

Pwyllgor Pensiynau a Buddsoddi

Man Cyfarfod
**Ystafell Bwyllgor A - Neuadd y Sir,
Llandrindod, Powys**

Dyddiad y Cyfarfod
Dydd Llun, 1 Gorffennaf 2019

Amser y Cyfarfod
10.00 am



Neuadd Y Sir
Llandrindod
Powys
LD1 5LG

I gael rhagor o wybodaeth cysylltwch â
Carol Johnson
01597 826206
carol.johnson@powys.gov.uk

Mae croeso i'r rhai sy'n cymryd rhan ddefnyddio'r Gymraeg. Os hoffech chi siarad Cymraeg yn y cyfarfod, gofynnwn i chi roi gwybod i ni erbyn hanner dydd ddau ddiwrnod cyn y cyfarfod

AGENDA

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| 1. | YMDDIHEURIADAU |
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Derbyn ymddiheuriadau am absenoldeb.

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| 2. | DATGANIADAU O DDIDDORDEB |
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Derbyn unrhyw ddatganiadau o ddiddordeb gan Aelodau yn ymwneud ag eitemau i'w hystyried ar yr Agenda.

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| 3. | COFNODION |
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Awdurdodi'r Cadeirydd i lofnodi cofnodion y cyfarfodydd a gynhaliwyd ar 8 Mawrth, 2019, 16 Mai, 2019 a 21 Mehefin, 2019 fel cofnodion cywir.
(Tudalennau 1 - 8)

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| 4. | COFNODION Y BWRDD PENSIYNAU |
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Ystyried adroddiad gan Gadeirydd Bwrdd Pensiynau Powys am y cyfarfod Bwrdd a gynhaliwyd ar 3 Ebrill, 2019 ac i nodi'r cofnodion drafft.
(Tudalennau 9 - 18)

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| 5. | CORFF DERBYN NEWYDD - |
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5.1. **Adapt Business Services Limited**
Ystyried adroddiad y Pennaeth Cyllid.
(Tudalennau 19 - 20)

5.2. **Just Perfect Catering Limited**
Ystyried adroddiad y Pennaeth Cyllid.
(Tudalennau 21 - 22)

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| 6. | ADRODDIAD TORRI AMODAU |
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Ystyried yr adroddiad.
(Tudalennau 23 - 26)

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| 7. | ADRODDIAD A CHYFRIFON BLYNYDDOL DRAFFT Y GRONFA BENSIWN 2018/19 |
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I nodi'r adroddiad.
(Tudalennau 27 - 28)

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| 8. | DIWEDDARIAD PARTNERIAETH PENSIWN CYMRU [WPP] |
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Derbyn adroddiadau ynglyn a'r WPP.
(Tudalennau 29 - 56)

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| 9. | EITEM EITHRIEDIG |
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Mae'r Swyddog Monitro wedi penderfynu bod yr eitemau canlynol yn destun categori 3, Rheolau Trefn Mynediad at Wybodaeth. Ei farn o ran prawf lles y cyhoedd (wedi ystyried darpariaethau Rheol 11.8, Rheolau Mynediad at Wybodaeth y Cyngor), oedd y byddai gwneud y wybodaeth hon yn gyhoeddus yn datgelu gwybodaeth ynghylch materion ariannol neu fusnes unigolyn (gan gynnwys yr awdurdod yr oedd y wybodaeth honno yn ei feddiant). Oherwydd hyn a gan nad oedd yn ymddangos bod yna ddiddordeb mawr gan y cyhoedd yn gofyn bod angen datgelu'r data personol yma, roedd o'r farn bod diddordeb y cyhoedd wrth gadw'r eithriad yn fwy pwysig na diddordeb y cyhoedd wrth ddatgelu'r wybodaeth. Gofynnir i Aelodau ystyried y ffactorau hyn wrth benderfynu ar y prawf lles y cyhoedd, sy'n rhaid iddynt benderfynu wrth ystyried eithrio'r cyhoedd o'r rhan hon o'r cyfarfod.

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| 10. | DIWEDDARIAD PARTNERIAETH PENSIWN CYMRU [WPP] |
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Ystyried yr adroddiad.
(Tudalennau 57 - 78)

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| 11. | DIWEDDARIAD DYRANIAD ASEDAU TYMOR CANOLIG [MTAA] |
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Ystyried yr adroddiad gan Aon.
(Tudalennau 79 - 92)

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| 12. | GOHIRIO CYNNIG MANDAD MTAA |
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Ystyried adroddiad gan Aon.
(Tudalennau 93 - 96)

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| 13. | ADRODDIAD MONITRO CHWARTEROL |
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Ystyried yr adroddiad gan Aon.
(Tudalennau 97 - 136)

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| 14. | CYNLLUN BUSNES Y DYFODOL |
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Ystyried yr adroddiad gan Aon.
(Tudalennau 137 - 138)

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS,
POWYS ON FRIDAY, 8 MARCH 2019**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, JG Morris, T J Van-Rees, D H Williams and
A W Davies

Mr G Moore, Chair Powys Pensions Board

Mr M Weale, Co-opted Member

Head of Finance and Pension Fund Manager.

Aon representatives - Simon Mayne, George Feane and Rachel Pinder and Jennifer O'Neil and Kenneth Ettles [via Skype] for Items 12 and 13 respectively.

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| 1. | APOLOGIES |
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There were no apologies.

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| 2. | DECLARATIONS OF INTEREST |
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Members of the Committee declared interests as members of the Local Government Pensions Scheme. These are personal interests, not prejudicial interests in accordance with Paragraph 12(b) (iv) of the Members Code of Conduct 2016.

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| 3. | MINUTES |
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The Chair was authorised to sign the minutes of the Pensions & Investment Committee meeting held on 28 January, 2019 as a correct record.

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| 4. | PENSIONS BOARD MINUTES |
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The Powys Pension Board Chair advised that the meeting on 5 March, 2019 had not taken place as the meeting was not quorate. The meeting would be rescheduled.

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| 5. | AMENDMENT TO RISK REGISTER |
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The Committee considered the report regarding the proposed amendment to the Risk Register, in respect of the migration to new software, as recommended by the Powys Pension Board.

| RESOLVED | Reason for decision |
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| That PEN033 (risks associated with the Pension Fund's migration to new workflow and imaging system) be added to the Risk Register. | As per report. |

6. BREACHES POLICY

The Committee considered the Breaches Policy, which provides detail on how individuals can identify, assess, record and report a breach of law relating to the Fund. It was noted that the Powys Pension Board had commented on the policy. The Pension Fund Manager advised that once approved, the Policy would be added to the Pension Fund's website and a copy would be emailed to all employers.

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| RESOLVED | Reason for decision |
| That the Breaches policy be approved. | Good Governance. |

7. LGPS (MISCELLANEOUS AMENDMENT) REGULATIONS 2018

The Committee considered the report regarding actions required by the Administering Authority as a result of the LGPS (Miscellaneous Amendment) 2018 Regulations being laid before parliament in December, 2018.

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| RESOLVED | Reason for decision |
| That the content of the report be noted. | Statutory requirement. |

8. EXEMPT ITEM

RESOLVED to exclude the public for the following items of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

9. BENCHMARKING REPORT

The Committee received the CEM Benchmarking Report. The Pension Fund Manager referred the Committee to the key points highlighted in the covering report and it was noted that the CEM had used a larger pool of LGPS funds to benchmark the Fund against for this report. As a result, this provided a fairer reflection of the fund. The Pension Fund Manager advised that officers had questioned the low property return information and CEM were reviewing this. It was noted that the benchmarking report gave a snapshot for the fund at a particular date.

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| RESOLVED | Reason for decision |
| That the content of the report be noted. | For information. |

10. WALES PENSION PARTNERSHIP UPDATE

The Committee considered the report regarding the progress of the development of the fixed income sub funds, stock lending and the ongoing work of the Wales Pension Partnership (WPP).

In respect of the stock lending, the Pension Fund Manager advised that all eight pension funds in the WPP had to agree to participation. The Committee noted

the advice from AON and that utilising stock lending would be another source of income for the Pension Fund. The Committee was advised that although there were some risks associated with the process it was widely used. AON advised that overall, it was content with the information provided by potential providers but some issues still needed clarification. The Pension Fund Manager advised that in light of the latter he would advise WPP that a decision would be deferred to enable AON and officers to consider these outstanding issues. Some reservations were expressed by a Member regarding their knowledge base.

| RESOLVED | Reason for decision |
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| <p>1. That the content of the report and accompanying papers be noted.</p> <p>2. That it be delegated to the Chair and Vice Chair, in discussion with the Pension Fund Manager, to agree the stock lending within WPP, subject to further information being circulated to the Committee and that no major concerns be raised.</p> | <p>To benefit the WPP as a whole and provide an additional income stream from existing investments.</p> |

11. | TRANSITION MANAGEMENT

The Committee considered the report and noted that the appointment of a Transition Manager mitigates some of the risk associated with a transition.

| RESOLVED | Reason for decision |
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| <p>That a Transition Manager be appointed from the National LGPS Framework to transition the remaining Global Equity assets into the WPP Global Growth Fund.</p> | <p>Reduce risks involved in transition management.</p> |

The Committee considered the Responsible Investment and Equity Protection items next.

