as at 30 June 2017 was £16.3bn.

There are a significant number of passively managed investments held by the funds in the form of insurance policies. We regard these assets as forming part of the Pool. The selection exercise for a single manager was carried out on a collective basis in order to derive maximum fee savings from the scale of assets, and the monitoring of the manager and any future retender will be the responsibility of the Joint Governance Committee (JGC). It may not be feasible for these investments to be transferred into the pooled vehicles managed by the third party operator as the individual funds will remain beneficiaries of the relevant policies and changing from a life policy vehicle may create additional tax-payer costs without any benefit to justify the change. However, the JGC will review the position on a regular basis.

The funds also have a number of illiquid investments with fixed term lives. It would be very costly to exit from such investments before the planned realisation of the underlying assets. The intention is that the operator will make available pooled vehicles to allow new commitments to be made on a collective basis to illiquid asset classes such as private equity and infrastructure. As the current illiquid investments mature and capital is returned to investors, they will be replaced by new commitments through the new pooled vehicles. These new investments will all form part of the Pool. The JGC may also explore the potential for the operator to carry out due diligence monitoring on the current illiquid investments until they mature.

In addition, the Clwyd Pension Fund has a Liability Matching mandate and a Managed Account Platform, comprising assets in total of approximately

£500m. Although the Clwyd Fund ISS states that it is committed to investing all assets through the Pool where pooling objectives are met, for these bespoke mandates, it will depend on the capabilities of the appointed operator to accommodate these mandates within the Pool.

### **Progress towards go live by April 2018**

- **please provide an updated high level project plan to achieve delivery by April 2018 including progress with operator procurement/build, design of sub funds, recruitment of core team, appointment of depository and FCA authorization**
- **please identify risks or issues which may delay delivery by April 2018, and any plans to mitigate risks and/or manage issues**

We remain on track to have the Wales Pool operational by April 2018. By end 2017 the operator will be appointed and the host authority / client side function in place to manage the operator contract. The application for FCA authorisation of an ACS for the sole use of the All Wales pool will be in train early in 2018 and in excess of £3bn of passive investments is already under pool governance ahead of the government target date of April 2018. The exact date of authorisation of the ACS will depend on turnaround time by the FCA.

As part of this update we have provided a high level summary of progress (appendices A).

### **Progress with operator procurement**

There was a high level of market interest with eight bidders submitting selection questionnaire responses. From this six bidders were invited to tender, with four actually tendering.

The evaluation process began mid-July with bidder clarification presentations taking place late August. In order to finalise the evaluation, further clarification responses were required resulting in an extension to the original evaluation timetable.

The tender evaluation was completed in September. An Operator selection report explaining the evaluation result has been drafted by the Officer Working Group and its legal advisors. This will be presented to the JGC at its next meeting. The final decision on the operator to be appointed is expected to be made by the JGC in November 2017. Individual Administering Authorities will then need to obtain their own local approval to accept the recommendation on operator appointment and enter into the contract. The formal contract is expected to be concluded mid-end December.

### **Recruitment of core team**

This is not applicable to the All Wales Pool since it will use a third party contractor to provide Operator Services.

However, recognising that this is a complex, high value contract it is important to have a “client side” function in place to manage the operator contract.

Carmarthenshire has assumed its responsibilities acting as the “host authority”. It will provide secretariat services and technical support to the Pool’s JGC and OWG. It will also provide the “client side” team dealing with the third party operator and ensuring the operator meets the performance requirements and service level standards specified in the contractual terms.

### **Design of sub-funds**

A provisional outline of the likely fund range was developed and shared with bidders to inform their tenders and allow for transparent assessment of likely set-up costs.

Under the operator contract, it is the responsibility of the operator to advise the Wales pool on the detail of the sub-funds to be made available in the first phase in 2018, including mandate specification and choice of the starting line up of investment managers. This will be the first task of the Operator upon appointment.

