

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY TEAMS ON FRIDAY, 9 OCTOBER 2020**

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, Pension Fund Manager and Financial Reporting & Policy Accountant

Aon representatives – Simon Mayne, Richard Antrobus and George Fearne

1.	APOLOGIES
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Apologies for absence were received from County Councillor T Van-Rees who was on other council business.

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 26 June, 2020 as a correct record.

4.	PENSIONS BOARD MINUTES
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The Committee noted the summary from the Powys Pension Board Chair of the Board meeting held on 22 May 2020 and noted the minutes of the meeting. The Chair highlighted the following recommendations:

1.1.1 - that the Pensions Fund Manager consider whether the current procedures for managing and processing the Internal Disputes Resolution Procedure (IDRP) remain appropriate,

1.1.2 – that as the contract with the administration software provider was due for renewal in 2023, the process for the renewal of the contract be included on the Risk Register,

1.2 – that as the Document Imaging and Workflow project had been successfully completed this is removed from the Risk Register.

In respect of assurances it was noted there were no new breaches of the law and no new internal dispute resolution procedure cases.

The Chair highlighted the following recommendations from the Board meeting on 30 September 2020:

1.1 - as will be referred to in the Pension Fund Managers report [Item 6] the impact of the recent legislation relating to the £95,000 cap on tax-free total of pensions and redundancy costs was highlighted. From a national perspective this will be a key priority for LGPS and will have an impact on key personnel in the Pension Team.

1.2 - The Chair's term of office ends in July 2021 and the Administering Authority needs to review the last six years, considers what it is looking for, for the future and agree the process for recruiting a new independent chair. The transition from the current chair to the new appointment should be added to the Risk Register.

In respect of assurances the Chair highlighted its detailed probe into management and compliance by the Pensions Team with the General Data Protection Regulation (GDPR) and with evolving cyber security challenges with the Pensions Team working from home. It was noted that the Team had been homeworking for nearly 15 years and has long-established procedures, protocols, hardware, software and communications arrangements in place.

RESOLVED	Reason for decision
To note the recommendations from the Powys Pension Board meetings on 22 May 2020 and 30 September 2020 and that they be actioned as appropriate.	To ensure good governance.

5. DATA QUALITY TESTING 2020

The Committee noted the report and the detailed testing of data carried out over the past three years. The improvements in the common data and scheme specific data was noted. In response to a question the Pension Fund Manager advised that schemes are not benchmarked against each other but from general discussion with colleagues the Powys Fund is placed well amongst its peers. The Pension Board Chair advised that the survey undertaken by The Pension Regulator [TPR] would provide comparative information.

RESOLVED	Reason for decision
To note the report.	As per report.

6. GOVERNANCE AND ADMINISTRATION UPDATE

The Committee noted the report.

The Pension Fund Manager referred the Committee to the Scheme Advisory Board's [SAB] statement that some administering authorities have cancelled meetings of their local pension boards during the COVID-19 emergency. As boards are established under different legislation to local authority committees, board meetings could be held virtually. It was noted that the Powys Pension Board had continued to meet on a virtual basis.

Martin Weale, Independent Member joined the meeting.

The Pension Fund Manager advised that an assessment had been completed on the workload as a result of the McCloud age discrimination case and it is estimated that approximately 30% of data will need to be reviewed. In response to a question the Pension Fund Manager advised that officers were looking at the options on how to respond to the increased workload to fulfil its obligations to implement the McCloud decision. A report would be presented to the Committee in due course. The Pension Board Chair advised that guidance was awaited from MHCLG as to what schemes should do if employers do not have the required data.

In respect of the £95k exit cap payments to staff leaving due to redundancy, the Pension Fund Manager advised that this would become law soon. However, this is likely to come into effect before the LGPS regulations are amended. Further clarity is being sought on how to respond to such a situation during this interim period.

The Pension Fund Manager advised that the changes to the Risk Register as recommended by the Pension Board would be made and the updated Register would be brought to the Committee at its next meeting.

RESOLVED	Reason for decision
The report as noted.	To ensure that the Fund continues to focus on high standards of governance.

In response to a question regarding the high-risk items on the Risk Register the Pension Fund Manager advised that there would always be high-risk items, but appropriate mitigations are identified to bring them to amber or green. It was noted that the Pension Board at each meeting undertakes a deep dive on aspects of the Risk Register.

7. WALES PENSION PARTNERSHIP [WPP] UPDATE

The Committee received the report on the WPP. The Chair advised that his term of office as the WPP Chair had come to an end. The Committee noted that 70% of the Fund's assets were now invested in pooled vehicles. WPP had established a Responsible Investment sub-group and the Pension Fund Manager was a member of this. The WPP had also produced a Climate Risk Policy.