12. | RESPONSIBLE INVESTMENT

Jennifer O'Neil, Responsible Investment Specialist, AON joined the meeting via skype.

The Committee noted that a motion referring to responsible investment had been considered and supported by Council in January 2019 and the Pension Fund Manager advised that the Committee consider views expressed by Council and stakeholders. The Committee's responses to the Responsible Investment survey were noted.

In response to questions, the Committee was reminded that it had a fiduciary duty in respect of the fund members. If it was minded to exclude an asset class from its portfolio, it had to have clear reasons for such an exclusion and whether such decisions aligned with the Investment Strategy. Economic, Social and

Governance [ESG] issues should be discussed and considered but it was noted that the Pension Regulator also has focus on climate change risks, which should also be included in discussions. AON agreed to circulate its report on climate change and the challenges for pension funds to the Committee.

The Committee considered the issues of disinvestment from fossil fuels and the steps taken by other LGPS Pension Funds on this issue.

County Councillor A. Davies left the meeting.

A number of approaches had been used by other LGPS pension Funds. The Committee noted the summary timetable for its consideration of this issue in more depth and asked that details of the Funds current exposure to fossil fuels be provided as part of this discussion.

The items raised will be considered as work continues on the development of a Responsible Investment Policy for the Fund.

13. EQUITY PROTECTION

Ken Ettles, AON joined the meeting via Skype.

As a result of the Committee's decision to protect 50 % of total equities against a significant fall in value, it considered a further report from AON regarding the level of protection and the type of protection to be used.

County Councillor T Van-Rees left the meeting.

It was noted that if the Committee approved the proposal, it was expected that the Equity Protections could be in place by the end of March, subject to paperwork and legal reviews being completed.

| RESOLVED | Reason for decision |
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| That the Equity Protection Strategy be approved as detailed in the report filed with the signed minutes. | To implement the Pension Committee's decision to protect 50% of total equities against a significant fall in value. |

AON advised that their Asset Allocation Team would report to the Committee in Quarter 3.

14. QUARTERLY MONITORING REPORT

The Committee received the Q4 Quarterly Monitoring report. The Committee noted the market volatility in Q4 and that during January and February 2019 some of the losses had been regained.

15. MEDIUM TERM ASSET ALLOCATION [MTAA] REPORT

The Committee received the quarterly MTAA report and noted that performance was near the benchmark.

16. FORWARD LOOKING BUSINESS PLAN

The Committee noted the Forward Looking business plan.

17. INVESTMENT STRATEGY STATEMENT [ISS]

The Committee noted the changes to the Investment Strategy Statement [ISS]. It was noted that the document would be updated to reflect relevant decisions made by the Committee.

| RESOLVED | Reason for decision |
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| That the revised draft be agreed and that it be delegated to the Pension Fund Manager, in consultation with the Chair and Vice Chair, to agree the changes required to reflect the appointment of Northern Trust as a Transition Manager and the implementation of an Equity Protection Strategy. | To ensure the ISS is up to date. |

18. TRAINING SCHEDULE

The Committee agreed that training dates would be added to the diary, rather than trying to cover training on busy Committee meeting dates. The following training was noted:

- Cyber security
- Infrastructure investments and socially responsible investments
- Cost transparency

19. INSIGHT ABSOLUTE RETURN BOND

The Committee considered the report regarding a new performance fee structure for the Insight Bonds, even for the short time period until the transition to the WPP Absolute Return Bond Strategy.

| RESOLVED | Reason for decision |
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| That the new performance fee structure be approved as detailed in the officer's report filed with the signed minutes. | Expected fee saving. |

County Councillor P E Lewis (Chair)

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COUNCIL CHAMBER, COUNTY HALL - COUNTY HALL ON THURSDAY,
16 MAY 2019**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors JG Morris, T J Van-Rees, D H Williams and A W Davies

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| 1. | ELECTION OF CHAIR |
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Resolved that County Councillor P Lewis be elected Chair for the ensuing year.

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| 2. | ELECTION OF VICE CHAIR |
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Resolved that County Councillor A. Jones be elected Vice Chair for the ensuing year.

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| 3. | APOLOGIES |
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Apologies were received from County Councillor A Jones.

County Councillor P E Lewis (Chair)

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

POWYS PENSIONS AND INVESTMENTS COMMITTEE 1 JULY 2019

FEEDBACK FROM PENSION BOARD MEETING 3 APRIL 2019

Purpose of the Report

This report provides an executive summary of the meeting of the Powys Pension Board on 3 April 2019 to enable the Pensions and Investments Committee to learn of and consider any recommendations from, assurances gained and concerns of the Powys Local Pension Board, and any other relevant information. This is consistent with the two primary roles of Local Pension Boards, namely:

- to assist the scheme manager to secure compliance with scheme regulations, other legislation and the requirements of the Pensions Regulator (TPR), and
- to ensure the effective and efficient governance and administration of the Scheme.

Recommendation

The Pensions and Investments Committee is requested to accept the proposals from the Local Pension Board held on 3 April 2019.

Outcomes from Powys Pension Board Meeting on 3 April 2019

1. Recommendations

1.1 That the Pensions and Investments Committee (the Committee) accept the Board's and officers' pragmatic solution to the expectation of the Scheme Advisory Board (SAB) that Boards review the financial statements of the pension fund prior to their publication.

Background: this could be seen as a technical challenge to pension boards, who are able to bring in external specialists should the need arise. However, the Chair, Board and officers feel confident that they can achieve this objective in respect of the Annual Report and Accounts of Powys Pension Fund 2018/2019 without requiring external support by means of an exception report which covers areas of partial or non-compliance with the relevant guidance and codes of practice.

1.2 With the Scheme Advisory Board (SAB) expectations of increased prominence being given to the Pensions Administration function, the Board recommend that Committee Members become familiar with CIPFA's Guide to Administration in the LGPS.

Justification: both the SAB and the Pensions Regulator (TPR) are increasingly stressing the importance of scheme administration, and there are potential financial penalties for poor standards, and reputational risk.

1.3 That Powys adopts a log of new regulations together with an on-going commentary on their implementation and compliance.

Justification: this is an easy-to establish safeguard to monitor that all new legislation (and possibly guidance) has been fully implemented. This will help the Board in its role of assisting the scheme manager to secure compliance with scheme regulations, other legislation and the requirements of TPR, and this proposal is supported by officers.

2. Assurances Gained by the Board

- 2.1 That cash flow management arrangements were sufficiently flexible to ensure that cash balances would be adequate to ensure that pensions, including lump sums, would be paid on time. Should assets need to be realised, the system provides sufficient notice to ensure any such realisation of investments would achieve full market value.
- 2.2 That work on the Guaranteed Minimum Pension – GMP (cessation of contracting out) reconciliation exercise continues to progress well. When appropriate, letters will be sent to affected staff.
- 2.3 With regard to the high risk exercise of updating the Document Imaging and Workflow Project Update, the Board gained assurances that one member of the Team is now dedicated to this particular role.
- 2.4 With regards to the Board’s previous recommendations regarding cyber security, the Board was assured that the Pension Fund had gained assurances from the two hosted systems. Appropriate training is to be provided for both the Committee and the Board. At the time of the meeting, assurances were still being sought from the internal Powys ICT Services.
- 2.5 In a closed part of the agenda, the Board agreed that a complaint under the Internal Dispute Resolution Procedure (IDRP) shown as a recorded breach of the law was not of material significance to TPR and therefore not reportable. The Board gained assurances from officers that achievement of full establishment for the Pensions Administration team significantly mitigates future risk of a recurrence.

3. Concerns Expressed by the Board

- 3.1 The Board notes that completion of its own training records, needs assessments and delivery of any identified gaps in knowledge are a priority at the next series of meetings.
- 3.2 The Board is still awaiting the delivery of the last internal audit report on the Pension Fund.

4. Update on Concerns Previously Expressed by the Board

- 4.1 The Board was mindful that its monitoring of compliance with TPR’s Code of Practice 14 has been behind target. However, by phasing its examination over the financial year, it feels confident that this on-going requirement is now in hand. At the April meeting, the Board reviewed specific areas of the Code and made a number of detailed recommendations and comments, including

improvements in the information contained on the Powys pensions website. It also agreed to review finding from the National Fraud Office as part of the Work Plan.

