

Pensions and Investment Committee

Meeting Venue
**Committee Room A - County Hall,
Llandrindod Wells, Powys**

Meeting date
Friday, 9 March 2018

Meeting time
10.00 am

For further information please contact
Carol Johnson
01597 826206
carol.johnson@powys.gov.uk



County Hall
Llandrindod Wells
Powys
LD1 5LG

5 March, 2018

The use of Welsh by participants is welcomed. If you wish to use Welsh please inform us by noon, two working days before the meeting

AGENDA

1.	APOLOGIES
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To receive apologies for absence.

2.	DECLARATIONS OF INTEREST
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To receive any declarations of interest from Members relating to items to be considered on the Agenda.

3.	MINUTES
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To authorise the Chair to sign the minutes of the last meeting held on 15 December, 2017 as a correct record.

(Pages 5 - 8)

4.	PENSIONS BOARD MINUTES
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To consider the recommendations from the Powys Pensions Board and note the issues considered by the Board and receive for information the draft minutes of the meeting held on 12 January, 2018.

(Pages 9 - 20)

5.	TRAINING PLAN [AON HEWITT]
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To consider and note the Training Plan.

(To Follow)

6.	INVESTMENT STRATEGY STATEMENT [AON HEWITT]
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To consider the Statement.

(To Follow)

7.	EXEMPT ITEM - ITEMS 8 TO 11 INCLUSIVE
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The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following items. His view on the public interest test (having taken account of the provisions of Rule 14.8 of the Council's Access to Information Rules) was that to make this information public would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information). These factors in his view outweigh the public interest in disclosing this information.

Members are asked to consider these factors when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

8.	ASSET UPDATE
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To consider a report by Aon Hewitt.

(To Follow)

9.	Q4 QUARTERLY MONITORING REPORT
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To consider a report by Aon Hewitt.

(To Follow)

10.	Q4 MTAA REVIEW
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To consider a report by Aon Hewitt.

(To Follow)

11.	DECISIONS REVIEW
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To consider a report by Aon Hewitt.

(To Follow)

12.	TRAINING - THE PENSIONS REGULATOR [PENSION BOARD CHAIR]
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To receive training on The Pensions Regulator from the Pension Board Chair.

13.	WALES PENSION PARTNERSHIP - RUSSELL INVESTMENTS
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**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS,
POWYS ON FRIDAY, 15 DECEMBER 2017**

PRESENT

County Councillor P E Lewis (Chair)

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

Councillor Martin Weale and Mr Gerard Moore.

Richard Antrobus, Chris Archer, Becky Durran and Simon Mayne (Aon Hewitt)

Acting Director-Resources, Pension Fund Manager, Financial Reporting & Policy Accountant

1.	APOLOGIES
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Apologies for absence were received from County Councillor EA Jones.

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.

3.	MINUTES
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The Chair was authorised to sign the minutes of the meetings held on 29 September and 17 November 2017 as correct records.

The Chair advised that he was changing the running order of the agenda and that he would take the minutes of the Pensions Board when the Chair of the Board arrived.

4.	CAMPING & CARAVANNING CLUB
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The Committee was advised that the last remaining active member of the Powys LGPS employed by Camping & Caravanning Club had left their employment and that therefore the Club was no longer a participating employer in the Pension Fund.

RESOLVED	Reason for Decision:
To note the contents of the report.	As per report

5.	PERFORMANCE MANAGEMENT
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The Fund had joined the National LGPS Framework for Investment Management Performance and Cost Monitoring and Reporting Services and officers were in the process of engaging suppliers on the Framework to procure the relevant services.

RESOLVED	Reason for Decision
That Committee approve officers to proceed with the engagement of providers for performance measurement services.	To ensure the Fund receives performance measurement information on an on-going basis.

6. PRESENTATION BY THE PENSION FUND ACTUARY
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Chris Archer and Becky Durran from Aon Hewitt gave an update on the actuarial position. The Fund had gone from 80% funded as at 31 March 2016 to 91% funded as at 30 September 2017 having benefitted from a 24% return on investments in the period. Investment returns could not be expected to continue at this rate. The average employer contribution in 2017/18 was 24.3% of pay, made up of 18.6% primary rate employer's contribution and stepping contributions made by the County Council. The expected recovery period was 22 years.

Mr Gerard Moore and County Councillor Aled Davies arrived during the presentation.

7. PENSIONS BOARD MINUTES

The Committee received the minutes of the last meeting of the Powys Pensions Board meeting held on 20th October.

The Pensions Board had asked to be given an input into statements issued by the Fund, when timing allowed.

