

APPENDIX 1

Memorandum of understanding relating to the procurement of services by the administering authorities of the local government pension scheme in Wales

1. This memorandum of understanding governs the relationship of the administering authorities for the local government pension scheme in Wales under Part 1 of Schedule 3 to the Local Government Pension Scheme Regulations 2013.
2. The administering authorities who are parties to this Memorandum are the City of Cardiff Council, the City & County of Swansea Council, Flintshire County Council, Carmarthenshire County Council, Torfaen County Borough Council, Gwynedd Council, Powys County Council and Rhondda Cynon Taff County Borough Council ("the Constituent Authorities").
3. The Constituent Authorities have made a proposal to HM Government for the pooling of investment activities relating to the management of their several pension funds and that proposal has been accepted in principle by HM Government.
4. The proposal is to create a pooled investment vehicle (the "Pooled Vehicle") and to delegate the operation of the Pooled Vehicle to a third party operator holding the relevant regulatory permissions (the "Host Operator"). The Constituent Authorities may delegate additional investment related services (the "Ancillary Services") to the Host Operator or to another third party provider.
5. To further that proposal the Constituent Authorities have agreed that they will act in concert to procure the Host Operator and Ancillary Services so that the strategic investment requirements of the Constituent Authorities are being met.
6. The Constituent Authorities are committed to the development of formal joint arrangements under the Local Government Act 1972 via an Inter-Authority Agreement ("IAA") and a Joint Committee under the Local Government Act 1972 ("the Joint Committee") to ensure the effective operation of the services procured, such arrangements to take effect before the provision of those services commences and by no later than 31st January 2017. The target date for commencement of the new service arrangements is April 2017 with full development of those arrangements by April 2018.
7. The Constituent Authorities will work together in accordance with this memorandum of understanding until formal joint arrangements (including a Joint Committee and legally binding Inter-Authority Agreement) are in place.

8. This memorandum of understanding does not create any legal relationship nor is it intended by the Constituent Authorities to create such a relationship. The Constituent Authorities will act with good faith, openness, equality, reasonableness, respect and avoid bringing any of the others' reputations into disrepute.
9. Flintshire County Council will act as lead authority for the purpose only of undertaking the joint procurement of a Host Operator. The invitation will be issued by Flintshire CC who will formally respond to any queries and receive the bids. Flintshire will issue the decision notice and the services contract will be entered into either by each Constituent Authority as co-signatories, one authority on behalf of the other Constituent Authorities or such other method as the Constituent Authorities agree in relation to the services described in paragraph 5. The contract will not be awarded until the Inter-Authority Agreement is entered into by the Constituent Authorities.
10. Costs incurred until the Inter-Authority Agreement is completed (including costs of challenge other than any arising from the act or omission of Flintshire) are to be allocated and recovered from each of the Constituent Authorities on an equal basis.
11. In order to act in concert the Constituent Authorities will form a Joint Chairs Group ("JCG") on which each Constituent Authority will be represented by one member who must be a member of that authority's pension committee or equivalent body (normally the Chairman of the Constituent Authority's LGPS pensions committee or his nominated representative). The Joint Chairs Group will make recommendations to the Constituent Authorities.
12. The JCG will not be a formally constituted joint committee under the Local Government Act 1972 and the provisions of that Act relating to access to information will not apply.
13. The JCG will have no powers delegated to it by the Constituent Authorities and will be responsible for:
 - 13.1 Making recommendations to the Constituent Authorities on the services and functions to be delivered by a Host Operator, the Ancillary Services and the method of delivery;
 - 13.2 Making recommendations to the Constituent Authorities on the evaluation methodology to be used in the appointment process;
 - 13.3 Making recommendation to the Constituent Authorities on the appointment of a Host Operator and other service providers;
 - 13.4 Making recommendations on the structure of the Pooled Vehicle (or Pooled Vehicles), the number and make up of sub-funds, and the commercial design of the Pooled Vehicle (or Pooled Vehicles);

