

PWYLLGOR PENSIYNAU

DYDD MERCHER, 15 MAWRTH 2017

Present: Councillor Hinchey (Chairperson), Councillors Graham Thomas a/ac Woodman

Also

Present: Christine Salter, Gary Watkins a/ac Gareth Henson

25 : YMDDIHEURIADAU AM ABSENOLDEB

Apologies for absence were received from Councillors Elsmore and Evans.

Councillor G Thomas took the Chair.

26 : DATGAN BUDDIANNAU

There were no declarations of interest.

27 : COFNODION

The minutes of the meeting held on 15 February 2017 were agreed as a correct record subject to the inclusion of Councillor Judith Woodman's attendance. The minutes were signed by the Chairperson.

28 : PWLL BUDDSODDI NGHYMRU - DIWEDDARIAD

Members were advised that this report had been prepared to provide an update on the progress with the development of the Wales Investment Pool to manage on a collaborative basis the investment assets of the eight Local Government Pension Scheme (LGPS) funds in Wales.

The Committee received an update on the development of the Wales Investment Pool at its meeting on 15 February. The Committee also considered the draft Inter Authority Agreement (IAA) setting out the powers to be delegated to the Joint Governance Committee for the Pool.

At its Full Council meeting on 23 February 2017, City of Cardiff Council approved the establishment of the Joint Governance Committee (JGC) and delegated the authority to approve and sign the finalised IAA to the Corporate Director Resources, in consultation with the Chair of this Committee and the Monitoring Officer.

The other seven LGPS administering authorities have also been asked to approve the establishment of the JGC at their Full Council meetings between 23 February and 15 March.

Until the IAA is formally signed by the eight authorities, the Joint Chairs' Group will continue to meet to oversee the project. The next meeting of the Group was scheduled to be held in Cardiff on 20 March.

The notice for the procurement of the Pool Operator was issued on 2 March. Responses to the Selection Questionnaire were required by 14 April and qualifying applicants will be invited to tender for the contracted services. The procurement process would continue during May and June until a recommendation as to the contract award can be made to the Joint Governance Committee.

Members were advised that the target timescales were still being met and it was hoped that they would still comply with the Ministers timescales to move some assets across into the Pool.

The Chairperson invited questions and comments from Members;

Members asked if Flintshire Council had been confirmed to lead the procurement exercise and were advised that they had, the procurement exercise had to be issued by one Authority.

Members noted that the Joint Governance Committee in July would consider a report and conclude on the recommended operator to be appointed, this would then be taken back to the constituent authorities in October; after which time the details such as Terms and Conditions would be determined.

Members noted that the full transfer of assets would not be concluded until around 10/15 years time.

RESOLVED To note the progress in the development of the Wales Investment Pool.

29 : DATGANIAD STRATEGAETH FUDDSODDI

Members were advised that the Terms of Reference for the Pensions Committee include the review and approval of the Fund's Investment Strategy Statement (ISS).

The LGPS (Management and Investment of Funds) Regulations 2016 ('The Investment Regulations') came into force on 1 November 2016. The Investment Regulations require each LGPS administering authority to formulate and publish an investment strategy by 1 April 2017.

The Investment Strategy Statement (ISS) replaces the Statement of Investment Principles (SIP) and must comply with guidance issued by the Secretary of State. The SIP and relevant parts of the 2009 Investment Regulations remain in force until the ISS is published.

A draft ISS was presented to the Investment Advisory Panel at its meeting on 24 February 2017. The Fund's independent advisers have recommended amendments which have been incorporated into the final version presented to Committee.

Members were advised that the ISS must include the following:

- a. a requirement to invest fund money in a wide variety of investments;
- b. the Authority's assessment of the suitability of particular investments and types of investments;

- c. the Authority's approach to risk, including the ways in which risks are to be assessed and managed;
- d. the Authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- e. the Authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- f. the Authority's policy on the exercise of the rights (including voting rights) attaching to investments.

Officers outlined each section of the ISS namely;

- Investment of money in a wide variety of investments – Members were advised of the Asset Allocation targets and variance limits agreed for 2017-18.
- Suitability of particular investments and types of investments – Members noted how the targets were set for particular fund managers and that particular fund managers were chosen specifically to aim for those targets.
- Risk – Members noted that this referred particularly to Investment Risk and how this is managed if particular targets are not met. Officers advised that more detail had been added to this section from the first draft such as tracking errors. Liquidity and Operational Risks were also outlined to Members; Members noted that specialist transition managers were used when money was moved around.
- Pooling of Investments – Members were advised that this was a new section providing a summary of how the Wales Pool would operate. The proposed structure and basis on which the Pool would operate was set out in the July 2016 submission to the Department for Communities and Local Government. The proposals were approved by the Minister for Local Government in November 2016.

Members were advised of the Council's intention to invest the Fund's assets through the Pool as and when suitable Pool investment solutions become available. The key criteria for assessment of Pool solutions would be as follows:

- That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool

Members were advised that the joint procurement for passive investments essentially meant that these were now pooled investments and that private equity investments would not be transitioned to the Pool.

- Structure and Governance of the Wales Investment Pool – Members noted that the Eight administering authorities would continue to retain control over setting their investment strategy and asset allocation.
- Members were advised how social, environmental or corporate governance considerations are taken into account;

- Members noted the exercise of rights (including voting rights) attaching to investments.

The Chairperson invited questions and comments from Members;

- Members asked how often the ISS would be reviewed and were advised that this would be undertaken annually unless there was a reason for changing a particular section of the document.
- Members sought clarification on whether targets would be regularly reviewed and were advised that they would be.
- Members noted that private equity investments were not targeted and asked why this was. Officers advised that they were long term investments, contracts were signed to commit a certain amount of money but this doesn't have to be placed straight away; it's called in as and when required by managers and underlying companies. Officers further explained that with private equity investments the full gains are not seen until the end when the funds are liquidated, this makes then difficult to set targets against, however fund managers provide quarterly performance reports.

RESOLVED:

- i. To approve the ISS for 2017-18 as attached at Appendix 1 to the report.
- ii. To approve the publication of the ISS on the Council's website by 1 April 2017.

The meeting terminated at Time Not Specified

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