4.2 The Board had previously been aware of a national issue which may ultimately lead to reporting a breach of the law to TPR should it be deemed to be of material significance. The Board gained assurance that officer practitioners' group has proposed a way forward to the SAB to resolve the situation.

4.3 The Chair was pleased to report that, following the Board's previous concerns, communications between the Wales Pensions Partnership and Local Pensions Boards have now improved. He had been able to take this into account when responding to the MHCLG informal consultation on Investment Pooling Guidance.

5. Other Items for Information

5.1 The Board Chair has completed a one to one training session with the newly appointed scheme employer representative (for Powys County Council) on the Board. This procedure is now embedded and complies with the TPR's Code of Practice 14 requirements.

5.2 A survey of Local Pension Boards by the Scheme Advisory Board (SAB) is imminent, and will be completed by both the Administering Authority and the Board.

Gerard Moore

Independent Chair: Powys Pension Board

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT A229,
COUNTY HALL - COUNTY HALL ON WEDNESDAY, 3 APRIL 2019**

PRESENT

Gerard Moore, Chair
Nigel Brinn (Employers Representative)
Wayne Thomas (Employers Representative)
Mick Hutchison (Member Representative)
John Byrne (Member Representative)
Chris Hurst (Secretary to the Board)

1. APOLOGIES

There were no apologies.

2. DECLARATIONS OF INTEREST

The Chair advised he was an Associate in The Chartered Institute of Public Finance and Accountancy [CIPFA] and declared an interest if reference was made to CIPFA when discussing the Board's training.

3. WELCOME NEW EMPLOYER REPRESENTATIVE

The Chair welcomed Nigel Brinn, the new Employer representative to his first meeting.

4. MINUTES OF THE BOARD

The minutes of the last meeting held on 30 November, 2018 were agreed as a correct record.

5. MATTERS ARISING

In response to questions raised regarding the payment of a refund to a scheme member within five years of the date of leaving, the Pension Fund Manager advised that the National LGPS Technical Group will make a recommendation to the Scheme Advisory Board to change the regulations to reflect the position prior to 1 April 2014, (i.e. to remove the prescription that requires an administering authority to pay a refund on the expiry of a period of five years beginning with the date the person's active membership ceased, if no request is made before then – regulation 18(5) of the LGPS Regulations 2013 [SI 2013/2356]).

6. CHAIR'S ANNOUNCEMENTS

The Chair reported the following:

- Scheme Advisory Board [SAB] – the SAB's summary minutes will be circulated on a regular basis. He advised that the SAB Chair was keen to have a two-way dialogue with the Pension Boards.
- SAB survey – the survey was due soon and would be completed by the Administering Authority and the Board.
- Membership of Pension Boards – it was considered that having only two employer and two employee representatives on Pension Boards, could

- make Boards vulnerable to meetings being inquorate. Membership numbers may need to be reviewed.
- CIPFA has produced a guide for administration of Local Government Pension Schemes [LGPS] and also a revised guide for producing Pension Fund Annual report. The Guides would be circulated to the Board and Committee and the Pension Fund Manager would arrange training.
 - The SAB is recommending that Pension Boards should review financial statements before publication. There was a danger that the Board could become too technical. The Chair asked that the Pension Fund Manager consider the timing of the Boards involvement and whether the review could be completed via email instead of by an ad hoc meeting.
 - Response to the Ministry for Housing, Communities and Local Government [MHCLG] – Board Chairs had been asked for their responses to the MHCLG draft guidance on asset pooling. The Chair's response took into account the successful outcomes from the recent meeting with the host authority.
 - The Chair advised that as a result of the Pension Board Chairs, the Host Authority and senior officers meeting it was suggested that the Pool, Host Authority and Board Chairs meet once every six months. He felt there was a positive approach to moving forward.

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| 7. | MINUTES OF PENSIONS AND INVESTMENT COMMITTEE |
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The Board received the Pensions and Investment Committee's minutes for 13 December, 2018 and 28 January, 2019.

The Board noted the following in respect of the 13 December minutes:

Item 3 - The minutes had been amended to show the apologies had been given by Gerard Moore, Chair Powys Pension Board rather than Chair Powys Pension Fund.

Item 16 – Responsible Investment – the Board had an opportunity to provide a view, as this had been debated 12 months ago.

The Board agreed to review the Responsible Investment draft policy.

The Board noted the following in respect of the 28 January minutes:

- Item 8 – Equity Protection –the impact of Brexit on markets could impact on the Tri-annual evaluation on 31 March, 2019. The Equity Protection would protect the Fund from volatility in the markets. The Chair considered that this was a good approach to protecting the fund.

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| 8. | REVIEW OF COMPLIANCE WITH TPR CODE 14 |
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The Chair was pleased to see progress and continued work on ensuring compliance with the TPR Code of Practice 14. The Pension Fund Manager advised that he emailed monthly progress reports on compliance to the Board Chair. He had reviewed four out of the nine sections.

The Board agreed that all Board Members should be copied into the emails regarding progress reports on compliance and that this item would be added to the Work Programme.

The Board reviewed the following sections and made the following comments [numbers refer to the Compliance indicator]:

Governing the Scheme –

39 – this would be addressed by the Training Needs Analysis to be completed by the Board Members.

44 – consideration would be given to remove such statements of facts from the compliance register.

46 – details of important documents would be produced for the next meeting and via links to public documents.

48 – 57 – these would be addressed via the Training Needs Analysis.

Publishing information about the Scheme –

96 – the Pension Fund Manager had changed this to “amber” from “green” as more information was needed on the website.

92/93/94 – a note would be added to the final column “Current position” that the information was available on the website.

96 – it was agreed that further information regarding the status of Board Members would be available on the website.

97 – the information, in respect of the Board, on the Council’s Committee agenda website, would be reviewed.

Providing information to Members

196 – it was agreed that this should be “amber” as the information provided to Members should always be under review.

208 – the Board noted that the tracing exercise would likely focus on members aged 50 plus and overseas pensioners would also be checked.

The Chair advised that the National Fraud Office had undertaken a review of issues.

The Board agreed that the National Fraud Office findings would be considered and added to the Work plan.

The Chair advised that as new regulations come into force, the Board reviews that they have been acted upon, implemented and complied with by the pension fund.

The Board agreed that a log of regulations and commentary on implementation and compliance would be developed from May 2019.

Resolving issues

224 – the wording of this section would be revised.

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| 9. | RECORDING BREACHES OF THE LAW |
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The Pension Fund Manager advised that due to the timing of meetings the Committee had approved the Policy. The Policy had been issued to all participating employers.

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| 10. | REVIEW OF RISK REGISTER ITEMS |
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The Board noted that the Register had already been considered by the Pensions and Investment Committee.

The Board noted the Register and considered the following:

- a) Cyber Security - the Pension Authority had obtained the appropriate assurances from the two hosted systems. It was noted that assurances were still being sought from the Powys ICT Services. Cyber security training would be provided to the Committee and the Board was invited to attend.
- b) Document Imaging and Workflow Migration update – this was considered under Item 19.

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| 11. | NEW LEGISLATION AND GUIDANCE [STANDING ITEM] |
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The Board noted the new legislation.

The Board agreed to track the actions which need to be taken as a result of the legislation.

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| 12. | WALES PENSION PARTNERSHIP - INVESTMENT POOLING UPDATE [STANDING ITEM] |
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The Pension Fund Manager reported the following from the Wales Pension Partnership:

- Responsible Investment Policy - a consensus view was being sought and it was hoped to publish a policy as soon as possible
- Business plan – this was a public document
- Communications plan – this was being developed
- Next set of sub funds – fixed income funds.

In response to a question the Pension Fund Manager advised that all eight Funds had now agreed to the Stock lending and the prospectus would be updated.

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| 13. | ADMINISTRATION ACTIVITY REPORT [STANDING ITEM] |
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The Board noted the comprehensive report.

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| 14. | AUDIT REPORTS [STANDING ITEM] |
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The Pension Fund Manager advised that he had requested a copy of the last internal audit report, but this had not been received.

The Board agreed that a request should be made to Internal Audit for a copy of the last internal audit report for its consideration.

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| 15. | CESSATION OF CONTRACTING OUT - UPDATE [STANDING ITEM] |
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The Pension Fund Manager advised that payroll and pension data were being matched and would be completed by September. Letters would then be forwarded to affected staff.

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| 16. | BOARD MEMBER TRAINING PLAN AND BOARD MEMBER TRAINING NEEDS SELF-ASSESSMENT [STANDING ITEM] |
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The Pension Fund Manager agreed to resend the Training Needs Analysis to all Members.

John Byrne left to attend another meeting.

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| 17. | CONFIDENTIAL ITEMS |
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RESOLVED that the public be excluded for the following items of business otherwise there would be disclosure to them of information relating to the financial or business affairs of any particular person or organisation.