The Chair of the Pensions Board advised that the reference in the minutes to a fine imposed by the Information Commissioner should refer to an English County Council rather than a Pension Fund.

The Pensions Manager advised that since the update report to the Pensions Board on the Markets in Financial Instruments Directive II (MIFID II) two further managers had responded to say that the Fund met the required criteria to operate at this level and another 4 had yet to respond. The Chair of the Board was pleased to note that the investment advisers had opted up.

The Chair of the Committee requested that the Acting Chief Executive and Acting Section 151 Officer be asked to confirm that the training programme was MIFID compliant.

8. EXEMPT ITEMS

RESOLVED to exclude the public for the following item 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. QUARTERLY INVESTMENT UPDATE

The Committee was advised that equities continued to rise in value and there had been a modest increase in the value of the Fund.

The Committee was also advised that Aon Hewitt had downgraded their view of Schroders as their investment style was not suited to the current market. The funds under their management had been moved into the passive equity fund prior to the establishment of the pooled fund.

Aon Hewitt advised that a period of market volatility was expected once quantitative easing was reigned in and interest rates began to rise, but equities remained good value.

10. ASSET UPDATE AT 30TH NOVEMBER

The value of the Fund as at 30 November stood at £621.765m.

11. MTAA UPDATE

The Fund had outperformed the benchmark by being overweight in equities and underweight in bonds.

12. LONG TERM BUSINESS PLAN

The Committee noted the long term business plan.

The Pension Fund Manager advised that the preferred bidder appointment for the Pooled Fund had been delayed. Pension fund managers were due to meet on 20 December to start the process of establishing the pooled fund. The Committee discussed their role once the pooled fund had been established. The Committee would no longer be involved in the appointment of investment managers and would instead concentrate on asset allocation.

13. HEDGE FUND TRANSITION UPDATE

The Committee received the update report on the hedge fund transition.

14. PRIVATE EQUITY COMMITMENTS

The Committee was advised that a decision did not have to be taken until the next meeting.

15. STOCK LENDING

The Committee was advised that the Fund benefitted from stock lending, receiving a proportion of the fees charged by the investment managers. This was how passive managers offset their expenses. Aon Hewitt had asked for this information to be provided annually.

16.	INFRASTRUCTURE
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The Committee received the report from Aon Hewitt. Infrastructure was an asset class the Pooled Fund would look to invest in.

17.	INSIGHT - FIXED INCOME TRAINING
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The Committee received training on fixed income.

County Councillor P E Lewis
Chair

Powys Local Pension Board

Purpose of the Report

The purpose of this report is to establish a more efficient process for the Pensions and Investments Committee to learn and consider any recommendations from and assurances gained by the Powys Local Pension Board, and any other relevant information, commencing with the key outcomes from the meeting of the Board on 12 January 2018.

Recommendation

The Pensions and Investments Committee is requested to accept the proposals from the Local Pension Board

Outcomes from Powys Pension Board Meeting on 12 January 2018

1. Recommendations

- 1.1 That the Committee approves the new process for informing them of the outcomes of Board meetings.

Justification: a structured “executive summary” should increase the Committee’s awareness and help focus on key issues identified by the Board, without needing to study the more detailed Board minutes, and should also assist the transparency agenda.

- 1.2 In order to ensure that Committee members fully understand and appreciate the role, purpose and achievements of the Board, they are reminded of the invitation to attend as observers.

Justification: this will help develop the links and understanding between the Committee and the Board.

- 1.3 That the Pensions Manager makes available an on-line database of scheme documents.

Justification: in order to be fully compliant with paragraph 46 of the Pension Regulator’s Code of Practice 14.

- 1.4 That some of the procedures associated with the need to record, and if deemed of material significance, report any breaches of the law to the Pensions Regulator, are strengthened as a priority.

Justification: whilst, since the inception of the Public Service Pensions Act 2013, there have been no breaches of the law by the Powys Pension Fund which have been deemed to be of material significance and therefore reportable to the Pensions Regulator, nevertheless the procedures for

monitoring breaches which are merely recordable, but not reportable, leave scope to be more robust in order to secure full compliance with Code of Practice 14.

2. Assurances Gained by the Board

- 2.1 That progress on the reconciliation of contracting out/ Guaranteed Minimum Pension / is on target for completion by 31 December 2018.

