

WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Thursday, 10 December 2020

PRESENT: Councillor G. Caron (Chair)

Councillors:

P. Lewis, C. Lloyd, M. Norris, T. Palmer, J. Pughe 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)
N. Aurelius, Assistant Chief Executive - Resources (TCC)
B. Davies, Director of Financial Services (RCT)J. Dong, Deputy S151 Officer/ Chief
Finance Officer (C&CS)
D. Edwards, Chief Finance Officer (GCC)
C. Hurst, Pension Fund Manager (PCC)
C. Lee, Corporate Director of Resources (CoC)
D. Fielder, Deputy Head Clwyd Pension Fund (FCC)
A. Parnell, Treasury & Pension Investments Manager (CCC)
T. Williams, Senior Financial Services Officer (CCC)
M. Evans Thomas, Principal Democratic Services Officer (CCC)
J. Laimann, Assistant Democratic Services Officer (CCC)

Also present as observers:

D. Jones-Thomas, Investment Manager (GCC)
Y. Keitch, Principal Accountant (RCT)
K. Cobb, Senior Accountant (C&CS)
A. Bull, Pensions Investment Manager (TCC)

Also present:

A. Tookey, Link Fund Solutions
R. Thornton, Link Fund Solutions
K. Midl, Link Fund Solutions
J. Leggate, Russell Investments
S. Mandich, Russell Investments
T. Paik, Russell Investments
F. Hope, Hymans Robertson
J. Wright, Hymans Robertson
C. Manser, BlackRock
J. Tait, BlackRock
K. Haynes, BlackRock

Remote attendance - 10.25 am - 12.35 pm



1. APOLOGIES FOR ABSENCE AND OTHER MATTERS

Apologies for absence were received from Cllr. Peredur Jenkins.

The Joint Governance Committee was advised that Cllr. John Pughe Roberts had been replaced by Cllr. Peredur Jenkins and thanked Cllr. Pughe Roberts for his contributions. As Cllr. Jenkins had sent his apologies for today's meeting, Cllr. Pughe Roberts was attending the meeting as his deputy.

The Joint Committee welcomed Cllr. Ted Palmer to his first Joint Governance Committee meeting. The Chair advised that Cllr. Palmer had joined the Joint Governance Committee earlier this year but was unable to attend the last meeting.

The Chair extended congratulation to everybody involved with the Wales Pension Partnership for winning the LAFP Investment Innovation Award 2020, which recognised that the WPP made a significant step in innovation, adopting an "Enhanced Portfolio Implementation" (EPI) framework within its equity funds.

2. DECLARATIONS OF INTEREST

G. Caron	Member of the Greater Gwent Pension Fund; Wife is deferred member of the Greater Gwent Pension Fund; Son-in-law is member of the Greater Gwent Pension Fund
P. Lewis	Member of the Powys Pension Fund
C. Lloyd	Member of the City & 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 11 SEPTEMBER 2020

RESOLVED that the minutes of the Joint Governance Committee meeting held on 11th September 2020 be signed as a correct record.

4. HOST AUTHORITY UPDATE

The Joint Committee received a progress update in relation to the following key areas:

- Governance;



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

In response to a query, the Joint Committee was advised that initial discussions regarding the review of the Operator's contract had been undertaken and a timeline would be provided at the next meeting.

RESOLVED that the Host Authority update be received.

5. RISK REGISTER Q4 2020 REVIEW

The Joint Committee received a report on the Q4 Risk Register Review. It was advised that the initial Risk Register had been approved by the JGC on 17 July 2020 and a Risk Register subgroup of the OWG was reviewing the Risk Register on a quarterly basis. Key changes identified in the first review were relating primarily to the Investment and Performance section.

In response to a query on Operator services (Risk G.12), the Joint Committee was advised that initial discussions suggested the risk was not material to the WPP and further updates would be provided.

RESOLVED that the amendments to the Risk Register be approved.

6. ANNUAL POLICY REVIEWS

The Joint Committee received a report on the Annual Policy Reviews of the Beliefs Statement and Governance Matrix. It was advised that the existing Beliefs Statement and Governance Matrix had been approved in December 2019. The OWG had undertaken an annual review of these policies and amendments had been made.

RESOLVED that the updated Beliefs Statement and Governance Matrix be approved.

7. RI POLICY REVIEW AND ANNUAL PROGRESS UPDATE

The Joint Committee received a report on the Responsible Investment Policy Review and Annual Progress Update. It was advised that the Responsible Investment (RI) Policy had been approved in September 2019. The OWG had undertaken an annual review of the RI policy and amendments had been made to reflect the developments over the last 12 months.

The RI Policy was appended with an annual progress update, which provided a detailed assessment of the progress made in several key areas, including Climate Risk, Voting and Engagement, Training and Consultation, the formulation of the RI Sub-Group and the RI work plan for the next 12 months.



A suggestion was made that it may be beneficial to have political representation on the Sub-Group. The Joint Committee Section 151 Officer advised that it may be possible to consider putting Lead members in place for particular areas of work who could be consulted on dedicated service areas, however this would require further consideration.

RESOLVED to

- 7.1. Approve the updated Responsible Investment Policy;**
- 7.2. Note the Annual Progress Update, including the establishment of the WPP Responsible Investment Sub-Group.**

8. TRAINING POLICY

The Joint Committee received a report on the Training Policy. The policy outlined the strategy put in place to ensure Members and officers had the required knowledge base to fulfil their roles and make informed decisions. The policy applied to WPP Personnel, including the Host Authority, Members of the JGC and officers of the OWG but invitations to training events could also be extended to Constituent Authority Pension Committee Members as well as Pension Board Representatives.