In order to accelerate this process, the officers of the administering authorities will commence work in November on sub-fund design and specification. This will enable the operator to hit the ground running and prepare the initial ACA authorisation application as soon as possible after its appointment. (The initial application for ACS authorisation can be submitted before all of the investment managers are confirmed by the operator.)

### **Appointment of depositary**

The contractor appointed as operator is responsible for appointment of a depositary and other service providers including investment managers.

### **FCA authorisation**

The contractor appointed as operator will be responsible for establishing and obtaining authorisation for an ACS for the sole use of the Wales Pool.

Applications by the operator to establish the ACS and first tranche of sub-funds are expected to be submitted as soon as possible after the appointment of the operator (see above). This is currently expected to be early 2018.

### **Transition of assets**

Detailed planning of the proposed transfers of assets into the pool will also begin once the operator appointment has been finalised in December.

### **Risks to delivery, risk mitigation and risk management**

This is a very complex project and the first procurement of services of this kind. The contract for operator services is a long term commitment with significant costs.

Our over-riding priority is to execute the procurement safely and well. We have therefore taken slightly longer than originally anticipated to define the service required, design and execute the procurement process and draft the supporting legal documentation.

However, our original plan contained contingency that means we are still on track to meet the government target date for implementation (see above).

Some risks to the delivery timescale include:

<b>Description of Risk</b>	<b>Wales Pool Response</b>	<b>Current status</b>
1. Risk of few suitable bidders or incomplete understanding of the required services.	This was dealt with by comprehensive engagement and dialogue with the market prior to commencement of the formal procurement process to: a) raise awareness of the procurement; b) understand capabilities of potential bidders; and c) share information on the requirements of the Funds in Wales.	This risk has been managed successfully and is now closed
2. Risk of delays in implementation due to local elections affecting the membership of the Joint Governance Committee.	This was mitigated by the Chairmen initially delegating authority to the Treasurers and Officer Working Group to proceed with the final stages of the procurement exercise during purdah. The JGC has met and is now well established.	This risk has been managed successfully and is now closed
3. Risk of challenge to the procurement process or outcome.	This is being mitigated by using external legal advisers (Burgess Salmon) with experience in fund management and procurement to design and manage the procurement and evaluation process and technical advice from external investment advisers (Hymans Robertson).	This risk remains open. Bidders not informed of tender outcome until late November at the earliest.
4. Risk of delays in individual authorities signing the contract with the successful bidder.	This is being mitigated by early engagement with monitoring officers. Officers and Treasurers will manage communication of tender outcome and local governance approvals to enter into	This risk remains open.

Description of Risk	Wales Pool Response	Current status
	contract.	
5. Risks of inadequate or poor planning.	This is being mitigated by professional external project management (Hymans Robertson)	This risk remains open.
6. Risk of delays in receiving FCA approval for the vehicle.	This will be mitigated by early work on the detailed specification of the fund and sub- fund requirements to enable applications to be submitted by the appointed operator as early as possible. Any bottlenecks at the FCA are beyond our control and we would welcome any assistance government can provide in this respect.	This risk remains open.
7. Risk of failure to resolve MiFID issues.	Following work by the LGA, the FCA issued revised guidance which should resolve this matter. Individual administering authorities need to opt up to professional status with their current Investment Managers and with the Operator company once appointed.	Risk now largely removed provided individual administering authorities follow the process to opt up.



## **Criterion B: Governance**

**For pools in development**

- **Progress with governance arrangements - please provide an updated high level project plan for the implementation of governance arrangements.**

### **Governance: Joint Governance Committee and Inter-Authority Agreement (IAA)**

The IAA took effect from June 2017 with the first meeting of the Chairs as a formal Joint Governance Committee taking place on 29 June.

Carmarthenshire took on the role of “host authority” with effect from June 2017, providing secretarial and technical support to the JGC, Treasurers and OWG. The host authority will also be responsible for contract management. Recruitment of staff is underway.