3. Other Suggestions by the Board

- 3.1 In order to comply with Paragraph 207 of Code of Practice 14, the Board examined some of the documents that are sent to scheme members and made suggestions to help ensure that the information provided is clear and simple to understand (as well as being accurate and timely).
- 3.2 As the next meeting of the Board is not until 7 June 2018, which is after the date from which the General Data Protection Regulations begin to apply (25 May 2018), the Board Secretary would email Board and Committee members with updates of local and All Wales arrangements, to provide assurances regarding compliance with these regulations.

4. Other Developments

- 4.1. As the appointment of an Interim Section 151 Officer inevitably changes the profile of the Risk Register, the Independent Chair of the Local Pension Board has held a training session with the new appointee which covered the role, purpose and achievements to date of the Board, the future work programme and highlighted some of the current risks and how they are being mitigated.
- 4.2 Other than a shown in paragraph 4.1, there were no other changes to the Risk Register.
- 4.3. Due to unfortunate circumstances, it is necessary to replace one of the members of the Powys Pension Board and arrangements are in hand to achieve this.
- 4.4. As permitted under the guidance to Regulation 7 (2) (e) of the LGPS (Investment and Management of Funds) Regulations 2016 "*How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments*" the Board noted the content of the Investment Strategy Statement and was mindful

that a report on responsible investment is scheduled to be discussed at the next meeting of the Pensions and Investments Committee.

- 4.5. The Board adopted a training programme.
- 4.6. A full review of compliance with Code of Practice 14 will take place in 2018, phased over the various meetings of the Board.
- 4.7 The Board has adopted a set of Key Performance Indicators to help monitor its own performance.

Gerard Moore

Independent Chair: Powys Pension Board

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**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT
COMMITTEE ROOM B - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON
FRIDAY, 12 JANUARY 2018**

PRESENT

Gerard Moore (Chair)
Mick Hutchison (Member Representatives)
Wayne Thomas (Employers Representatives)
Joe Rollin, Secretary to the Board
Chris Hurst, Pension Administration Manager

1. APOLOGIES

Apologies were received from John Byrne [Member Representative] as he was on other business.

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. MINUTES OF THE BOARD

The minutes of the last meeting held on 20 October, 2017 were agreed as a correct record.

4. MATTERS ARISING

4.1. Item 4a) - TPR Annual Return [verbal report]

The Board noted that following the last meeting it had been noted that the submission had not referred to the Pension Funds Auditors. The submission had been amended accordingly.

4.2. Item 4c) - Board Work Programme

The Board noted that the Work Programme had been updated to take into account the comments made at the previous meeting. The triennial valuation would be added to the Programme and a training session would be added to the Board training programme. The Board Members advised that they were happy with receiving emails from the Chair on issues in between Board meetings.

It was noted that at a training event in Cardiff, a member of the Pensions & Investment Committee had questioned the role and value of Pension Boards. The Chair commented that there was a statutory requirement to establish a Board. It was noted that the role of the Board was complimentary to the Committee and the Board was there to support and help the Committee to manage risk and reputational risk.

RESOLVED	Reason for decision
1. An invitation should be	1. To develop links between the

<p>forwarded to the Pensions & Investment Committee members reminding them that they could attend Powys Pensions Board meetings as observers.</p> <p>2. To provide joint training between the Powys Pension Board and the Pensions & Investment Committee.</p> <p>3. That the Board Chair would have an informal discussion with the Pensions & Investment Committee Chair regarding the views expressed by the Committee member.</p>	<p>Powys Pension Board and Pensions & Investment Committee.</p> <p>2. To support the development of the understanding of the respective roles of the Pensions & Investment Committee and the Powys Pension Board.</p>
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4.3. Item 8 - MIFID 2 Opting up Update [verbal report]

The Secretary advised that all but one asset manager had confirmed that the Fund met the required criteria to operate at the Opting Up level. Aberdeen Standard had confirmed by email but a letter had not yet been received. Pending the receipt of this letter the process had been completed in the required timescale. The Secretary advised he would follow this up with Aberdeen Standard.

4.4. Item 9 - TPR Code 14 Compliance re register of Board Members' Interests

The Board considered the Declaration of interest form.

RESOLVED	Reason for decision
That the Board members complete and return the forms and that the information be published on the Board's website.	To ensure interests are recorded and published.

4.5. Item 12 - Legal status of Pooled Funds [verbal report]

The Secretary advised that the legal status of pooled funds within the Wales Pooling Partnership had been discussed with colleagues in other Funds and also with the Monitoring Officer. He advised that the Inter Authority Agreement makes clear the ownership of assets remains with each individual Pension Fund Authority.