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| 18. | INTERNAL DISPUTE RESOLUTION PROCEDURE [IDRP] UPDATE [STANDING ITEM] |
|------------|--|

The Pension Fund Manager advised that there had been one complaint due to an error in the estimate provided to a member. He had gained assurances from the Pension Administration Manager that procedures were in place to ensure that such an error would not occur again. He advised that this was a recordable breach and the Board agreed that it was not reportable.

The Board noted that this had occurred when staffing levels were at 66%. It highlighted the fact that Pension Administration had to be properly resourced to mitigate risks and breaches of the law occurring.

It was agreed that the Chair could alter the order of the agenda.

| | |
|------------|------------------------------|
| 19. | FUTURE BOARD MEETINGS |
|------------|------------------------------|

The meeting dates were noted and that the 5 September, 2019 would need to be changed to the week commencing 9 September, 2019.

| | |
|------------|-------------------------------|
| 20. | PENSION FUND CASH FLOW |
|------------|-------------------------------|

The Board noted the report and was assured that there was sufficient cash and flexibility within the investment arrangements to meet demands.

| | |
|------------|---|
| 21. | DOCUMENT IMAGING AND WORKFLOW PROJECT UPDATE |
|------------|---|

The Board noted the report. The Pension Fund Manager advised that one member of the Team was now dedicated to the project.

In respect of insurance of Board Members,
The Board agreed that AON would be re-appointed as insurer for Board Members.

Gerard Moore
Chair

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee

1st July 2019

REPORT BY: Head of Finance

SUBJECT: New Admission Body – Adapt Business Services Limited

REPORT FOR: Information

1 Introduction

- 1.1 Committee are asked to note that Adapt Business Services Limited has become a Pension Fund employer following the transfer of former employees of Powys County Council, responsible for the cleaning services at Crickhowell High School (from 1st November 2018) and Crickhowell Primary School (from 1st April 2019).

2 Legislation

- 2.1 Paragraph 1(d)(i) of Part 3 of Schedule 2 to the Local Government Pension Scheme Regulations 2013 [SI. 2013 No. 2356] provides that a Pension Fund may enter into an admission agreement with a body who provides a service that was formerly provided by a Scheme employer, as a consequence of a transfer of undertakings. In addition, the requirements of the Welsh Authorities Staff Transfers (Pensions) Direction 2012 applies in this case. The admission agreement discharges these requirements.

3 Actuarial Assessment

- 3.1 The Pension Fund's Actuary has advised that Adapt Business Services Limited should pay an employer's contribution rate of 23.00% of pensionable payroll for the high school contract and 24.60% for the primary school contract. 15 employees are covered by the admission agreements, which are closed.

4 Recommendation

- 4.1 To note the contents of this report.

| Recommendation: | Reason for Recommendation: |
|--|----------------------------|
| <ul style="list-style-type: none"> To note the admittance of Adapt Business Services Limited to the Powys Pension Fund. | As per report |

| | | | |
|--|----------------------|-----------------------|---------------------|
| Person(s) To Action Decision: | Pension Fund Manager | | |
| Date By When Decision To Be Actioned: | Immediately | | |
| Relevant Policy (ies): | N/A | | |
| Within Policy: | N/A | Within Budget: | N/A |
| Contact Officer Name: | Tel: | Fax: | Email: |
| Chris Hurst | 01597 827640 | 01597 826290 | churst@powys.gov.uk |
| Relevant Portfolio Member(s): | Cllr Aled Davies | | |
| Relevant Local Member(s): | N/A | | |

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee

1st July 2019

REPORT BY: Head of Finance

SUBJECT: New Admission Body – Just Perfect Catering Limited

REPORT FOR: Information

1 Introduction

- 1.1 Committee are asked to note that Just Perfect Catering Limited has become a Pension Fund employer, following the transfer of former employees of Aramark, who were operating the catering services on behalf of Brecon Beacons National Park, on the 24th of May 2019.

2 Legislation

- 2.1 Paragraph 1(d)(i) of Part 3 of Schedule 2 to the Local Government Pension Scheme Regulations 2013 [SI. 2013 No. 2356] provides that a Pension Fund may enter into an admission agreement with a body who provides a service that was formerly provided by a Scheme employer, as a consequence of a transfer of undertakings. In addition, the requirements of the Welsh Authorities Staff Transfers (Pensions) Direction 2012 applies in this case. The admission agreement discharges these requirements.

3 Actuarial Assessment

- 3.1 The Pension Fund's Actuary has advised that Just Perfect Catering Limited should pay an employer's contribution rate of 23.9% of pensionable payroll. Two employees are covered by the admission agreement, which is on a closed basis.

4 Recommendation

- 4.1 To note the contents of this report.

| | | | |
|--|----------------------|-----------------------------------|--|
| Recommendation: | | Reason for Recommendation: | |
| <ul style="list-style-type: none"> To note the admittance of Just Perfect Catering Limited to the Powys Pension Fund. | | As per report | |
| Person(s) To Action Decision: | Pension Fund Manager | | |
| Date By When Decision To Be Actioned: | Immediately | | |

| | | | |
|-------------------------------|--------------|-----------------------|---------------------|
| Relevant Policy (ies): | N/A | | |
| Within Policy: | N/A | Within Budget: | N/A |
| Contact Officer Name: | Tel: | Fax: | Email: |
| Chris Hurst | 01597 827640 | 01597 826290 | churst@powys.gov.uk |

| | |
|--------------------------------------|------------------|
| Relevant Portfolio Member(s): | Cllr Aled Davies |
| Relevant Local Member(s): | N/A |

CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee****1st July 2019****REPORT BY: Head of Finance****SUBJECT: Breaches Report**

REPORT FOR: Information

1 Introduction

1.1 Committee approved the Powys Pension Fund Breaches Policy in March 2019. Under the policy, breaches of the law are required to be reported to the Pensions Regulator where there is a reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions

2 Legislation

2.1 Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Code of Practice no 14, published by the Pensions Regulator in April 2015, paragraphs 241 to 275 provides guidance on reporting these breaches.

3 Breaches Log

3.1 The up to date breaches log is attached. Since the last Committee meeting, there have been two cases where the fund have been unable to pay a refund to a scheme member within the 5 year timescale, as required under the Local Government Pension Scheme 2013 regulations. No report has been sent to the Pensions Regulator as these should be seen as a recordable breach and not a reportable one, as recommended by the national LGPS Technical Group in their minutes of the meeting of the 28th September 2018. The group has contacted the Scheme Advisory Board (SAB) to recommend a change in to the LGPS regulations 2013 to remove this time limit.

4 Recommendation

4.1 To note any breaches that have occurred within the Powys Pension Fund.

| | | | |
|--|----------------------|---|---------------------|
| Recommendation: | | Reason for Recommendation: | |
| <ul style="list-style-type: none"> To note any breaches that have occurred within the Powys Pension Fund. | | In accordance with the Powys Pension Fund Breaches Policy | |
| Person(s) To Action Decision: | Pension Fund Manager | | |
| Date By When Decision To Be Actioned: | | Immediately | |
| Relevant Policy (ies): | N/A | | |
| Within Policy: | N/A | Within Budget: | N/A |
| Contact Officer Name: | Tel: | Fax: | Email: |
| Chris Hurst | 01597 827640 | 01597 826290 | churst@powys.gov.uk |

| | |
|--------------------------------------|------------------|
| Relevant Portfolio Member(s): | Cllr Aled Davies |
| Relevant Local Member(s): | N/A |

Powys Pension Fund Breaches

2018_19

| Breach No | YEAR | Breach Type | Nature of Breach | Breach Description | Action | Material Significance (Y/N) | P & I Committee Notified | Pension Board Notified | TPR Notified | RAG Status |
|-----------|---------|----------------|---|--|---|-----------------------------|--------------------------|------------------------|--------------|------------|
| 1 | 2018/19 | Administration | Late Notification of deferred Benefits | <p>Disclosure Regulations state that any deferred leaver should be notified of their deferred benefit options within two months of the fund receiving complete leaver information from the employer. Due to the backlog of casework in the fund these deadlines have not been met for 200 deferred members. Cause: The backlog has occurred through the introduction of the new LGPS and the increased complexity around administration (aggregations, final salary links etc). An increase in the numbers of deferred pensioners who have left employment through reorganisations in recent months has also had an impact. Effect: although a breach, it is not considered material, as the information is not critical when making future decisions. Where a deferred member reaches retirement age their calculation will be completed at that point. This is a national issue for most funds across the LGPS.</p> | New letter produced and issued to leavers upon notification of leaving, stating their entitlements upon leaving membership of the LGPS (i.e. under 2 years = refund, over 2 years = Deferred) | N | N | Y | N | Green |
| 2 | 2019/20 | Administration | Automatic payment of refund after 5 years for post 2014 leavers | <p>Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. May - 1 member & total refunds = £38.46, June - 1 member and total refund = £68.03</p> | The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014. | N | Y | N | N | Yellow |

Mae'r dudalen hon wedi'i gadael yn wag yn fwiadol

CYNGOR SIR POWYS COUNTY COUNCIL

Pension and Investment Committee
1st July 2019

REPORT AUTHOR: Head of Finance

SUBJECT: Draft Pension Fund Annual Report 2018/19

REPORT FOR: Information

1.1 The purpose of this report is to provide the Committee with sight of the draft Pension Fund Annual Report 2018/19. Regulation 57 of the Local Government Pension Scheme Regulations 2013 (as amended) requires that the Report must be published by 1st December.

