WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Friday, 20 September 2019

PRESENT: Councillor P. Lewis (Chair)

Councillors:
G. Caron, C. Lloyd, M. Norris, J.Pughe Roberts, A. Shotton, 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, Chief Treasury & Technical Officer (C&CS)
D. Edwards, Head of Finance (GCC)
C. Hurst, Pension Fund Manager (PCC)
D. Fielder, Deputy Head of Pensions (FCC)
C. Lee, Corporate Director of Resources (CoC)
J. Thomas, Head of Financial Services (PCC)
A. Parnell, Treasury & Pension Investments Manager (CCC)
D. Jones-Thomas, Pensions & Investment Accountant (GCC)
Y. Keitch, Principal Accountant (RCT)
K. Cobb, Senior Accountant (C&CS)
T. Williams, Senior Financial Services Officer (CCC)
J. Laimann, Assistant Democratic Services Officer (CCC)

Also present:
Eamonn Gough, Link Asset Services
Denise Jones, Link Asset Services
Karl Midl, Link Asset Services
Jim Leggate, Russell Investments
Sasha Mandich, Russell Investments
John Wright, Hymans Robertson
Fraser Hope, Hymans Robertson

Council Chamber - Torfaen Council, Civic Centre, Pontypool. 10.00 - 11.00 am

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

The Chair welcomed Councillor Aaron Shotton (FCC) to the meeting.

The Chair extended congratulations to the Dyfed Pension Fund and the City and Council of Swansea Pension Fund for winning awards at the 2019 LAPF Investment Awards on the 19th September 2019. The chair also congratulated all involved with the Wales Pension Partnership (WPP) as the WPP was highly commended for the Pool of the Year award.

2. DECLARATIONS OF INTEREST

G. Caron	Member of Greater Gwent Pension Fund; Wife is deferred member of Greater Gwent Pension Fund; Son-in-law is member of Greater Gwent Pension Fund
P. Lewis	Member of Powys Pension Fund;
C. Lloyd	Member of City and County of Swansea Pension Fund; Father is member of City and County of Swansea Pension Fund
M. Norris	Member of Rhondda Cynon Taf Pension Fund;
J. Pugh Roberts	Member of Gwynedd Pension Fund;
A. Shotton	Member of Clwyd Pension Fund Wife is member of Clwyd Pension Fund
E. Williams	Member of 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 28TH JUNE 2019

RESOLVED that the minutes of the Joint Governance Committee meeting held on 28 June 2019 be signed as a correct record.

4. HOST AUTHORITY UPDATE

Mr Parnell provided the Committee with an update on the following key areas:

Governance – A Beliefs, Policies & Governance workshop would be held after today's meeting.

Online reporting – An online reporting portal had been launched where constituent authorities could access their individual fund's monthly reports.

Fixed Income Transition Management – Hymans had been appointed as the Fixed Income Transition Management Oversight Advisor. Hymans was working in cooperation with Link and the Host Authority on the appointment of a Fixed Income Transition Manager and the process was expected to be completed before Christmas.

Website – The bilingual Wales Pension Partnership website was fully functional and a demonstration would follow today's meeting. The website would then be going live the following week.

Communications and training – A communications policy was being developed in cooperation with Hymans. More information would be available at the next Joint Governance Committee (JGC) meeting in December.

MHCLG update – an update was in the process of being drafted by the Host Authority.

Workplan – the workplan was being reviewed on a quarterly basis.

RESOLVED that the host authority presentation be received.

5. AUDITED ANNUAL RETURN AND AUDIT REPORT 2018/19

The Joint Committee considered the Audited Annual Return and Audit Report 2018/19. The JGC Section 151 Officer advised that the Joint Committee had considered the unaudited Statement at its previous meeting in June and had delegated formal approval of the Audited Statement to Carmarthenshire County Council's Audit Committee for 2018/19. The report had been approved by the Audit Committee and was provided to the JGC for information only. It was expected that a full Statement of Accounts would have to be provided next year and this would be brought to the JGC for formal approval.

In response to a query, the Section 151 Officer advised that the Wales Audit Office had recommended that transition costs be disclosed in a consistent manner across individual pension fund accounts and the recommendation was for this to be addressed by the Officer Working Group. The Section 151 Officer advised that this would be built in to the OWG agenda to ensure a consistent approach in accounting practices across all of Wales.

RESOLVED that the Audited Annual Return and Audit Report be received.

6. RESPONSIBLE INVESTMENT POLICY

The Joint Committee received a presentation on the WPP Responsible Investment Policy. The Joint Committee was advised that the Policy had been developed in consultation with the constituent authorities on the basis of the responsible investment principles approved at the JGC meeting in June. The Policy had been found to be fully implementable and would be reviewed on an annual basis.

In response to a query regarding the appointment of a single engagement provider and a proxy voting agent, the Joint Committee was advised that the proposal would be discussed at the next Officer Working Group meeting and a voting policy would be developed in consultation with the appointed proxy voting adviser.