5.	CHAIRMAN'S ANNOUNCEMENTS
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The Chair advised a half day event for Pension Board members was scheduled for 8 March, 2018 in Cardiff and a meeting for officers would take place in Wolverhampton on 28 February, 2018. The Secretary advised the latter would be a good meeting for his successor to attend.

The Chair advised that he was meeting the new Interim Section 151 Officer after the Board meeting.

6. MINUTES OF PENSIONS AND INVESTMENT COMMITTEE
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The Board received the Pensions and Investment Committee's minutes for 17 November, 2017 and the draft minutes for the meeting held on 15 December, 2017.

In respect of the minutes of the meeting on 15 December the following were noted:

- Item 9 – Quarterly investment update – it was noted that some funds showed investments gross of fees and it was important that comparisons were made on the same basis.
- Item 15 – Stock lending – the issue of fees had previously been raised by the Board. For transparency the level of fee split should be shown.
- Item 16 – Infrastructure – the Secretary advised that Aon Hewitt had informed the Committee that it was investigating how the Fund could get exposure to infrastructure investments via a pooled fund.

The Chair advised he would provide future Pensions and Investment Committees with a brief summary report of the business of each Board meeting, as a frontispiece to Board minutes.

7. BOARD MEMBER TRAINING [STANDING ITEM]

The Board received the Training Plan for 2018/19. The Secretary advised that a log is kept of the training completed by the Board and where members arrange training themselves they should advise the Secretary so that their training log is complete. The need for accredited training for Board members was raised and the Secretary advised he would raise this with the Local Government Association [LGA] and CIPFA. The Welsh Local Government Association [WLGA] now had a Training Manager and he would raise the issue of accreditation with this individual.

The Chair advised he was writing a Guide for Pension Board members which would be published by CIPFA. He was due to complete this by the end of January, 2018 and would share the draft with the LGA.

As agreed earlier in the meeting, joint training with the Pensions & Investment Committee would be developed. The Board noted that the TPR and Ombudsman training session was provisionally scheduled for the March Pensions & Investment Committee. The Board was advised that a minimum of six training sessions would be provided but members would not have to attend all. It was noted that some discussions at meetings could also be classed as training. Members were advised that training was available online and they were encouraged to access this. The Board asked that an online database of Fund Scheme documents be developed, which would support their development and role and thus comply with paragraph 46 of Code of Practice 14.

The Secretary advised that the development of the training programme dates would be passed to his successor. It was noted that the Secretary was waiting the return of one Training Needs Analysis form.

RESOLVED	Reason for decision
<p>1. The Pension Administration Manager would check the access requirements to enable members to access online training.</p> <p>2. An online database of Fund Scheme documents would be developed detailing when last reviewed and review dates.</p>	<p>1. To enable members to use a variety of training resources.</p> <p>2. To support the ongoing development of Board Members.</p>

8.	SF3 RETURN
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The Board received the SF3 Local Government Pension Scheme Funds returns for 2015-16 and 2016-17 which are sent to the Department for Communities and Local Government [DCLG]. It was noted that the information provides the DCLG with an overview of Schemes across the country.

9.	REVIEW OF COMPLIANCE WITH THE PENSION REGULATOR [TPR] CODE 14
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The Secretary advised that there was nothing to report to the Board as the work had not been completed as it had been a challenge to meet the timescales. The Board noted that the areas classified as “red” would be reviewed first to identify actions to be taken to address issues. The Secretary advised that this work would form part of the planned handover to his successor.

The Board noted the above but hoped that the Secretary could review two areas and share this with the Board by email for the Board to formalise the outcomes at its meeting in June. If this was completed the Board could refer to this in its annual report.

10.	BOARD KEY PERFORMANCE INDICATORS
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The Board received the Secretary’s paper on the draft Key Performance Indicators [KPIs].

It was considered that it would be useful to compare the Board’s performance with other Boards.

RESOLVED	Reason for decision
To reword KPI PB03a and PB03b to reflect the discussions at the meeting [as detailed in Item 7].	To reflect the views of the Board.

11.	REVIEW OF RISK REGISTER [STANDING ITEMS]
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The Secretary advised there was nothing to report. The Chair questioned if the Risk Register had been updated to reflect the appointment of an Interim Section 151 Officer. The Secretary advised that he would check this but thought this may be covered in the general risk regarding changes in key personnel.

12.	WALES PENSION PARTNERSHIP - INVESTMENT POOLING UPDATE [STANDING ITEM]
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The Secretary reported that the procurement exercise for the appointment of an operator for the Wales Pensions Partnership [WPP] had been completed and Link Fund Solutions had been appointed. The latter had already had a preliminary meeting with the Partnership.