## **Criterion C: Reduced costs and value for money**

- **Update on costs estimates – please state current high level estimates for implementation costs to date, by go live and following go live**
- **Update on annual savings estimates, including reductions in fees/mandates**
- **Plans for delivering savings – please set out your high level plan and timescales for delivering the annual savings above**
- **Plans for reporting including on fees and net performance in each listed asset class against an index**
- **Plans for how the pool will report publicly on a fully transparent basis – please confirm that the pool will adopt the Scheme Advisory Board Code of Transparency for reporting to participating funds**

Our estimates for the level of cost savings from investment manager fees which might be achieved over time remain as set out in our proposal from July 2016.

The estimates were made by considering each of the asset classes in which the participating funds were invested and using data provided by CEM Benchmarking to find the level of costs incurred by investments in those asset classes in the year to March 2015 (specified as the base year for comparison purposes). We then considered the level of savings which might be achievable within each asset class.

We would re-iterate that it is difficult at this stage to estimate fee savings with any degree of certainty as we do not know what fees will be obtained with investment managers nor how some of the alternative asset classes might best be accessed collectively.

The savings figures quoted in our July 2016 proposal were – as requested - based on asset values and asset allocations as at the base date of 31 March 2015. The estimates were as follows:

<b>Three year period ending</b>	<b>Annual savings achieved</b>
March 2021	£8.4m
March 2024	£9.8m
March 2027	£11.3m
March 2030	£12.5m
March 2033	£12.5m

Total assets across the participating funds were £16.3bn at 30 June 2017, so savings may be higher than the figures quoted above. The timescales within which the savings are likely to accrue – in terms of the three year periods defined previously - are unchanged.

As the process of establishing the pooling arrangements continues, there is more clarity on the total set-up costs likely to be incurred. The operator services that we are putting in place are a new form of arrangement in the market place and the procurement process has been complex. However, we firmly believe that robust and detailed specification of the contract and assessment of the different potential providers are essential steps in ensuring benefits flow through as required.

In our July 2016 submission, we estimated that implementation costs in the region of £0.5-1m (over and above fees payable for operator services) would be incurred in the period to March 2018 and £50,000-350,000 in the three year period to March 2021.

It is now our expectation that costs in the set-up period to March 2018 may fall within a range of £1-1.5m, though costs in the subsequent period to March 2021 may be lower as more work is picked up by the operator. Additional costs incurred in setting up the pool are still relatively modest in comparison with the savings that will be delivered in the longer term.

In terms of reporting, we have included as part of the provider assessment a focus on applicants' ability to provide detailed reporting to meet the requirements of all participating funds and of the JGC. We are requiring full transparency on fees of all the underlying investment managers within the proposed vehicles and will expect these to be reported in a manner consistent with DCLG requirements.

CEM Benchmarking have also been formally appointed to provide reporting on costs incurred in the management of assets within the pool.

We can confirm that the pool will follow the SAB Code of Transparency in terms of its reporting to participating funds.

#### **Criterion D: Infrastructure**

- **Progress on infrastructure investment – please state your target allocation for infrastructure and committed funds at the pool level and/or across pools. Please also set out your plans for the platform/product/and/or external manager arrangements to achieve that target**
- **Timetable to achieve stated ambition - please provide a high level project plan for the implementation of the platform/product/and/or external manager arrangements described above**

Our position has not changed since July 2016. Our stated ambition in our proposal was – in the short to medium term - to have at least 5% of assets invested in infrastructure investments with a longer term aspiration set at 10% - subject to satisfactory investments being available.

At 30 June 2017, a total of £180m was either invested in infrastructure assets or formally committed to infrastructure funds, equivalent to circa 1.1% of pool assets, so the stated target represents a significant increase from the current position.

However, we also acknowledged in our original submission that allocations to infrastructure represent asset allocation decisions and are therefore the responsibility of individual funds rather than a collective decision for the Pool.

The most efficient way of accessing infrastructure investment suitable for LGPS fund liabilities may be through national vehicles developed for use by all of the pools.

We therefore continue to engage with and support the work of the cross party working group on infrastructure in order to ensure that we may benefit from any national initiatives which may emerge in the future.

