

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Wednesday, 28 March 2018

PRESENT: Councillor S. Churchman - Gwynedd County Council (Chair)

Councillors:

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

The following Officers were in attendance:

C. Moore, Director of Corporate Services CCC
L.R. Jones, Head of Administration and Law - CCC
D. Edwards, Director of Finance - GCC
P. Latham, Clwyd Pension Fund Manager - FCC
C. Lee, Director Corporate and Frontline Services - RCTCBC
J. Dong, Chief Treasury & Technical Officer - C&CS
C. Salter, Corporate Director Resources - CofC
A. Parnell, Treasury & Pensions Investments Manager - CCC
D. Fielder, Pensions Finance Manager - FCC
D. Paley, Financial Reporting and Policy Accountant - PCC
G. Morgan, Head of Democratic Services - CCC

Also present:-

Denise Jones – Head of Change Management of Link Asset Services;
Peter Hugh Smith - Managing Director - Link Asset Services;
Sasha Mandich - Director, Russell Investments;
John Wright – Hymans Robertson.

Present as an observer:-

Mr Colin Everret, Chief Executive of Flintshire County Council.

COUNCIL CHAMBER, COUNTY HALL, MOLD CH7 6NA- 10.00 - 11.45 am

1. APOLOGIES FOR ABSENCE

An Apology for absence was received from Mr Graeme Russell, Head of Pensions, Torfaen County Borough Council.

2. DECLARATIONS OF INTEREST

Councillor	Nature of Personal Interest
G. Caron	Member of the Greater Gwent (Torfaen) Pension Fund;
S. Churchman	Member of the Gwynedd Pension Fund;
D. Hughes	Member of the Clwyd Pension Fund;
P. Lewis	Member of the Powys Fund;
C. Lloyd	Member of the City and County of Swansea Pension Fund;
M. Norris	Member of the Rhondda Cynon Taf 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 7TH NOVEMBER 2017

UNANIMOUSLY RESOLVED that the minutes of the meeting held on the 7th November, 2017 be signed as a correct record.

4. PRESENTATION BY LINK ON MILESTONES AND PROGRESS UPDATE

The Chair welcomed Denise Jones – Head of Change Management of Link Asset Services to provide a presentation on Key Milestones and Progress in respect of the sub-funds.

Ms Jones provided the Committee with a list of provisional dates for the key milestones for the establishment of the Partnership's sub funds. These funds would meet the needs of the investing authorities, enabling them to execute their differing asset allocation strategies. It was reported that the date of agreement for the initial sub fund, scheduled for the 28th March 2018, had been delayed and it was anticipated that this would now be presented alongside approval of the fund prospectus, at an additional meeting of the Committee to be arranged in May 2018. Link would continue discussions with the Investment Managers and it was now proposed that the FCA submission would be submitted by the 31st May 2018, with the Fund launch in September/October 2018.

Ms Jones advised that alongside the initial sub fund, Link would progress Tranche 2 and Tranche 3 sub funds, both of which were currently scheduled to launch in November 2018 and February 2019 respectively.

In referring to her presentation, Ms Jones advised that in terms of progress to date, the initial fund submission proposal had been considered by the Officers Working Group (OWG) in February 2018 with an initial proposal for a Global + Regional fund and also an additional option for a Global only fund. Having considered the feedback received from the OWG, Link had presented 5 revised options to the Group in March 2018. The final proposals discussed with the Treasurers of the 8 Authorities provided two proposals namely:-

- Option 1a, - 2 existing and 1 new manager – Link to appoint managers (Global Core Fund)
- Option 4a, 7 new managers (5 Global and 2 Regional) –Russell to be appointed as the primary manager in the prospectus and delegate to the other 7 managers.

Mr Chris Lee suggested that, for clarification purposes, the two proposals put forward should be regarded as High Alpha Global proposals.

Mr Dafydd Edwards advised that the original timetable produced by Link had been revised in order to ensure that the proposals were more comprehensive, this would allow the Committee Members and officers to have all relevant information and sufficient time to report back and discuss the proposals with their respective funds.