In response to a query on communications, the Joint Committee was advised that the Responsible Investment Policy would be published bilingually on the WPP website. It was suggested that the Policy could be promoted through a press release.

RESOLVED that

6.1. The Responsible Investment Policy be approved;

6.2. A press release on the Responsible Investment Policy be prepared by the Host Authority.

7. PENSION BOARD CHAIRS ENGAGEMENT

The Joint Committee considered a proposal on the engagement of pension board chairs. Following a positively received Pension Board Engagement Day on 2 April 2019, it had been suggested that six-monthly Pension Board Chair Engagement Days could provide an effective forum for facilitating dialogue with the chairs and wider membership of the eight local pension boards. The proposal could present an alternative to scheme member representation on the JGC and, if approved, would form part of the WPP governance structure. It was further suggested that engagement days could be attended by pension board chairs or nominated substitutes as appropriate.

In response to a query on union / employee representation at the JGC, the Joint Committee was advised that the Inter-Authority Agreement currently limited membership of the JGC to one elected member from each constituent authority. The JGC could discuss representation of co-opted members however the Inter-Authority Agreement could only be amended with the approval from all eight constituent authorities. There would also be a need to check whether legislation allows for them to be a voting member on the committee. The Joint Committee was further advised that current working relationships with the pension boards were positive and union representatives were able to attend Pension Board Chairs Engagement meetings as board representatives.

Representatives from Hymans further advised that the Scheme Advisory Board had appointed Hymans to carry out a review of governance structures in the Local Government Pension Scheme earlier this year – The Good Governance Project. The review had identified a desire among different stakeholders for greater employee representation, however the review had been tailored to local pension funds rather than pools.

It was suggested that the subject of scheme member representation be brought back to the JGC early in the new year following the results of the good governance survey, advise from the Scheme Advisory Board and consideration within the individual funds.

RESOLVED that

7.1. Six-monthly Pension Board Chair Engagement Days be adopted as part of the WPP governance structure;

7.2. The subject of co-opted representation on the JGC be re-visited at a JGC meeting in the new year.

8. LINK / RUSSELL UPDATE

The Joint Committee received a presentation from Link and Russell on the progress of the WPP. The Joint Committee was advised that the assets under the Global Opportunities and Global Growth funds (Tranche 1) launched January 2019 were continuing to grow and the UK Opportunities fund (Tranche 2) would be launched on 23 September 2019. Plans to launch the European Equities sub-fund had been put on hold due to a strategy change. With regard to Fixed Income (Tranche 3), the additional UK Credit fund would be considered for approval by the Joint Committee at today's meeting. Hymans had been appointed the Transition Management Advisor and they were working closely with Link to agree the RFP

which will be sent to five potential Transition Managers. The launch of all five sub funds was targeted for December 2019 however this was contingent on the prospectus being submitted to the FCA by 24 October 2019. A subgroup of the Officer Working Group (OWG) was developing a proposal regarding Private Markets (Tranche 4).

With regard to the Engagement Protocol, recent key events included yesterday's Annual Shareholder Day in Cardiff which afforded the opportunity for dialogue with Global Equity fund investment managers. Representatives from Link and Russell had attended the Dyfed Pension Fund Committee earlier this week and would visit various other individual fund committees over the next few months.

RESOLVED that the Link / Russell update be received.

9. PERFORMANCE REPORTS AS AT 30 JUNE 2019

The Joint Committee received a presentation on the performance reports for the Global Growth Fund and the Global Opportunities Fund as at 30 June 2019. The Joint Committee was advised that, over the last quarter, the Global Growth Fund had increased in value by around 6% from £2.08bn to £2.2bn and the Global Opportunities Fund by around 7% from £1.97bn to £2.11bn. Compared to respective benchmarks, the Global Growth Fund had slightly underperformed while the Global Opportunities Fund had outperformed projected growth in market value over the last quarter.

In response to a query, the Joint Committee was advised that exchange rate fluctuations had only a limited influence on performance compared to benchmark but could have a more significant impact on total returns. A more detailed analysis of the contribution of exchange rate fluctuations would be circulated to the Joint Committee.

RESOLVED that the presentation on the performance of the Global Growth Fund and the Global Opportunities Fund be received.

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

11. FIXED INCOME UK CREDIT SUB-FUND

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 10 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Wales Pension Partnership.

The Joint Committee received a presentation on the Fixed Income UK Credit Sub Fund.

RESOLVED that

11.1 The launch of the UK Active Credit sub-fund be approved;

11.2 iBOXX £ Non-Gilts All Maturities be adopted as the sub-fund's benchmark;

11.3 Fidelity Investments be approved as the manager of the sub-fund;

11.4 The effective asset management fee of 0.09% p.a charged by the manager be approved.

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CHAIR **DATE**