

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE  
HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS,  
POWYS ON FRIDAY, 22 NOVEMBER 2019**

**PRESENT**

County Councillor P E Lewis (Chair)

County Councillors E A Jones, T J Van-Rees, D H Williams, A W Davies, Martin and Moore

Mr G Moore, Chair Powys Pension Board

Mr M Weale, co-opted member

In attendance: Head of Finance and Pension Fund Manager

Aon representatives – Simon Mayne, George Feane and Rachel Pinder and Kenneth Ettles [via Skype] for Items 8 and Jennifer O’Neil [via Skype] for Item 9.

<b>1.</b>	<b>APOLOGIES</b>
-----------	------------------

Apologies were received from County Councillor J. Morris.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
-----------	---------------------------------

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.

<b>3.</b>	<b>MINUTES</b>
-----------	----------------

The Chair was authorised to sign the minutes of the Pensions & Investment Committee meeting held on 4 October, 2019 as a correct record.

<b>4.</b>	<b>POWYS PENSION BOARD - TERMS OF REFERENCE OF THE BOARD</b>
-----------	--

The Committee received a report from the Chair of the Local Pension Board regarding the Board’s Term of Reference and membership. The Committee noted that the membership of the Board currently complied with Regulations. The Board Chair advised that the Regulator is increasingly getting involved in the Local Government Pension Scheme [LGPS] and the Scheme Advisory Board [SAB] is also looking at the membership of Boards.

The Powys Pension Board’s membership is currently two Scheme Member representatives plus two Employer representatives plus an independent Chair. A quorum for meetings is one representative from each of these groups and on two occasions during the previous 12 months the Board has not been quorate and meetings have been rescheduled. Increasing the membership to three plus three plus the independent Chair would build in more resilience into the Board. The Committee noted that there were five different membership models for Pension Boards used across Wales.

In response to questions the Pension Fund Manager advised that the additional cost of increasing the membership would be minimal. He advised that a budget is allocated to the Board from the Pension Fund and expenditure is currently

within this budget and consequently the cost of increasing the membership could likely be met by the existing budget allowance. The Committee noted that details of the costs of the Board are contained in the Pension Fund Annual report.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>that a report detailing the costs of the current Board, increasing the membership of the Board, existing terms of reference for the Board and scheduled meetings be considered at a future Committee meeting.</b>	<b>To ensure the Committee is aware of the costs of increasing membership of the Powys Pension Board.</b>

## **5. FUNDING STRATEGY STATEMENT [FSS]**

The Committee received the draft Funding Strategy Statement [FSS]. The Pension Fund Manager advised that the Probability of Funding Success had increased from the previous valuation, reducing the associated funding risk as a result. The Committee noted that the Actuary would provide details of the impact of this on the Fund at the December Committee meeting.

The Pension Fund Manager advised that a further key risk should be added to the FSS in respect of the involvement in the Wales Pension Partnership [WPP] pooling process.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>that the Funding Strategy Statement be approved subject to delegation of the wording regarding the additional risk in respect of involvement in the Wales Pension Partnership to the Pension Fund Manager in consultation with the Chair and Vice Chair.</b>	<b>As per the report.</b>  <b>To include potential risks involved with pooling of assets.</b>

## **6. 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).**

## **7. INVESTMENT STRATEGY REVIEW**

The Committee considered the Investment Strategy Review. Aon advised that although there had been a reduction in equity assets a similar return profile has been maintained. The Committee noted that, subject to checks, since 2016 the funding level had increased from 79% to 94%. This meant that the Fund was closer to being fully funded.

Committee discussed the approach proposed and the revision to the asset allocation, together with the expected returns and associated risks.

The Committee noted the recent Council decision asking the Committee to consider divestment of funds from companies engaged in the extraction of fossil fuels.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>that the Committee notes the Investment Strategy Review and that a further report be considered at the Committee meeting in December.</b>	<b>As per the report.</b>

## **8. EQUITY RISK MANAGEMENT**

Aon presented a report regarding Equity protection. The Committee considered a review of equity markets and the equity protection since implementation and the investment market outlook. Members considered whether the equity protection should continue or cease, the timing of the changes and also the level of protection if this continues and the timing of any decision.

Kenneth Ettles, Aon joined the meeting via Skype.

The Committee considered the global equity market risk assessments and noted that Aon advised that the timing, depth and duration of a fall in markets is unknown. The Committee noted that Aon recommended that equity protection should be considered over a longer period until potential risks reduce.

The Committee noted the various options and protection levels including the amount of the fund which could be protected. The appropriate level of protection was dependent on the Committee's risk tolerance.

In response to questions, Aon advised that split protection could be considered so not fixing all protection to one date. The Committee considered the level of protection and whether 50% was the correct level. Aon advised that the amount protected depends on how much the Committee could tolerate the deficit increasing by from any equity market losses. In addition, if markets out performed predictions, the Committee needed to be able to defend any decision to protect at a higher level. Aon advised that it would be more risky to sell equity or hold cash than to continue to hold equity and protect this. It was noted that with protection the fund should still receive dividends from holdings.

It was moved and duly seconded to continue the equity protection due to come to an end in late December, 2019 and the level and type of protection and to consider the next tranche of protection at the next meeting.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>that equity protection due to cease late December 2019 continues at a level of £77.85m and protect 1/3 each year for three years and that further advice be provided to the Committee regarding the next tranche of</b>	<b>To ensure the Equity protection strategy continues to protect the Fund against market downturns.</b>

<b>protections due to cease on 31 March 2020.</b>	
---	--

<b>9. RESPONSIBLE INVESTMENT POLICY</b>
---

Jennifer O'Neill, Aon joined the meeting via Skype.

The Committee considered the draft Responsible Investment [RI] Policy. The draft referred to the Committee's fiduciary duty to act in the best interest of the Fund's members but also acknowledged that this includes managing Environmental, Social and Governance [ESG] issues that may be financially material to the Fund.

County Councillor T. Van-Rees left the meeting.

In respect of climate change the Committee noted the recent Council decision. The transparency of voting records of fund managers regarding climate change issues was considered.

It was moved and duly seconded that the draft be updated and circulated to the Committee prior to the December committee.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>that the draft Responsible Investment Policy be updated and circulated to the Committee prior to the December committee.</b>	<b>To enable the Committee to agree the Responsible Investment Policy which will then be added to the Funds website.</b>

<b>10. THE INVESTMENT CONSULTANCY AND FIDUCIARY MANAGEMENT MARKET INVESTIGATION ORDER 2019</b>
--

The Committee received the Pension Fund Manager's report.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>that the objectives for the Fund's Investment Consultant be agreed ahead of the meeting on 10 December, 2019.</b>	<b>As per report.</b>

**Future meeting date:**

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>that a further Committee is held on 13 February, 2020 at 2.00 p.m.</b>	<b>To enable the Committee to consider whether the equity protection due to cease on 31 march 2020 should continue and if so in what format.</b>

**County Councillor P E Lewis (Chair)**