In terms of other progress, the Committee was advised that Link had engaged with the three investment Managers on the first sub fund and due diligence meetings had been scheduled. In addition the draft prospectus had been completed and forwarded to Burges Salmon for review and comment, and following further input from Eversheds the prospectus would then be discussed by the Committee. In addition, Link and Russell Investments had held briefing sessions with all 8 Constituent Pension Fund Committees.

In conclusion, the Committee was advised of the next steps in the process, as detailed within the presentation, and offered the opportunity of asking questions, following which, the Chair thanked Ms Jones for her attendance.

UNANIMOUSLY RESOLVED that the presentation be received.

5. WALES PENSION PARTNERSHIP BUDGET

Mr Chris Moore the Committee's Section 151 Officer, briefed the Committee on the Wales Pension Partnership budget. He advised that as the Pooling arrangements were in their infancy, the budget had been based on educated estimates for the next 3 years and these could change based on the fund workflow and Committee requirements.

The Committee noted that the forecasted actuals for 2017/18 were lower than that of future years and this was due to the fact that partnership arrangements were still being developed. The majority of the Host Authority function had now been established with further work required on website development and a final staffing structure. The cost of the Host Authority budget would be shared between the 8 constituent authorities.

In terms of the Operator and other Services Budget, actual expenditure for this element of the budget was dependent on the transfer of assets and management fees.

UNANIMOUSLY RESOLVED

- 1. That the current budget position for 2017 – 18 be noted**
- 2. That the revised budgets for 2018-19 and 2019-20 be approved**
- 3. That the budget for 2020-2021 be approved.**

6. HOST AUTHORITY UPDATE

Mr Anthony Parnell provided the Committee with the following update on the host authority responsibilities.

- Staffing – The Senior Financial Services Officer had been appointed and had commenced in post in January 2018
- Communications – Work had commenced on the Wales Pension Partnership Website and three quotations had been received from software providers which would be evaluated shortly. A bilingual newsletter was currently being developed and would be published on a bi-monthly basis, with the first edition being available in April or May 2018.
- Governance – Arrangements were currently working well at both Joint Committee and Officer level. Officers from the constituent authorities were also sitting on sub groups, to contribute to the transitional work required and discussions had commenced with the Wales Audit Office, to ascertain whether all information requests in respect of the Pension Partnership could be sourced from the Host Authority.
- Reporting - Regular discussions were held with Link and Northern Trust, which allowed Russell Investments to agree a way forward for reporting. Managers were also liaising with a CIPFA reporting group.

The Committee was informed that the Host Authority was also investigating whether it would be beneficial to appoint an independent advisor to the Committee.

A question was asked whether responsible investments would be discussed by the Joint Committee. Mr Parnell advised that at the present time, a cross pool responsible investment sub pool had been established incorporating officers from all the 6 pooling arrangements, it was hoped that this process would achieve a consensus on the best way forward in terms of these investments.

UNANIMOUSLY RESOLVED that the update be received.

7. NOTES OF THE OFFICER WORKING GROUP MEETINGS HELD ON THE FOLLOWING DATES:-

7.1. 1ST DECEMBER 2017

UNANIMOUSLY RESOLVED that the notes of the meeting of the Officer Working Group held on the 1st December 2017 be received.

7.2. 20TH DECEMBER 2017

UNANIMOUSLY RESOLVED that the notes of the meeting of the Officer Working Group held on the 20th December 2017 be received.

7.3. 26TH FEBRUARY 2018

UNANIMOUSLY RESOLVED that the notes of the meeting of the Officer Working Group held on the 26th February 2018 be received.

8. 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.

9. PRESENTATION BY LINK / RUSSELL ON GLOBAL EQUITY SUB FUND

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in minute number 10 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 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 received a presentation from Peter Hugh Smith - Managing Director, Link Asset Services and Sasha Mandich - Director, Russell Investments.

The representatives presented an overview of the operation, investments and expertise of both companies on a world-wide basis together with the approach to be adopted on the establishment of Global Equity Sub Funds, the process for appointment of sub fund managers, and the potential impact and savings to be generated from pooled funds.

UNANIMOUSLY RESOLVED that the presentation be received and the proposals be accepted in principle with a further report to the Joint Governance Committee in due course.

CHAIR

DATE