



## **Pension Board Chairs Engagement Day**

**Tuesday 2nd April 10.30 – 13.00**

**County Hall, Cardiff**

### **Minutes and Actions**

#### **Present:**

#### **Officers:**

Chris Moore (CM), Carmarthenshire (CCC) (Chair)  
Anthony Parnell (AP), CCC  
Tracey Williams (TW), CCC

Nigel Aurelius (NA), Torfaen  
Dafydd Edwards (DE), Gwynedd  
Jeff Dong (JD), Swansea

#### **Pension Board Chairs:**

Ian Coleman (IC), Torfaen  
John Jones (JJ), Dyfed  
Tony Deakin (TD), Gwynedd  
Karen McWilliam (KM), Flintshire

Cllr Alan Lockyer (AL), Swansea  
Ian Guy (IG), Swansea  
Michael Prior (MP), Cardiff  
Rob Whiles (RW), RCT

#### **Other Attendees:**

Peter Hugh-Smith (PHS), Link  
Eamonn Gough (EG), Link  
Jim Leggett (JL), Russell Investments

#### **Apologies for Absence**

Hugh Coombs, RCT  
Gerard Moore, Powys

#### **Item 1      Appoint Chair for the meeting and Introductions**

**CM** was appointed Chair for the meeting.

**CM** started by giving an overview of why the meeting had been arranged and the format for the day, explaining that the main objectives were to agree a relationship going forward and develop good governance.

#### **Item 2      Host Authority Update**

**AP** gave a brief overview of where we are now and how the partnership has developed over the last 2 years with appointing Link (the operator) in 2017 and Link then partnering with Russell Investments. An operator agreement is in place and there is an Inter Authority Agreement between the eight welsh funds. A governance structure exists and AP explained how it all fits together (document attached).

**AP** presented the Host Authority Update (presentation attached), highlighting the following key points:

**Slide 1 - Responsibilities:**

- WPP has had staffing issues over the last 6 to 9 months which has affected the workplan
- KPI's will be monitored going forward
- End of Year accounts – in discussion with WAO but it is likely to be an annual return for this year
- Current contract with Link is for 5 years with a possible extension of another 2 years. Host Authority is the first point of contact
- Contract with adviser - currently we have a contract with Hymans which was procured through Gwynedd, **DE** provided further clarification. WPP is looking for an adviser to provide a fiduciary oversight role going forward and will be going out to contract over the next few months.

**Slide 2 – Structure and Decision Making:**

- **AP** explained the set-up of the Officers Working Group (OWG) and the Joint Governance Committee (JGC) and thanked the Section 151 officers for their attendance record
- JGC meetings are held every 3 months, some have been cancelled however they will be held regularly in future
- All JGC meetings are webcasted

**Slide 3 – WPP Workplan:**

**AP** presented the workplan document (attached) explaining the main work areas and invited any comments. He also emphasised that he is happy to receive any questions / thoughts by email once everyone has had a chance to look at the document fully.

A number of comments were raised:

- **KM** mentioned that she felt that the workplan had challenging timescales and whether it needs to be amended to be more realistic. **AP** agreed that yes there are some challenging timescales in there but it is a working document and that some tasks may slip a quarter, however if this happens all parties will be kept informed.
- **TD** asked whether the 6/9 months which WPP are behind is built into this plan and where the problem lies. **AP** explained that the key area affected by this is communications – website, developing a workplan, business plan and training plan. **AP** went on to explain that even though we are behind other pools in this area, the WPP has progressed further than some other pools with regards to sub-funds, with £3.5bn already invested in 2 sub-funds. **CM** added that it is very much the path of the unknown and it's about getting it right as opposed to getting it done quickly.
- **JJ** enquired about training and development requirements and how this will work geographically. **AP** explained that with regard to stock lending, Mercer was appointed to provide training. **KM** asked whether the JGC members will receive training on stock lending and the reply to this was yes, this is fundamental. It is the responsibility of individual committees to identify their own training gap. Training requirements need to be developed further, with potentially alternative investments being the next training session. **DE** emphasised that Individual funds have a duty to ensure that members receive adequate training and **RW** added that in RCT, the Pension Board and the Pension Committee hold combined training sessions, which also seems to be happening within other funds.

- **RW** enquired whether KPI's went to the JGC in March. **AP** explained that due to the transitioning, March JGC was too soon, KPI's for quarter ending March 2019 will be going to the June JGC. **KM** asked whether the reporting for individual funds will be as good as it has been in the past, **AP** explained that Link are working with individual funds as each fund have their own requirements. Host authority is also working with Link to ensure reporting is fit for purpose.