1.2 Included in the Report are the accounts of the Fund. The Councils constitution specifies that Audit Committee has the responsibility for approving the accounts. The draft accounts are required, Accounts and Audit (Wales) (Amendment) Regulations 2018, to be prepared for submission to audit by the 15th June. This year they were sent to the Wales Audit Office on 6th June. Audit Committee received the draft accounts on the 7th June. A date of 6th September is scheduled for the auditor to report their opinion on the accounts to Audit Committee, with a view to Audit Committee approval before the 15th September deadline for publishing the accounts.

1.3 It is the intention that the Pension & Investment Committee will be provided with the Annual Report, including audited accounts, for approval on 4th October 2019.

| Recommendation: | Reason for Recommendation: |
|---|-----------------------------------|
| Pension and Investment Committee note the content of this report | For information |

| | | |
|-----------------------|--------------|---------------------------|
| Contact Officer Name: | Tel: | Email: |
| Daniel Paley | 01597 826042 | daniel.paley@powys.gov.uk |

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol



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

THURSDAY, 20 JUNE 2019

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 **COMMITTEE ROOM 4, COUNTY HALL, ATLANTIC WHARF, CARDIFF. CF10 4UW AT 10.00 AM, ON FRIDAY, 28TH JUNE, 2019** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA.

Wendy Walters

**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..

| | |
|---------------------------------|--|
| Democratic Officer: | Jessica Laimann |
| Telephone (direct line): | 01267 224178 |
| E-Mail: | JMLaimann@carmarthenshire.gov.uk |
| Webcast Link | https://cardiff.public-i.tv/core/portal/home |

**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 AARON SHOTTON

GWYNEDD COUNTY COUNCIL

COUNCILLOR JOHN PUGHE ROBERTS

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. APPOINTMENT OF CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING CALENDAR YEAR.
2. APPOINTMENT OF VICE-CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING CALENDAR YEAR.
3. APOLOGIES FOR ABSENCE
4. DECLARATIONS OF INTEREST
5. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 27TH MARCH 2019 5 - 12
6. HOST AUTHORITY UPDATE 13 - 22
7. ANNUAL RETURN/ AUDIT 2018/19 23 - 36
8. LINK/RUSSELL UPDATE 37 - 48
9. EXCLUSION OF THE PUBLIC
THE REPORTS RELATING TO THE FOLLOWING ITEMS 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 COMMITTEE RESOLVES PURSUANT TO THE ACT TO CONSIDER THESE ITEMS IN PRIVATE, THE PUBLIC WILL BE EXCLUDED FROM THE MEETING DURING SUCH CONSIDERATION.
10. SECURITIES LENDING PROPOSAL 49 - 62
11. FIXED INCOME SUB-FUNDS 63 - 86
12. PERFORMANCE REPORTS AS AT 31 MARCH 2019 87 - 102

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

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

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

| Budget | Forecast | Variance | <u>Wales Pension Partnership</u> | | Budget | Budget | Budget | |
|---|----------------|----------------|----------------------------------|--|---------|------------------|------------------|------------------|
| 2018-19 | Actual | 2018-19 | | | 2019-20 | 2020-21 | 2021-22 | |
| £ | £ | £ | Notes | Notes | £ | £ | £ | |
| Host Authority Budget | | | | | | | | |
| Financial Services | | | | | | | | |
| 10,000 | 10,000 | 0 | | | 10,000 | 10,000 | 10,000 | |
| 25,000 | 25,000 | 0 | | | 25,000 | 25,000 | 25,000 | |
| 55,000 | 43,111 | 11,889 | 1 | Senior Financial Services Officer - Pay, NI, Super | 1 FTE | 57,000 | 59,000 | 62,000 |
| 40,000 | 0 | 40,000 | 2 | Assistant Accountant - Pay, NI and Super | 1 FTE | 19,000 | 40,000 | 42,000 |
| 5,000 | 1,058 | 3,942 | | Staff Travelling Expenses | | 5,000 | 5,000 | 5,000 |
| 1,000 | 550 | 450 | | Subsistence & Meetings Expenses | | 1,000 | 1,000 | 1,000 |
| 1,000 | 0 | 1,000 | | Admin, Office & Operational Consumables | | 1,000 | 1,000 | 1,000 |
| 30,000 | 0 | 30,000 | 3 | Website Development and ongoing cost | | 33,000 | 3,000 | 3,000 |
| 10,000 | 10,000 | 0 | | FMIS/Premises/HR Support | | 10,000 | 10,000 | 10,000 |
| 5,000 | 5,000 | 0 | | Audit Fees | | 5,000 | 5,000 | 5,000 |
| 5,000 | 1,277 | 3,723 | | Translation Services | | 5,000 | 5,000 | 5,000 |
| Procurement Services | | | | | | | | |
| Daily Rate @£296 | | | | | | | | |
| Democratic Services | | | | | | | | |
| 20,000 | 20,000 | 0 | | Democratic Services Officer | | 20,000 | 20,000 | 20,000 |
| Legal Services | | | | | | | | |
| 10,000 | 10,000 | 0 | | Monitoring Officer recharge | | 10,000 | 10,000 | 10,000 |
| Daily Rate @£370 | | | | | | | | |
| 17,000 | 125,996 | 91,004 | | TOTAL | | 201,000 | 194,000 | 199,000 |
| 17,125 | 15,750 | 11,375 | | Cost to each fund | | 25,125 | 24,250 | 24,875 |
| Operator & Other Services Budget | | | | | | | | |
| Operator Services Fees | | | | | | | | |
| 5,000 | 0 | 5,000 | | Manager Selection | | 5,000 | 5,000 | 5,000 |
| 32,000 | 0 | 32,000 | | Attendance at Committee Meetings (£4k) | | 32,000 | 32,000 | 32,000 |
| 980,000 | 676,735 | 303,265 | 4 | AUM Fees (Link, Russell, NT) | | 4,441,750 | 7,207,000 | 7,207,000 |
| Reporting Fee | | | | | | | | |
| 50,000 | 0 | 50,000 | | For JGC | | 50,000 | 50,000 | 50,000 |
| 50,000 | 0 | 50,000 | | For Constituent Authorities | | 50,000 | 50,000 | 50,000 |
| External Consultants | | | | | | | | |
| 80,000 | 314,390 | -234,390 | 5 | Independent Investment Consultant | | 120,000 | 120,000 | 120,000 |
| 1,197,000 | 991,126 | 205,874 | | TOTAL | | 4,698,750 | 7,464,000 | 7,464,000 |

- Notes**
- 1 Post only part filled during 18-19
 - 2 Vacant Post
 - 3 Website Development carried forward to 2019-20 budget.
 - 4 { AUM 18-19 - £3.5bn (Global Equities)
AUM 19-20 - £8.9bn (Above plus UK & European Equities, Other Regional Equities and Fixed Income)

5 | AUM 20-21 - £13bn (Above plus Alternatives)
Contract to be tendered during 2019-20.