The training provided by the WPP was noted and positive comments were made on its quality.

RESOLVED	Reason for decision
That the report be noted.	As per the report.

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).

The Chair agreed to take the Hedge Fund Review next.

9. HEDGE FUND REVIEW

The Committee considered the Hedge Fund Review report from Aon. It was noted that the WPP does not yet have an appropriate sub fund for the Hedge Fund asset class. The Committee was advised that two of the current four hedge fund managers had been classed as non-buy and the Fund only wishes to hold “buy” rated managers. In light of the volatility in the market and the current economic environment due to COVID19, Aon advised that perhaps an alternative or more diversified hedge fund portfolio was appropriate. This could potentially reduce the volatility of returns whilst continuing to target the required returns over the long term. However, this would result in additional governance requirements . Aon recommended a review, which would consider the above and alternative approaches to achieve the desired outcome.

The Committee was advised that if a detailed review was requested more details on costs of any changes would be provided.

RESOLVED	Reason for decision
That the Hedge Fund Portfolio is reviewed and a more detailed report be considered by the Committee.	To reduce the volatility of returns whilst continuing to target the required returns over the long term.

The Chair returned to the Ballie Gifford presentation.

10. BAILLIE GIFFORD PRESENTATION AND UPDATE

The Chair welcomed Tim Gooding from Ballie Gifford.

The Committee received a presentation regarding the Global Alpha Paris-Aligned strategy. The Committee noted that Ballie Gifford engages with senior managers and boards in companies in which it invests and discussions include lowering carbon emissions.

It was acknowledged that a balance was required between investing in companies with or striving towards low carbon emissions and the performance of investments. The Committee had a responsibility to ensure that its Funds performed well for its scheme members. The Committee noted that the presentation was being made to all members of the WPP who are invested in the Global Growth sub fund.

The Chair thanked Tim Gooding for his attendance.

11. EQUITY RISK MANAGEMENT

The Committee considered the report from Aon on Equity Risk Management.

Aon recommended that the Committee should consider whether to roll the protection cover next year, the level of protection and whether a framework for amending the protection should be developed, so that changes can be made in

response to changes in the markets, rather than having to seek Committee approval each time a change is required. Governance requirements for this approach would need careful consideration. In response to questions Aon advised that the risks were the US election, COVID19, Brexit and UK markets. It was considered that the US election would cause some volatility in markets rather than changing long-term equity returns.

RESOLVED	Reason for decision
That Aon produces a report for Committee's consideration on the following: whether to roll the protection cover next year, the level of protection and a framework to allow speedier decisions.	To ensure that continuing appropriate equity risk management structure is reviewed and appropriate governance process is considered to support speedier decisions.

12. BLACKROCK LOW CARBON WORLD EQUITY

The Committee received the report from Aon regarding the initial 2% allocation (c. £14m) into the BlackRock Low Carbon World Equity. Funds will be transferred out of the BlackRock MSCI World Equity Index Fund (GBP Hedged) as the Fund is currently overweight to GBP Hedged Equities relative to the strategic benchmark.

RESOLVED	Reason for decision
That the report be noted and that the movement of funds to the BlackRock Low Carbon World Equity Index Fund be approved subject to the legal review being completed.	To bring the overall Fund closer to the strategic allocation.

13. QUARTERLY MONITORING REPORT

The Committee received the Quarterly Monitoring report to 30 June 2020. It was noted that the losses in Quarter 1 had been recovered partly due to the markets rebounding in Quarter 2 and also the positive impact of the equity protection. Aon advised that the US election was increasing volatility in markets but the COVID19 second waves was not yet having an impact on markets. However, the fiscal stimulus may affect markets in 2021. In respect of Brexit, the markets expected a deal in November. The Committee agreed that Aon should share papers on responsible investment.

The impact of COVID19 on how to value properties was noted and that funds dealing in such assets had been suspended as the response to COVID19 would impact on the different type of properties in different ways. Aon agreed to produce a report on the exposure of the Fund in the different type of properties, such as larger shopping centres, student accommodation and office space.

RESOLVED	Reason for decision
That the Quarter 2 monitoring report be noted.	As per the report.

The Pension Fund Manager advised that Audit Wales had not yet completed the audit on the pension fund accounts. The Committee received assurance that the delay was not in relation to any issue with the Fund's draft report. To ensure that the Pension Fund Annual report was approved before December, an extra Committee meeting would be arranged.

County Councillor P E Lewis (Chair)