

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS,
POWYS ON THURSDAY, 12 DECEMBER 2019**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, JG Morris, D H Williams and A W Davies
Mr G Moore, Chair Powys Pension Board
Mr M Weale, co-opted member

In attendance: Head of Finance and Pension Fund Manager
Aon representatives – George Feane, Rachel Pinder, Becky Durran and Sam
Ogborne and Richard Antrobus via skype

1.	APOLOGIES
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Apologies were received from County Councillor T Van-Rees.

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 and Investment Committee meeting held on 22 November, 2019 as a correct record.

4.	ADMINISTRATION AND LOCAL GOVERNMENT PENSION SCHEME [LGPS] UPDATE
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The Committee received the report from the Head of Finance.

RESOLVED	Reason for decision
That the Committee notes the report.	As per the report.

5.	GOVERNANCE UPDATE
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The Committee received the report from the Head of Finance.

The Committee noted the Scheme Advisory Board [SAB] Good Governance Project and that it is proposed that Administering Authorities must undergo a biennial independent governance review and produce an action plan to address any issues identified. In response to questions the Pension Fund Manager advised that he would circulate the Training Needs Analysis [TNA] survey again, for the Committee to complete. The TNA would identify any training gaps, for individual Committee members or the Committee as a whole.

The Pension Fund Manager highlighted to the Committee that the SAB was recommending that Administering Authorities should “give proper consideration to pay and recruitment policies in order to meet the needs of the pension fund; not simply applying general council staffing policies such as recruitment freezes.” The Head of Finance assured the Committee that although a review of Financial Services was currently underway, a percentage cut to the Pension Administration Section budget was not being applied. The review was however, considering the administrative processes to ensure that there is resilience in the Team.

The Committee noted that the SAB and The Pension Regulator [TPR] were promoting good Governance as an issue for Committees to consider. The TPR had reviewed Governance and administration risks in 10 Local Government Schemes [LGPS]. Good practice was evidenced but key areas for improvement were highlighted and the Pension Fund Manager advised that these would be reviewed in the Powys Pension Fund.

RESOLVED	Reason for decision
That the Committee notes the report.	As per the report.

6. AMENDMENT OF RISK REGISTER

The Committee received the report from the Head of Finance and noted that the Powys Pension Board had reviewed the Risk Register and also recommended that a potential risk in respect of the ongoing compliance with MIFID II be added. He advised that if the Committee was content with the inclusion of this potential risk, the wording should refer to the Fund being an institutional investor rather than a retail investor, as stated in the report. The Committee noted that the Risk Register formed part of the Council’s Corporate Risk Register which was also monitored by the Audit Committee.

RESOLVED	Reason for decision
That the risk PEN034 [ongoing compliance with MIFIDII be added to the Risk Register, subject to the potential consequence of the risk being amended to read as follows: Financial implications of not being treated as an institutional investor.	As per the report.

7. ACTUARIAL VALUATION UPDATE

Becky Durran and Sam Ogborne, Aon presented the Actuarial Valuation as at 31 March, 2019. The Committee noted that the valuation was a snapshot of the Fund undertaken every three years and considered its assets and liabilities, making assumptions about the future. Each employer would receive its own valuation based on its membership and the valuation set the employers contributions for the next three years.

The valuation had shown that the probability of funding success had increased from 73% in 2016 to 77% in 2019. The Committee noted the McCloud/Sargeant judgement and that Funds should consider their approach to the uncertainty

relating to this when setting the employers contributions from 2020. The Actuaries recommended that the prudent approach was that most employers' contributions should also increase by 1.1% to reflect this uncertainty.

The Committee noted that assets and liabilities had increased, but due to the performance of the fund the deficit had decreased. In addition the funding ratio had improved from 80% in 2016 to 93% in 2019 and the time period in which the Fund would be fully funded had decreased from 22 to 16 years.

RESOLVED	Reason for decision
That the Committee notes the Actuarial Valuation update.	As per report.

8. WALES PENSION PARTNERSHIP [WPP] UPDATE

The Committee received the report from the Head of Finance. The Pension Fund Manager advised that BlackRock had been appointed as the transition advisor and manager to transfer the fixed income mandates into the WPP. The Committee noted that interviews had taken place for an oversight advisor for the on-going monitoring and further development of the WPP and the Committee would be advised of the appointment in due course.