WALES PENSION PARTNERSHIP WORKPLAN 2019-20

| WORK AREA | ACTIVITIES DESCRIPTION | Assigned to | Ratified by / sign off | Contractual obligation | Apr - Jun | Jul - Sep | Oct - Dec | Jan - Mar |
|--|---|--------------------------------|--------------------------------|------------------------------|-----------|-----------|-----------|-----------|
| Governance | Formulation of objectives and beliefs for Wales Pension Partnership | OWG | JGC | | | | | |
| | Preparation of business plan | Host Authority, OWG | JGC, Administering Authorities | IAA Clause 6.1 | | | | |
| | Development of WPP responsible investment policy | Hymans, OWG | JGC, Administering Authorities | | | | | |
| | Cross reference of voting policies and develop WPP policy | Hymans, OWG | JGC, Administering Authorities | | | | | |
| | Development of WPP policies and procedures: - Training and Competence - Complaints - Breaches and Errors - Conflicts of Interest - Business Continuity Planning - DSAR/FOI - Contract management, co-ordination and liaison with the Operator - Re-balancing policy | OWG, Link | JGC | IAA Clause 20 and Schedule 5 | | | | |
| | Engage with MHCLG over consultation | OWG | JGC | | | | | |
| | Finalise engagement protocols with Operator | Host Authority, Link | JGC | | | | | |
| | Agree and document delegations and decision-making in single source / governance matrix | Host Authority | JGC | | | | | |
| | Measure underlying costs and savings including FX, custody, trading | Host Authority | JGC | | | | | |
| | Explore other opportunities for collaboration e.g. single custodian for non-pool assets | Host Authority | JGC, Administering Authorities | | | | | |
| Ongoing establishment | Launch of Tranche 2 sub-fund - UK and European (ex-UK) equity (currently scheduled for March 19) | Link | Administering Authorities | OA Schedule 4, 1.1 | | | | |
| | Launch of Tranche 3 sub-fund - Fixed Income | Link | Administering Authorities | OA Schedule 4, 1.1 | | | | |
| | Launch of online reporting portal | Link | OWG | | | | | |
| | Development of monthly reporting pack e.g. valuation reports, assets held outwith the pool | OWG, Link | Administering Authorities | OA Schedule 4, 1.7 | | | | |
| | Development of KPI reports (quarterly requirement) | OWG, Link | Host Authority | OA Schedule 4, 1.6 | | | | |
| | Develop plan for tranche 4 onwards (incl fee negotiations) | Link, Russell | JGC | OA Schedule 3, 3 | | | | |
| | Finalise stock lending arrangements with Administering Authorities | OWG | Administering Authorities | | | | | |
| | Appoint transition manager for required transitions and oversee transitions | Link | OWG | OA Schedule 5, 2.5 | | | | |
| | Transition planning and implementation | Transition Manager | OWG, Link | | | | | |
| | Transition oversight following transition exercises including independent audit | Hymans Robertson, Byhiras | OWG | | | | | |
| Define requirements for illiquid assets and develop other vehicles | OWG | JGC, Administering Authorities | OA Schedule 3, 4 | | | | | |
| Operator services | Effective management of sub-contractors e.g. depositary, custodian, Russell | Link | Host Authority | OA Schedule 4, 1.5 | | | | |
| | Provide detailed monitoring and reporting on performance of all underlying Investment Managers and Non-Pool Investment Managers (quarterly requirement) | Link | Host Authority | OA Schedule 5, 2.6 | | | | |
| | Management of ACS and sub-funds | Link | Host Authority | OA Schedule 4, 1.4 | | | | |
| | Agree requirements for cost transparency, and ensure reporting in place | OWG, Link | | | | | | |
| | Adherence to WPP policies | Link | Host Authority | | | | | |
| | Annual review of the ACS prospectus | Link | JGC | OA Clause 6 | | | | |
| | Provide monthly reporting pack e.g. valuation reports, assets held outwith the pool | Link | N/A | OA Schedule 4, 1.7 | | | | |
| | Provide KPI reports (quarterly requirement) | Link | Host Authority | OA Schedule 4, 1.6 | | | | |
| | Annual review by WPP as to whether to switch on non-consultative services | OWG | JGC | OA Schedule 6, 1 | | | | |

| WORK AREA | ACTIVITIES DESCRIPTION | Assigned to | Ratified by / sign off | Contractual obligation | Apr - Jun | Jul - Sep | Oct - Dec | Jan - Mar |
|--|--|----------------------|------------------------|----------------------------|-----------|-----------|-----------|-----------|
| | Adherence to insurance requirements (to be expanded) | Link, Lockton | Host Authority | OA Clause 16 | | | | |
| Communications and reporting | Creation of a communications plan | Host Authority | JGC | | | | | |
| | Creation / ongoing maintenance of WPP website | Host Authority | JGC | | | | | |
| | Drafting of communications to internal stakeholders e.g. regular bulletins | Host Authority | N/A | | | | | |
| | Drafting of external communications / press releases | Host Authority | JGC | | | | | |
| | Drafting of the bi-annual update to MHCLG | Host Authority | JGC | | | | | |
| Training and meetings | Development of JGC / OWG training plan | Host Authority, OWG | JGC | | | | | |
| | 2 - 3 educational training sessions to the JGC / OWG | Link | N/A | OA Schedule 5, 2.7(a) | | | | |
| | 1 educational training session per year with each Constituent Authority | Link | N/A | OA Schedule 5, 2.7(b) | | | | |
| | Quarterly review and planning meetings | Host Authority, Link | N/A | OA Schedule 5, 2.8(a) | | | | |
| | Annual meeting with each individual Constituent Authority | Link | N/A | OA Schedule 5, 2.8(b) | | | | |
| | Meeting(s) with Investment Managers (to be considered) | Link | N/A | | | | | |
| | Scheduling and facilitation of business planning meeting | Host Authority | N/A | | | | | |
| | Scheduling and production of papers for OWG meetings | Host Authority | N/A | IAA Clause 7.1(d) | | | | |
| Scheduling and production of papers for JGC meetings | Host Authority | N/A | IAA Clause 7.1(d) | | | | | |
| Resources, budget and fees | Management of Host Authority resources | Host Authority | OWG | IAA Clause 7.1(a) & 7.1(c) | | | | |
| | Preparation and monitoring of budget | Host Authority | OWG | IAA Clause 6.1(b) | | | | |
| | Procurement of oversight advisor for the WPP | OWG | JGC | | | | | |

Wales Pension Partnership Responsible Investment Policy

1 Introduction and oversight

- 1.1 The Wales Pension Partnership (“WPP”) is the pooling arrangement for the assets of the eight Welsh Local Government Pension Scheme funds (“Constituent Authorities”).
- 1.2 The investment arrangements of WPP are overseen by a Joint Governance Committee (“JGC”) and supported by an Officer Working Group (“OWG”) and implemented through pooled funds managed by its “Investment Managers”.
- 1.3 This document sets out WPP’s policy on responsible investment for all assets invested within the WPP. This policy has been developed by WPP in consultation with the Constituent Authorities.
- 1.4 WPP’s objective in preparing and implementing this policy is to be able to:
 - 1.4.1 demonstrate to its stakeholders that the WPP is a Responsible Investor; and
 - 1.4.2 enable the Constituent Authorities to substantially deliver their own Responsible Investment and Social Impact policies through the WPP.
- 1.5 WPP recognises that responsible investment considerations pose financially material risks to the assets of Constituent Authorities held within WPP. Such considerations are relevant in relation to both the way the assets of Constituent Authorities are invested and in the exercise of stewardship responsibilities.
- 1.6 This policy will be reviewed by WPP on an annual basis and, if necessary, changes to the policy will be proposed to and agreed by the JGC and OWG. In order to inform the policy review, WPP will consult with or otherwise obtain the views and requirements of all Constituent Authorities.
- 1.7 In developing and implementing this policy, WPP will have regard to the Well-being of Future Generations (Wales) Act 2015, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any relevant guidance provided by the Scheme Advisory Board (“SAB”), the Ministry of Housing Communities and Local Government (“MHCLG”) and the Welsh Government.

2 Ambition and beliefs

- 2.1 WPP’s long-term ambition is to demonstrate leadership on RI practices in managing assets for and on behalf of the Constituent Authorities. WPP, in conjunction with the OWG & JGC, will update its annual business plan to ensure that sufficient time and resources are provided to implement the requirements of this policy.
- 2.2 WPP recognises that the development of beliefs represents best practice for asset owners. In consultation with the Constituent Authorities, the WPP has developed and agreed the following responsible investment beliefs which serve to underpin its decision-making and governance processes.
 - 2.2.1 The RI behaviours we want to see demonstrated by all our stakeholders must be led by WPP;

- 2.2.2 Integration of ESG factors, including climate change, into investment processes is a prerequisite for any strategy given the potential for financial loss;
 - 2.2.3 WPP is most effective as an investor engaging for change from within, particularly in collaboration with other like-minded investors, as opposed to a campaigner lobbying for change from outside.
 - 2.2.4 Our impact on corporate behaviours will be greatest when we speak with one voice;
 - 2.2.5 Effective oversight of RI practices requires clear disclosure and measurement of comprehensive data.
- 2.3 WPP recognises that these beliefs represent a starting point for the guidance of its approach to responsible investment. Although WPP does not expect to regularly change these beliefs, it will test the ongoing appropriateness of them on a periodic basis in light of changing best practice and developing knowledge.