The Secretary confirmed that all the funds had formalised their contractual relationship with Link Fund Solutions. The latter would now have meetings with each Fund to develop relationships and inform discussions at the WPP. Running alongside this, Link Fund Solutions was applying to the Financial Conduct Authority [FCA] for authorisation of the collective scheme and to become a proper Registered Authority to pool assets. The DCLG was content with this process and noted that the FCA would process the application as quickly as possible.

It was assumed that the transition of assets would begin as soon as possible after 1 April, 2018. Initially the operator would replicate the current funds' investments but over time these would change. Carmarthenshire County Council was the host authority and had appointed an additional member of staff, funded by the eight authorities. The Joint Officers Working Group will consider representation on the Joint Governance Committee by trade unions, the WLGA and independent advisers and make recommends to the Joint Governance Committee.

The Secretary advised that all Joint Governance Committee meetings will be webcast via Carmarthenshire County Council's website. Link Fund Solutions will at some stage make a presentation to the Pensions & Investment Committee.

13.	ESG AND INVESTMENT REGULATIONS GUIDANCE
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The Board received the Chair's report on the Pensions & Investment Committees' processes for complying with the guidance on formulating its Investment Strategy Statement, in particular in relation to Regulation 7 (2) (e).

The Board noted the recent national debate about the investments by public service Pensions Funds in fossil fuels. The Secretary advised that a Motion had been placed on the next council Agenda, regarding this issue. He advised that although the Council could not mandate the Pensions and Investment Committee to take action, the Committee would consider the issue at its next meeting. A debate by the Committee would also inform the Fund when involved in similar discussions at the Wales Pension Partnership and with Link Fund Solutions. The

Chair indicated that his paper [or extracts] could be made available to the Committee if required.

RESOLVED	Reason for decision
The Board noted the content of the Investment Strategy Statement in respect of Regulation 7 (2) (e).	To provide focus on ESG matters in relation to Pension Fund investment.

14. RECORDING BREACHES OF THE LAW

The Chair advised that he would share the information recorded by another Pensions Fund and that he considered that at some stage the criteria should be reviewed. The Secretary advised that although no breaches had been recorded he was aware that there were some low risk breaches. The Secretary advised that this issue would be included in the handover to his successor, to consider whether this was a priority. The Chair stressed the importance of providing this information so as to comply with the Code of Practice.

15. AUDIT REPORTS [STANDING ITEM]

The Board noted that the draft was not yet available. It was agreed that the Work Programme would be adjusted for this item to be added to the June meeting.

16. ADMINISTRATION ACTIVITY REPORT [STANDING ITEM]

The Board received the report regarding the membership and Pensions Administration financial statistics for the period 1 October to 31 December 2017. The report was noted.

17. CESSATION OF CONTRACTING OUT - UPDATE [STANDING ITEM]

The Pensions Administration Manager advised that it was planned that the process would be completed by the end of the summer. This was ahead of the national deadline of 31 December 2018 and so buffers had been built into the process.

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

The Board noted that there was nothing to report.

19. SCHEME MEMBER COMMUNICATIONS

The Board agreed that any comments on the forms, used by the scheme for members, should be forwarded to officers. This would support the ongoing improvements in scheme member communications.

20. GDRP ACTION PLAN UPDATE

The Pension Administration Manager advised that a meeting had been arranged with the Data Protection Officer to discuss the New General Data Protection Regulation (GDPR) to consider what personal information is kept and also how this is kept. The Board noted that the All Wales Group Working Party was designing communications information to forward to scheme members.

It was agreed that information on the outcome of these discussions would be emailed to the Board, as the next Board meeting was not until after the deadline for GDPR compliance.

21. BOARD SCHEME EMPLOYER REPRESENTATIVE [PCC]

The Board received an update on how Geoff Petty, Employer Representative was since his accident, which took place the week following the last meeting. The Board commended Geoff for his work and with regret noted that he would be unable to continue in his role.

The Board agreed that a letter should be sent to his wife, acknowledging Geoff's contribution to the Board.

The Secretary advised that he had spoken to the Acting Chief Executive regarding a replacement and a number of individuals had been mentioned and these needed to be pursued and discussed with the Chair.

The Chair noted that this was the last meeting for Joe Rollin, Secretary who was to retire before the next meeting. The Board thanked him for his advice and guidance and wished him the very best for his retirement.

22. FUTURE BOARD MEETINGS

The Board noted the following:
7 June, 2018
6 September, 2018
23 November, 2018

Gerard Moore
Chair

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