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## Officers Working Group (OWG) Meeting

28 July 2017 12.40 – 15.30

County Hall, Cardiff

### Briefing Note for the JGC

#### Present:

Chris Moore (CM), Carmarthenshire (CCC)  
Dafydd Edwards (DE), Gwynedd  
Christine Salter (CS), Cardiff  
Gary Watkins (GW), Cardiff  
Chris Lee (CL), RCT  
Yvonne Keitch (YK), RCT  
Karen Cobb (KC), Swansea

Nigel Aurelius (NA), Torfaen  
Graeme Russell (GR), Torfaen  
David Powell (DP), Powys  
Joe Rollin (JR), Powys  
Phil Latham (PL), Flintshire  
Debbie Fielder (DF), Flintshire

#### Other Attendees:

Tracey Williams (TW) (Carmarthenshire - Minute taker)

#### Apologies for Absence:

Anthony Parnell (AP), Carmarthenshire  
Ben Smith (BS), Swansea  
Jeff Dong (JD), Swansea  
Caroline Roberts (CR), Gwynedd  
Gareth Henson (GH), Cardiff  
Paul Rowles (PR), Torfaen  
Barrie Davies (BD), RCT  
Dan Paley (DP), Powys

### **1. Operator Agreement and Tender Process**

Andrew Johnson, Hymans dialled in to give an update on the process:

- 4 tender responses received for the operator contract
- Evaluations will be completed by 8 August and a shortlist to be agreed by 10 August
- Bidder presentations to take place on 23/24 August
- Decision on the operator to be presented to the JGC on 18 September
- Individual constituent authorities to consider the decision by 3 October
- Issue Award notice to preferred bidder on 4 October

### **2. Host Authority**

New job vacancies will be advertised shortly.

### **3. Joint Governance Committee (JGC)**

Next JGC meeting to be held at Carmarthen on 18 September 2017.

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## Officers Working Group (OWG) Meeting

04 September 2017 11.35 – 13.15

County Hall, Cardiff

### Briefing Note for the JGC

#### Present:

Chris Lee (CL), RCT  
Anthony Parnell (AP), Carmarthenshire  
Nigel Aurelius (NA), Torfaen  
Paul Rowles (PR), Torfaen  
Gary Watkins (GW), Cardiff

Dan Paley (DP), Powys  
Phil Latham (PL), Flintshire  
Barrie Davies (BD), RCT  
Yvonne Keitch (YK), RCT

#### Dialled in:

Chris Moore (CM), Carmarthenshire (CCC)  
Dafydd Edwards (DE), Gwynedd  
Jeff Dong (JD), Swansea  
Caroline Roberts (CR), Gwynedd  
John Wright (JW), Hymans  
Andrew Johnston (AJ), Hymans

#### Other Attendees:

Tracey Williams (TW) (Carmarthenshire - Minute taker)

#### Apologies for Absence

Ben Smith (BS), Swansea  
Karen Cobb (KC), Swansea  
Graeme Russell (GR), Torfaen  
Debbie Fielder (DF), Flintshire

Christine Salter (CS), Cardiff  
Gareth Henson (GH), Cardiff  
David Powell (DP), Powys  
Joe Rollin (JR), Powys

### **1. Operator Agreement and Tender Process**

John Wright and Andrew Johnston, Hymans dialled in to give an update on the process:

- Evaluation of the 4 bidders has been completed
- Clarification questions been sent to one of the bidders and we are awaiting a response
- Burges Salmon to provide advice regarding one of the bidder's models

### **2. Sub Funds**

A short proposal has been provided by Hymans. The proposal is currently being looked at and the officers are due to meet to discuss.

### **3. MIFID II**

Delegated authorities need to sign off all opt up letters with the committee's approval and will require LEI registration.

### **4. DCLG Spring Progress Review**

Letter to be sent to DCLG by 20 October 2017

### **5. Joint Governance Committee (JGC)**

Next JGC meeting will be held at Carmarthen on 7 November 2017



# Agenda Item 8

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

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