3 Investment strategy

- 3.1 The Constituent Authorities are individually responsible for setting investment strategy for their own funds which reflect their membership profile and funding position. The investment strategy is the high-level split between asset classes including but not limited to equities, debt, property and infrastructure. The role of WPP is to provide a means for each Constituent Authority to implement its agreed strategy.
- 3.2 WPP openly encourages the Constituent Authorities to develop their own RI policy as part of their investment strategy. WPP has developed and may periodically amend this RI policy to ensure that it complements those of the Constituent Authorities.
- 3.3 WPP will consult with Constituent Authorities on at least an annual basis to determine their individual investment requirements and longer-term aspirations, including strategies which either meet the responsible investment requirements of Constituent Authorities or have the potential to deliver benefit within the regions covered by the Constituent Authorities. WPP will use this information to prioritise the development and launch of future investment solutions/funds within the WPP.
- 3.4 In conjunction with its advisers the WPP will also consider opportunities arising from a greater understanding of ESG factors. These opportunities could include impact and/or sustainability themed strategies, as well as social beneficial investments. WPP may propose such opportunities directly for consideration by Constituent Authorities.

4 Climate change

- 4.1 Climate change presents a systemic risk that has the potential to affect economies, financial returns and demographics. The risks arising from climate change may arise from environmental, social, governance or other factors and are generally characterised as follows:
 - 4.1.1 Physical risks, such as damage to property from flooding or lower precipitation giving rise to crop failure;
 - 4.1.2 Transition risks, being the financial risks arising from changes in policy and technology to adjust to a lower-carbon economy; and

- 4.1.3 Liability risks, being the potential costs arising from parties who have suffered loss or damage due to climate change seeking compensation from those they hold responsible.
- 4.2 Climate change is increasingly being recognised by regulatory bodies and legislators as an issue that must be explicitly addressed by asset owners and investment managers. The uncertainty arising from climate change has implications for Constituent Authorities through the investments made within WPP.
- 4.3 WPP will engage with its providers to ensure that a common mechanism for monitoring climate related risks can be developed in respect of all WPP assets. Through this, WPP aims to provide support to Constituent Authorities in developing and implementing their own climate risk management policies.
- 4.4 WPP will encourage, through its delegates, all investee companies to disclose in line with the requirements of the Taskforce for Climate Related Financial Disclosures.
- 4.5 In developing its ongoing approach to responsible investment, WPP will consult further with Constituent Authorities with a view to developing a WPP-specific climate risk policy.

5 Exclusions

- 5.1 WPP has not adopted a policy of exclusionary practices within its underlying active manager portfolios. However, the WPP recognises that the Constituent Authorities may individually adopt an exclusionary policy.
- 5.2 WPP recognises that active investment management is by its very nature exclusionary and therefore expects that all the investment managers employed within WPP will properly consider climate-related and other ESG risks in decision making within their respective portfolios.
- 5.3 Constituent Authorities have the ability to invest in passive or other rules-based strategies through WPP's passive Investment Manager which may follow an exclusionary approach.

6 Implementation of strategy

- 6.1 WPP expects that the Investment Managers employed to manage WPP assets will take account of ESG-risks as part of their investment analysis and decision-making process. WPP further expects that its Investment Managers can demonstrate they are 'best-in-class' with regards to their integration of responsible investment considerations.
- 6.2 WPP expects that, in all relevant circumstances, its Investment Managers will be signatories to the Principles for Responsible Investment ("PRI") and the Financial Reporting Council ("FRC") UK Stewardship Code.
- 6.3 WPP will engage with its Investment Managers on an ongoing basis to ensure that ESG factors are transparently reflected in decision making processes and that the approach taken to the management of ESG factors can be properly evidenced. WPP expects that such processes extend beyond reliance purely on third party ratings/data.
- 6.4 Within rules-based or index tracking mandates managed, WPP recognises the influence of benchmarks on the selection of assets. Where appropriate, WPP will work with its Investment

Managers and Constituent Authorities to ensure that the potential implications and impact of ESG factors on different approaches are properly understood.

7 Stewardship

- 7.1 WPP believes that failing to exercise voting or other rights attached to assets could be contrary to the interest of the beneficiaries of the Constituent Authorities. WPP also believes that successful engagement with investee companies can protect and enhance the long-term value of the Constituent Authorities' investments within WPP.

Voting

- 7.2 WPP has agreed a set of voting principles with its Operator which is responsible for the implementation of these principles. The Operator has instructed the underlying active investment managers within pooled funds to apply these voting principles on a comply or explain basis in respect of their portfolio(s).
- 7.3 WPP recognises that its passive Investment Manager may adopt a single voting policy across their pooled funds and WPP will review the appropriateness of such a policy on a periodic basis. WPP will engage with its passive Investment Manager to consider how WPP's voting principles can be extended to assets managed by its passive Investment Manager.
- 7.4 WPP will receive a report on all voting activity, including details of any votes which have not been cast and explanations where votes have not been cast in accordance with the agreed principles on a quarterly basis. WPP will discuss any issues of concern with its Investment Managers or other delegates as necessary.
- 7.5 WPP will review the voting principles in conjunction with its advisers and Investment Managers on an annual basis. WPP has also agreed an ambition to appoint a single proxy voting adviser to ensure that voting on all shares held within WPP is undertaken on a consistent basis.
- 7.6 All the Constituent Authorities are members of the Local Authority Pension Fund Forum ("LAPFF"). As members, the Constituent Authorities receive LAPFF Alerts when there is a campaign to vote in a certain way. WPP and its Constituent Authorities will give consideration to all such LAPFF Alerts and, where possible, instruct its Investment Managers to vote in line with the LAPFF Alert unless there is sufficient reason not to.

Stock lending

- 7.7 WPP has agreed that stock lending will be permitted within WPP's actively managed pooled funds, subject to consultation with Constituent Authorities in respect of each underlying sub-fund at the point of set up. However, WPP will not lend 100% of the holding in any single stock so WPP can express its views and make a policy stance on any topic it deems worthy though its right to vote.
- 7.8 WPP recognises that stock lending may inhibit the full application of its voting policy as votes may not be cast on stock on loan. WPP will continue to monitor the impact of this policy stance over time and revise its policy if required.

Shareholder engagement

7.9 WPP considers that, in many cases, its Investment Managers are best placed to engage with investee company management due to:

- the practical constraints of the investment structure;
- the resources available to these managers which are funded by the fees paid through WPP; and
- the existence of relationships between investment managers and the underlying investee companies.

7.10 The Investment Managers are ultimately accountable to WPP for all engagement activity; they should be able to demonstrate, when challenged, the reason for any engagement activity and the objectives of the engagement. Further to this Investment Managers should be able to justify the approach taken to achieve their objectives and explain the timeframe over which the engagement is expected to take place and the consequences should engagement be unsuccessful.

7.11 WPP adopts an evidence-based approach to assessing engagement activity by managers. WPP will receive a report on engagement activity undertaken by investment managers on a quarterly basis. WPP will discuss any issues of concern with the Investment Managers.

7.12 WPP has agreed to explore the possibility of employing a single engagement provider in conjunction with the prospective consideration of a proxy voting agent.

8 Collaboration

8.1 WPP believes that collaboration has an important role in helping the WPP achieve its RI objectives. WPP will continually assess potential collaboration opportunities and will inform and seek input from the Constituent Authorities on any such opportunity that it deems to be relevant.

8.2 WPP together with all Constituent Authorities are members of LAPFF and engagement takes place with companies on behalf of members of the Forum.

8.3 WPP has an ambition to work collaboratively with other like-minded investors and representative bodies in order to maximise the influence of WPP's assets on investee companies. WPP will seek to identify investor led responsible investment initiatives and collaborations that can be actively supported.

8.4 WPP will encourage underlying investment managers to participate in or support collaborative engagements where it is deemed to be in the best overall financial interests of Constituent Authorities.

8.5 WPP will continue to collaborate with the cross-pool RI collaboration project at any suitable opportunity.

9 Monitoring, Reporting and Measurement

9.1 WPP aims to be aware of, and monitor, financially material ESG-related risks and issues within WPP assets. In consultation with Constituent Authorities, Advisers and the Investment Managers, WPP will develop appropriate monitoring metrics for its portfolios. Such metrics

are expected to include climate-related risk exposures. WPP expects that such metrics will be incorporated within quarterly reporting to Constituent Authorities.

- 9.2 WPP requires that the responsible investment credentials of all appointed Investment Managers are subject to annual review. In conjunction with the relevant parties, the WPP will develop an appropriate reporting framework for its Investment Managers.
- 9.3 On an annual basis, the WPP will prepare and publish a stewardship report detailing the actions undertaken in fulfilment of this policy and the results achieved.

10 Other

- 10.1 WPP recognises the need for ongoing education for Constituent Authorities on a broad range of investment matters, including responsible investment. As part of its annual business planning, WPP will ensure there is at least one formal training session is directly focused on Responsible Investment.
- 10.2 WPP is investigating, and will seek guidance from the Constituent Authorities, on whether it should become a signatory to the PRI and the updated FRC UK Stewardship Code. WPP will also explore the possibility of incorporating the United Nations' Sustainable Development Goals into its RI beliefs and its monitoring and measurement mechanisms.
- 10.3 WPP expects that all investment managers employed on behalf of WPP will disclose costs in accordance with the SAB Code of Transparency.
- 10.4 WPP will review the adherence of all parties to this policy on an annual basis. WPP will publish the results of their assessment as part of their annual stewardship and governance report.

