

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY TEAMS ON FRIDAY, 11 DECEMBER 2020**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, JG Morris, D H Williams, A W Davies,
Mr G Moore, Chair Powys Pension Board

In attendance: Head of Finance, Pension Fund Manager and Financial Reporting & Policy Accountant
Aon representatives – Richard Antrobus, Becky Durran, Rachel Pinder, Simon Mayne and Kenneth Ettles

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

The Committee noted that Mr Martin Weale co-opted member, would be arriving late to the meeting.

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 meetings held on 25 November 2020 and 3 December as correct records.

4.	GOVERNANCE AND COMPLIANCE STATEMENT
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The Committee received the draft interim Governance and Compliance Statement.

The Pension Fund Manager advised that the draft had been considered by the Pension Board and changes had been made as a result of its comments. The Statement would be reviewed again when the Scheme Advisory Board's [SAB] Good Governance Project is completed.

It was moved and duly seconded to approve the Statement.

RESOLVED	Reason for decision
That the updated Governance and Compliance Statement be approved.	To comply with Local Government Pension Scheme (LGPS) Regulations 2013.

5.	GOVERNANCE AND ADMINISTRATION UPDATE
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The Committee received the Governance and Administration update report.

The Pension Fund Manager highlighted the Guidance to support the new employer exit flexibilities and SAB's advice on how to manage any conflict between the LGPS regulations and the new exit cap regulations. The Committee noted that the consultation on the draft LGPS regulations in respect of exit cap payments, ended on 18 December and a response would be submitted.

RESOLVED	Reason for decision
That the update report be noted.	To ensure that the Fund continues to focus on high standards of administration and governance.

6.	WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee noted the WPP report. The Pension Fund Manager advised that the Joint Governance Committee [JGC] had approved the inclusion of a co-opted (non-voting) pension board scheme member representative on the JGC.

The Committee noted that the WPP had received the "Investment Innovation Award" in the Local Authority Pension Fund [LAPF] Awards.

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

7.	EXEMPT ITEM
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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 Quality Monitoring report next.

8.	QUARTERLY MONITORING REPORT
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The Committee received the Quarterly Monitoring report to 30 September 2020 from Richard Antrobus, Aon.

The Committee noted the increase in the asset valuation over the quarter and the under-performance of Hedge Funds, which would be considered later on the agenda. As Equities were overweight the equity protection mitigated against this and the additional risks. It was reported that there was more liquidity in the property market and values were now considered to be more accurate.

RESOLVED	Reason for decision
That the Quarter 3 monitoring report be noted.	As per the report.

9. RUSSELL INVESTMENTS

The Chair welcomed Sasha Mandich, Aidan Quinn and Gerard Fitzpatrick from Russell Investments to the meeting for this item. Mr M Weale joined the meeting.

The Committee received a presentation on the current investment by the WPP in Multi Asset Credit Fund, Global Credit Fund and Absolute Return Bond Fund in which the Powys Pension Fund is invested. It was noted that work is ongoing on the Emerging Markets and Private Markets sub funds, with a hope to launch them in 2021.

The Chair thanked the Russell Investments' representatives for attending the meeting.

10. ACTUARIAL UPDATE

The Committee received a presentation on the Actuarial update from Becky Durran, Aon.

The Committee noted the status of the Fund at the 2019 valuation in comparison to the 2016 valuation, the improvements in the fund in key areas and the financial assumptions. Since the valuation in 2019 the demographic changes due to COVID-19, expected lower investment returns and the changes in the funding level may have an impact on the fund. These will need to be considered prior to the next tri-annual valuation in 2022. In addition to these, the impact of the following would also need to be considered: the McCloud judgement, the employer flexibilities introduced in September 2020 and the £95k exit cap payments plus a number of other changes including widowers pensions on pre 1988 service and the GMP Equalisations and indexation.

The Committee noted that a workforce plan was being developed to ensure the Pensions Administration Team could continue to meet the more complicated administration of the LGPS and to respond to the changing legislation and guidance. As the cost of the Team was met from the Pension Fund a report regarding the workforce plan would be considered by the Committee.

11. EQUITY PROTECTION

The Chair welcomed Simon Mayne and Kenneth Ettles, Aon to the meeting.

The Committee received a presentation on the Equity Protection.

The Committee debated the need to continue with equity protection, the level and period of protection. It was noted that the reasons for having equity protection were still valid. Although global equity markets had rebounded from the pandemic induced lows of early 2020, following the unprecedented monetary and fiscal support, it was questioned whether such market gains would continue and downside risks remained.

It was moved and duly seconded to continue with equity protection at the 50% level, the downside protection be set at 15% and that protection be focused on the US region and that it be delegated to the Chair and Vice Chair to finalise the details after circulation to the Committee for comment.

RESOLVED	Reason for decision
That: i. Equity protection strategy continues at a level of 50% equity exposure ii. the downside protection be set at 15% and iii. that protection be focused on the US region iv. the final details of the proposal be circulated to the committee for comment and that it be delegated to the Chair and Vice Chair to finalise the new tranche of equity protection.	To ensure that continuing appropriate equity risk management structure is in place.

Councillor A Davies left the meeting for other Council business.

12. HEDGE FUND UPDATE

The Committee considered the Hedge Fund update report presented by Rachel Pinder, Aon.

The Committee was reminded 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. It was noted that the WPP does not yet have an appropriate sub fund for the Hedge Fund asset class and it is unclear as to when this may be available.

The Committee considered the options available. It was noted that Aon presented options available through its services, but other options may be available in the market.

It was moved and seconded to redeem the funds from the non-buy rated hedge fund managers, that further information be sought from the WPP regarding the launch of its hedge fund asset class and depending on the response, Aon produces more details regarding options 1, 2 and 3.

RESOLVED	Reason for decision
i. that the funds from the non-buy rated hedge fund managers be redeemed, ii. further information be sought from the WPP regarding the launch of its hedge fund asset class and	To reduce the volatility of returns whilst continuing to target the required returns over the long term.

iii. depending on the response, Aon produces more details regarding options 1, 2 and 3.	
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County Councillor P E Lewis (Chair)