#### **Slide 4 – Priorities:**

Following on from the previous slide, AP explained the main priorities going forward:

- Business Plan – draft to go to June JGC
- Communications Plan – Hymans bringing a draft to the April OWG
- Website – this is being progressed
- Policy / Procedures – RI policy is priority, aiming for that to go to June JGC

**AP** finished by saying that we are all still learning and this is something new to us all.

**JJ** asked whether the JGC papers are circulated by email, **CM** explained that these are public documents on the CCC website, JGC members are informed by email and provided with a link to the site. **TW** to ask Democratic Services Unit (DSU) whether it would be possible to email this link to the Pension Board Chairs.

**Action: TW to speak to Gaynor (DSU) re emailing the link to the Pension Board Chairs**

#### **Item 3      Link Presentation**

**Link** delivered a presentation (copy attached).

**PHS** started by giving an overview of Link by explaining the group's background, where they are now, the services they offer and the expertise that they bring.

**KM** commented that there has definitely been progress seen on the investment side and enquired as to how the regulator role works and how decisions are made. **PHS** explained the process of how sub funds are built, in particular the Global Equity fund which is now up and running, emphasising that there were significant improvements during the process.

**JJ** asked as to what the relationship is between WPP, Link and Russell. **PHS** explained that there is a contractual relationship through Link, WPP have a contract with Link and Link have a separate contract with Russell. Link and Russell provide collaborative working when attending meetings etc. **JJ** went on to ask what Russell's role is in the process, **PHS** explained that Russell has a role in Manager Selection/Due Diligence and also acts as an Investment Manager. **JJ** asked whether this is because Link has not got the capacity. **PHS** explained that Link don't perform the role of Investment Managers, they partner up with experts in that area.

**JJ** enquired as to how Russell's decision making is reviewed. **PHS** explained that there is continual engagement between Link and Russell and Link will challenge Russell, when necessary. **JL** went on to explain a little bit more around the background of Russell and how they operate, including the management research and operational due diligence that they carry out.

**JJ** asked about how they test the market. **JL** explained that there are various Investment costs, when appointing managers they look collectively at the fee savings, projected outperformance and the bigger picture as a whole.

**PHS** went on to explain the remaining slides, including the benefits of the Authorised Contractual Scheme, the set-up of the Global Growth and Global Opportunities Funds, the Next Steps and the Engagement Protocol. **PHS** emphasised that we are now in a good step to the next tranche which is the UK and European Equities.

**JL** went on to explain some more about the Global Opportunities Fund and how through engagement with the Officer Working Group, the right balance was achieved. It has been a collaborative approach to meet each individual funds objectives through a pool structure.

**AP** commented that it has taken 12 months of hard work and commitment. It has been a slow process, a steep learning curve but the background work is now done.

**CM** remarked that the commitment of all local authorities should be recognised, there has been a extensive input at senior level. An excellent collaboration project working together as one voice.

**KM** asked about the Annual Shareholder Day on the Engagement Protocol and who the involved parties are. **AP** confirmed that this includes all stakeholders, such as the Pension Fund Committees, Pension Boards, Link, Russell and Underlying Managers.

**IG** mentioned that Pension Fund Committees are included in the protocol and enquired as to whether this engagement will expand to Pension Boards. **CM** explained that we need to look at Pension Board engagement going forward.

**PHS** mentioned that fund reporting is being developed and that it will be a transparent structure in line with the Cost Transparency Framework.

**CM** concluded by saying that there is a lot of work left to be done and it is critical to get the reporting right and shared accordingly.

#### **Item 4**      **Any further questions**

1. **KM** enquired about the vacant post. **CM** explained that at present this post is not required however as work is evolving this could change. **KM** mentioned that from looking at the workplan there seems to be a lot of focus on the governance side (Business plan, policies etc.), **CM** explained that with the skills around the OWG, there is an element of sharing and accepting assistance, for example with Gwynedd and Hymans.
2. **KM** mentioned that the Budgets had gone to the June JGC for approval, however from her understanding of governance and from relevant sections in the Inter Authority Agreement, objectives and budget sits within the Business plan. She was concerned that the timescales in the workplan shows the business plan being completed before objectives are set and this should be the other way around. **KM** kindly offered to provide further explanation / information, if required. **AP** confirmed that WPP objectives are not set in detail at present but this will form part of the Business Plan and will look into this further.

## **Item 5**      **Future Communication with Pension Board Chairs**

**CM** spoke about future engagement and invited any thoughts as to how future engagement could be structured.

A number of Pension Board Chairs commented on how useful this meeting had been and the importance of board involvement at fund level, representing all members. It is an evolving process, with potential benefits. Consensus was that a forum would be useful, not necessarily always with the Pension Board Chairs but with Pension Board Representatives with relevant expertise.

It was agreed that going forward, subject to approval by the JGC that a forum be set up to meet twice yearly with representatives from each of the eight welsh funds – either the Pension Board Chair or its nominated representative. A collaborative approach to improve communication with Pension Boards, to consult on any necessary issues and to strengthen the overall Governance structure. The Host Authority to draw up a future engagement model and circulate with the Chairs.