11 Further Information

- 11.1 If you require any further details on the RI Policy please contactand refer to the WPP website.

Version 1.0
May 2019

Glossary

Engagement refers to the process of interaction between an investor (or its delegate) and the management of an investee company with the objective of creating change in how the underlying company is managed or governed.

ESG is used to collectively describe a series of different risk factors arising from Environmental (e.g. resource scarcity, waste management, pollution, energy efficiency), Social (e.g. health & safety, workforce diversity, working conditions, data protection) and Governance (e.g. board structure, business ethics, shareholder rights, executive compensation) issues.

Impact is a term generally used to describe the social or environmental outcome arising from a particular investment or investment decision, being distinct from the associated financial outcome.

Investment Managers refers to those investment managers appointed directly or indirectly by WPP for the purposes of managing assets on behalf of WP.

Operator means Link Fund Solutions as the appointed operator of the Authorised Contractual Scheme through which sub-funds are implemented for WPP.

Principles for Responsible Investment is a global network of asset owners, asset managers and service providers which has the objective of advancing responsible investment practices.

Proxy Voting Agent means an entity which is instructed to advise on and/or cast votes on resolutions on behalf of an asset owner.

Responsible investment refers to investment practices that integrate the consideration of ESG factors into investment management processes and ownership practices, recognising that these factors can have a material impact on financial performance.

Stewardship describes the activities of investors in exercising the rights and responsibilities that come with asset ownership. These practices can include voting on shares and engaging with company management but also includes the oversight of those to whom such responsibilities are delegated.

UK Stewardship Code is a set of principles and provisions produced by the Financial Reporting Council which sets out best practice in stewardship activities by Asset Owners and Asset Managers.

UN Sustainable Development Goals are a set of 17 global goals for 2030 set by the UN General Assembly in 2015.

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

Local Government Pension Scheme - Statutory guidance on asset pooling

Introduction

The 8 LGPS Administering Authorities of the Wales Pension Partnership (WPP) are pleased to be able to provide this response to the Government's consultation on revised LGPS pooling guidance. The Authorities hope that the Government finds it helpful to receive a single consolidated response from WPP on the key points it has identified from the consultation, which further underlines WPP's effective partnership approach.

We welcome the intention to set out an up to date list of requirements on a statutory basis, to establish common terminology and to clarify the position on questions raised by funds and pools.

Firstly, it needs to be emphasised the importance of achieving value for money when making investment decisions. This is clearly linked to asset allocation strategies and the responsibility for meeting liabilities and hence asset pooling should not detract from the Funds' responsibilities and accountability for achieving this.

Structure and definitions

The Government should ensure that the guidance takes account of the variety of pool operating models, as it currently appears to be largely written for the circumstance where 'pool companies' are wholly owned by the pool members, rather than the 'pool company' being a third party awarded a contract by the 'pool members'. Paragraph 3.2 correctly states that 'pool members' may appoint more than one pool company. The guidance should recognise more clearly that multiple 'pool companies' may be appointed to provide

'pooled vehicles/funds' to the 'pool members' and to provide the investment management of those assets. This could include passive investments through life funds, or infrastructure and other illiquid investments. This is no different to the provision of internal investment management by wholly owned 'pool companies'.

WPP feels that MHCLG needs to reconsider its definition of pooling to ensure consistency and any undue misunderstanding. WPP believes that MHCLG has correctly referenced CIPFA's definition of 'pooled assets' (key sections have been underlined) *'those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control'*. However this is not consistent with the definition in the draft guidance *'an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle'*.

As an example MHCLG is aware that the WPP authorities have let contracts to BlackRock for the management of WPP passive investments, which have saved at least £2m per annum, and for which WPP have been complimented many times by the Minister. We have therefore assumed that the Government would want to treat these savings as a pool saving. The decision on the award of these contracts was made by the WPP and the ongoing management of the contract and investments will be under the pool's governance, not individual authorities, thereby meeting CIPFA's definition, and as such will be reported as a 'pool asset', which should be reflected in the guidance.

Active and passive investments

The WPP authorities are pleased that the guidance continues to reflect that strategic asset allocation remains the responsibility of individual administering authorities. As such the decision to invest in active or passive investments will be determined by each administering authority based on their individual assessment of the suitability of the investments and approach to risk [Regulation 7(2) (b & c)] in their Investment Strategy Statement. The effectiveness of both active and passive investment is already being closely monitored by each authority as part of the ongoing management of their pension fund.

The decision to invest in either active or passive investments is not a pooling issue and therefore paragraph 3.6 should be removed from the guidance. However, if this section is to remain in the guidance, it is important that any assessment of performance takes into account the level of risk being taken to achieve this performance. The lack of reference to risk is a notable omission in the draft guidance.

Local Pension Boards

Each administering authority established a local pension board under the provisions of Section 3 of the Public Service Pensions, England and Wales The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. It is responsible for assisting the administering authority and performs an oversight role, to

- Secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme and any other connected scheme, and any requirements imposed by the Pensions Regulator in relation to the Scheme and
- Ensure the effective and efficient governance and administration of the Scheme.

Therefore whilst not having a direct role in investment decisions we recognize the pension board alignment to pension funds through their assisting role hence they do have an interest in pool governance, regulatory control and on how funds are holding pools to account.

Value for money and holding assets outside of the pool

The WPP funds are disappointed that the original pooling criteria of 'value for money' does not continue to feature in the guidance. The guidance correctly identifies that *'Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers... [and] have legal responsibilities for the prudent and effective stewardship of LGPS funds'*. While the guidance states that *'LGPS benefits are not dependent on their [local pension committees'] stewardship'* critically the cost of those benefits to scheme members are, therefore the value for money of each funds' and pools' investment arrangements remain important and a key part of the discharge of pension committees' fiduciary duty, and should remain a fundamental pooling criteria.

Paragraph 4.4 of the guidance correctly refers to pension committees and pool governance committees taking a long-term view of the costs and benefits of pooling. However in going further and stating that there should be consideration 'of the benefits across the pool and across the scheme as a whole', it sets inappropriate and unworkable expectations. Individual pension committees have a fiduciary responsibility to their own scheme members and cannot make decisions that disadvantage their own fund, even if it would benefit others. There is no mechanism for pools to quantify benefits to the scheme as a whole, and this is an unreasonable basis for pool decision making. The section of paragraph 4.4 quoted above should be removed unless the Government can provide a legal opinion that shows Administering Authorities fiduciary duty must extend external to their pool and the scheme as a whole.

Since the original pooling guidance in 2015 WPP's significant work around pooling has identified that there are net savings that can be achieved through pooling in investment managers fees and costs. This has been reported to the Government and been received positively. The WPP has also reported that it has a programme of work to implement pooling and achieve these savings, which is already well underway.

Nonetheless the work to date has also highlighted that in a number of instances individual authorities have already achieved very competitive fees, and in some instances little to no further saving can be achieved through pooling, which is recognised in the guidance in paragraph 5.4. However, the guidance should acknowledge that despite regular review,

the on-going benefits of pooling over the long-term may never outweigh the costs and assets may remain outside of the pool indefinitely. As such the heading for paragraphs 5.4 and 5.5 should have word 'temporary' removed and the definition of a 'retained asset' should be amended to 'an existing investment allocation retained by a pool member'. Further clarification on the retention of assets outside the pool must be included, in particular with regards to direct property investments. Unlike other asset classes, direct property will not 'mature' (as described in paragraph 5.4) and ultimately become available for investment in a subsequent pooled solution. In addition to maximise investment returns and for efficient portfolio management new direct property investment will continue to be made within existing strategic allocations, whilst new allocations will be made within the pool when suitable options are available.

Making new investments outside the pool

We welcome 6.2 investments in local initiatives. The WPP sees these as important potential investment opportunities which are currently being considered.

Reporting

As stated earlier in this response the Government must ensure that this guidance reflects both pooling models where the 'pool company' is a third-party provider or wholly owned by the pool members. As such paragraph 8.8 should either be deleted or clarified that it only applies to wholly owned pool companies. Third-party pool companies will not produce annual reports that are relevant to LGPS investment pooling.

The preceding paragraphs of section 8 are correctly worded. WPP's contract with the operator ensures that it reports to the pool members in line with the SAB Code of Cost Transparency (paragraph 8.7), which will be the basis of the administering authorities annual reports produced in accordance with CIPFA's guidance, which can be collated by the SAB (paragraph 8.6).

Responsible investment

The consultation is notably light on wording in this area. Given the importance of this subject, we believe there is scope for wording on this subject, and the potential implications of pooling, to be added to the guidance.

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Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

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Deddf Llywodraeth Leol 1972.

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