

**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.

1.	APOLOGIES
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There were no apologies.

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 Pensions & Investment Committee meeting held on 28 January, 2019 as a correct record.

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.

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
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.

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.

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.

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
<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
<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
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
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
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)