RESOLVED	Reason for decision
That the report be noted.	For information.

9. RESPONSIBLE INVESTMENT POLICY

The Committee received the Responsible Investment Policy which had been considered at the previous meeting. The Pension Fund Manager advised that the document had been amended as a result of discussions at the last meeting. The Pension Fund Manager proposed that the Policy be approved and published with an amended version including some revised wording being subject to approval by the Chair and Vice Chair to following review by the Monitoring Officer.

RESOLVED	Reason for decision
that the Responsible Investment Policy be approved in its current form and an amended version be delegated to the Chair and Vice Chair to agree, following any revised wording by the Monitoring Officer.	To agree the Responsible Investment Policy.

10. FORWARD LOOKING BUSINESS PLAN

The Committee noted the Forward Looking Business Plan.

Aon advised that there was a need to replace Stone Milliner Discretionary Macro Fund due to the Fund being closed. It was noted that Graham Capital Management had been selected as a like for like replacement. In response to questions regarding due diligence, Aon advised that Graham Capital Management had passed all due diligence tests, it had a long track record and

was buy-rated. The Committee noted that £12m would be transferred into cash and some of this fund could be transferred into the WPP fixed income mandates, rather than keeping all in cash, prior to the approval of the investment in the Graham Capital Management Fund.

The Pension Fund Manager recommended that the Committee:

- i. notes Aon's recommendation regarding the investment in the Graham Capital Management Fund and
- ii. Aon's report regarding Graham Capital Management Fund be circulated to the Committee for consideration and comments be forwarded to the Pension Fund Manager within three days of the email and if no objections
- iii. it be delegated to the Chair and Vice Chair to agree to transferring the investment to Graham Capital Management Fund.

RESOLVED	Reason for decision
<p>i. notes Aon's recommendation regarding the investment in the Graham Capital Management Fund and</p> <p>ii. Aon's report regarding Graham Capital Management Fund be circulated to the Committee for consideration and comments be forwarded to the Pension Fund Manager within three days of the email and if no objections</p> <p>iii. it be delegated to the Chair and Vice Chair to agree to transferring the investment to Graham Capital Management Fund.</p>	<p>To ensure the investment of assets.</p>

11. 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).

12. EQUITY PROTECTION

The Committee received the report regarding the Equity Protection, which confirmed the decision taken at the last meeting. In response to questions Aon advised that when considering the protection due to expire in March 2020, the Australian markets would be considered at this time.

RESOLVED	Reason for decision
<p>That the Committee notes the report.</p>	<p>To ensure the Equity protection strategy continues to protect the Fund against market downturns.</p>

13. INVESTMENT STRATEGY REVIEW

The Committee received the Investment Strategy Review. The Committee noted that the asset allocations had changed and noted the revised proposed allocation to the WPP Fixed Income sub-funds.

RESOLVED	Reason for decision
That the report be noted. To approve the Investment Strategy Review and proposed allocations to the WPP Absolute Return Bonds, Multi Asset Credit and Global Credit Fixed Income sub-funds.	As per report. To ensure that the risk/return profile of the fund meets requirements and that the transition of assets into the WPP Fixed Income sub-funds can be actioned accordingly.

14. QUARTERLY MONITORING REPORT
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The Committee received the Quarter 3 monitoring report to 30 September, 2019. The Committee noted that the total asset value had increased by £15m over the period and that the Performance details would be circulated to the Committee. Aon advised that the Fund would consider the investment in Global property if the WPP did so.

RESOLVED	Reason for decision
That the Quarter 3 monitoring report be noted and a revised version circulated once performance monitoring information is available.	As per the report.

The Pension Fund Manager advised that as agreed at the previous meeting objectives for the Fund's Investment Consultant had been developed in conjunction with the Pension Board Chair. Aon had confirmed that the proposed objectives were acceptable. The Pension Fund Manager indicated that after each Committee meeting he would select the relevant questions relating to the issues on agenda and then email these to the Committee asking the members to consider and score Aon on these. The Members scores would then be collated and the results discussed with Aon.

County Councillor P E Lewis (Chair)