The Joint Committee was advised that the Training Policy was designed to supplement existing Constituent Authority training documentation but did not replace local level training policies and plans. Local level training needs would continue to be addressed by the Constituent Authorities while the WPP will offer training that is relevant to the WPP's pooling activities

The Policy would be reviewed on an annual basis. Also, on an annual basis, the WPP would prepare and publish an Annual Training Plan which would outline the training topics for the next twelve months and provide a summary report of training completed during the previous 12 months.

RESOLVED to approve the Training Policy.

9. VOTING POLICY

The Joint Committee received a report on the Voting Policy. It was advised that Robeco had been appointed as the WPP's Voting and Engagement Service provider in March 2020. Following adoption by the JGC, Robeco's voting policy could be developed and tailored specifically to the WPP and its Constituent Authorities over the next 12 months.

In response to a query on potential conflicts with LAPFF voting alerts, Members were advised that the RI subgroup had identified potential for conflict in very limited circumstances and Robeco would draw any disparities to the WPP's attention.

RESOLVED to approve the Voting Policy.



10. SCHEME MEMBER REPRESENTATION

The Joint Committee considered a report on Scheme Member Representation. It was advised that the JGC was a joint committee constituted under the Local Government Act 1972 and therefore Member Representatives could only join the JGC as co-opted Members in a non-voting capacity. To allow this to happen, the IAA would need to be amended and the amendments would need to be taken to all eight constituent authorities for approval. The OWG could prepare a person specification and selection process to ensure that the nominated person had the appropriate knowledge and experience to carry out the role

RESOLVED to

- 10.1. Approve that there is provision for a co-opted (non-voting) pension board scheme member representative on the Joint Governance Committee (JGC);**
- 10.2. Approve that each Constituent Authority is asked to confirm the inclusion of the co-opted scheme member representative on the JGC and that the necessary amendments be made to the Inter Authority Agreement (IAA);**
- 10.3. Agree that the Officers Working Group prepares a person specification and selection process to be presented at a future JGC for formal approval.**

11. OPERATOR UPDATE

The Joint Committee received a presentation on the progress of the Wales Pension Partnership in relation to the following key areas:

- Current Fund Holdings;
- Fund Launch Progress;
- Corporate Update and Engagement.

The Joint Committee noted that the Fixed Income sub fund launch had been completed. With regard to the Emerging Markets sub fund, the launch date was expected to be deferred to July 2021 due to detailed Depositary work around the carbon overlay model.

RESOLVED that the Operator Update be received.

12. PERFORMANCE REPORTS AS AT 30 SEPTEMBER 2020

The Joint Committee received a presentation on the Performance Reports as at 30 September 2020. It noted a correction on the published Executive Summary (p.112-113), which showed an underperformance for the UK Opportunities Fund. The brackets around the Excess Return figure should be removed, resulting in an outperformance of 1.33% gross and 0.95% net.

Other sub funds had outperformed/underperformed their respective benchmarks, as follows:

- Global Opportunities outperformed by 0.43% gross / 0.06% net;



- Global Growth outperformed by 0.22% gross / underperformed by 0.22% net;
- Global Government Bond underperformed by 0.33% gross / 0.30% net;
- Global Credit underperformed by 0.01% gross / 0.03% net;
- Multi Asset Credit underperformed by 0.77% gross / 0.83% net;
- UK Credit underperformed by 2.77% gross / 2.79% net.

RESOLVED that the Performance Reports of the following sub-funds as at 30 September 2020 be approved:

- 12.1. Global Opportunities Equity Fund;
- 12.2. Global Growth Equity Fund;
- 12.3. UK Opportunities Equity Fund;
- 12.4. Global Government Bond Fund;
- 12.5. Global Credit Fund;
- 12.6. Multi Asset Credit Fund;
- 12.7. UK Credit Fund.

13. EXCLUSION OF THE PUBLIC

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 reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

14. GLOBAL SECURITIES LENDING REPORT AS AT 30 SEPTEMBER 2020

Following the application of the public interest test it was RESOLVED, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would adversely impact on the WPP by prejudicing negotiations.

The Joint Committee received a report on Global Securities Lending.

RESOLVED that the Global Securities Lending Review as at 30 September 2020 be noted.

15. LEGAL ADVISOR CONTRACT

Following the application of the public interest test it was RESOLVED, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would adversely impact on the WPP by undermining the procurement process prior to the formal award of the contract following the end of the statutory standstill period.

The Joint Committee received a report on the Legal Advisor Contract.

RESOLVED to appoint bidder 1 as the preferred bidder for the Wales Pension Partnership Legal Services Provider, subject to the completion of



the standstill period and the finalisation of the Legal Services Provider Contract.

16. FIXED INCOME POST TRADE TRANSITION REPORT

Following the application of the public interest test it was **RESOLVED**, pursuant to the Act referred to in Minute 13 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would adversely impact on the WPP by undermining the commercial position of fund managers.

The Joint Committee considered a report on the Fixed Income Trade Transition.

RESOLVED that the Fixed Income Post Transition Analysis Report be received.

CHAIR

DATE