- 13.5 Making recommendations to the Constituent Authorities on common minimum standard policies in respect of ethical, social and governance matters and voting rights;
- 13.6 Making recommendations to the Constituent Authorities on the role and procedures of the Joint Committee;
- 13.7 Making recommendations on any other matters which they consider to be necessary for the effective progression of the proposal.
14. In the event of any member of the JCG ceasing to be a member of the Constituent Authority which appointed them, or a member of the relevant Pension Committee the relevant Constituent Authority shall as soon as reasonably practicable appoint another member in their place.
15. At the commencement of each meeting a Chair will be appointed by the members of the JCG from amongst their own number by means of a vote.
16. A meeting shall be quorate when 6 members are present. No business will be transacted at a meeting unless a quorum exists at the beginning of the meeting. Should there be at any point in the meeting less than six members present then the meeting shall stand adjourned until the requisite number is present or a further meeting is called.
17. The JCG will in the first instance seek to reach decisions through consensus. Where it is not possible to reach a consensus position a decision will be reached by majority vote. Each Constituent Authority present will have one vote and voting will be by means of a show of hands. The Chair shall have a further and casting vote in the event of equality of votes.
18. The JCG will be supported by an officer working group comprising the each Constituent Authorities section 151 officer and/or appropriate nominated officer(s) from each Constituent Authority. The JCG may set up other working groups to advise it on matters within its remit. Such working groups may be formed of members or officers of the Constituent Authorities or any other third party as the JCG sees fit. Such working groups are advisory only and the JCG may not delegate its responsibilities to such working groups
19. The clerk to the JCG who will arrange for the provision of secretarial and administrative support will be an officer provided by the Welsh Local Government Association.
20. The JCG shall meet as is necessary for the group to execute its responsibilities.
21. Meetings will be held at such times, dates and places as may be notified to the members of the JCG by the clerk. Meeting papers will be circulated in advance of any meeting. Urgent items may be tabled at meetings with the agreement of the Chair.

22. Additional ad hoc meetings may be called in order to consider urgent matters of business within the remit of the JCG. Such ad hoc meetings may include virtual meetings facilitated by means of videoconferences or similar technology.
23. The JCG may invite any person, whether a member or officer of one of the Constituent Authorities or a third party to attend any meeting of the JCG and speak on any relevant matter.
24. Employees of the Constituent Authorities and advisers must declare whether they have any conflict of interest in respect of any business being conducted by the JCG. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as an adviser to the JCG. A conflicted person shall play no part in any portion of the meeting to which that conflict of interest relates.
25. Members of the JCG will be subject to the Member Code of Conduct as operated by their own Constituent Authority.
26. Under paragraph 18 there will be an Officer Working Group (OWG) drawn from the Constituent Authorities which supports and advises the shadow Joint Committee
27. The OWG is not a decision-making body but its members will as necessary individually exercise any powers delegated to them by a Constituent Authority. Its remit will be:
 - 27.1 Proposing and procuring external support requirements (e.g. legal and taxation advice);
 - 27.2 Proposals to JCG on pool governance arrangements including how the Host Operator and, where relevant, any provider of Ancillary Services, should be held to account;
 - 27.3 Proposing the specification of the scope of services required from the Host Operator and the extent of the Ancillary Services required for the purpose of a procurement exercise and proposing an appropriate procurement process;
 - 27.4 Proposals on the appointment of the Host Operator and provider of the Ancillary services;
 - 27.5 Liaising with lawyers (and other advisers) to determine proposals to the JCG on:
 - 27.5.1 finalising a proposed project plan setting out the structure of the proposal, including the services required from the Host Operator and the Ancillary Services, together with a detailed timeline;

- 27.5.2 necessary protections in the Host Operator contract and contracts with any other service providers, including in particular exit triggers, liabilities and indemnities;
 - 27.5.3 the structure of the Pooled Vehicle (or Pooled Vehicles), the number and make up of sub-funds, and the commercial design of the Pooled Vehicle (or Pooled Vehicles);
 - 27.5.4 the actions required under existing investment-related contracts entered into by the Constituent Authorities, subject to agreement with the Constituent Authorities.
- 27.6 Planning the transition from existing mandates to the Pooled Vehicle, including proposals on the procurement of one or more transition managers, the services required, the timing of transitions and the apportionment of transaction costs.

Signed on behalf of City of Cardiff Council

Signed on behalf of City & County of Swansea Council,

Signed on behalf of Flintshire County Council,

Signed on behalf of Carmarthenshire County Council,

Signed on behalf of Torfaen County Borough Council,

Signed on behalf of Gwynedd Council,

Signed on behalf of Powys County Council

Signed on behalf of Rhondda Cynon Taff County Borough Council

Dated