

MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE HELD BY TEAMS ON FRIDAY, 9 JULY 2021

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

In attendance: Head of Finance, Pension Fund Manager and Financial Reporting & Policy Accountant
Aon representatives – Becky Durrant, Rebecca Jones, Simon Mayne and George Feane

1.	APOLOGIES
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Apologies for absence were received from County Councillor T J Van-Rees and Martin Weale, co-opted member.

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.

County Councillor P Lewis declared a prejudicial interest in item 16 – Allowances, as he was the Chair of the Committee.

3.	MINUTES
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The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 13 March 2021 as a correct record.

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

The Pension Fund Manager highlighted the following:

- The Scheme Advisory Board's [SAB] online A-Z guide to Responsible Investment [RI].
- 2020 Local Government Pension Scheme [LGPS] Annual report – membership of the LGPS was growing and this was also being seen in the Powys Fund, which had resulted in extra resources being allocated to the Pension Administration Team. It was noted that although the report stated that assets were decreasing, it should be noted that this was as at 31 March 2020 when stock markets were struggling.
- McCloud – the Minister's statement and the work being undertaken in the Pensions Administration Team was noted.
- The Pensions Regulator [TPR] – the Climate Change Strategy would be circulated to the Committee.

The Committee noted that there were no new breaches and no additional risks. The Pension Fund Manager advised that the Pensions Board reviews both at its quarterly meetings and undertakes detailed reviews of the Risk Register. In response to questions, he advised that he receives a report on a quarterly basis of any risks which need to be reviewed and these are considered by the Board. Any significant issues would be brought to the Committee for consideration.

It was noted that as the Board had only met the previous day a report from the Chair was not available.

Resolved	Reason for decision
To note the update report and the Committee was assured that the breaches and Risk Register were reviewed on a quarterly basis by the Pensions Board and that any significant risks would be provided to the Committee for consideration.	To ensure that the Fund continues to focus on high standards of administration and governance.

5. WALES PENSION PARTNERSHIP [WPP] UPDATE

The Committee received the WPP report. The Pension Fund Manager advised that WPP's Responsible Investment sub-group, of which he is a member, is reviewing the Stewardship Code and Task force for Climate Financial Disclosures [TCFD] and how the Pool is to respond to this. The Committee noted the ongoing work in respect of the Scheme Member representative on the Joint Governance Committee [JGC].

The Committee received the 2021-24 WPP Business Plan and it was moved and duly seconded to approve the plan.

Resolved	Reason for decision
That the report be noted and that the 2021-24 WPP Business Plan be approved.	As per the report.

6. RESPONSIBLE INVESTMENT

The Pension Fund Manager advised the Committee that a questionnaire on Responsible Investment [RI] had been developed with Aon and would be circulated to the Committee. This would assess if and how the Committee's views on RI had changed over the past 12 months, as a result of the discussions on this issue over this period. The views would help inform the development of the strategy.

7. FUNDING STRATEGY STATEMENT

The Chair welcomed Becky Durran, Aon to the meeting and considered the draft Funding Strategy Statement. The Committee noted that the document would work alongside the Employer Policy, which was being considered later.

It was moved and duly seconded to approve the document.

Resolved	Reason for decision
That the Funding Strategy Statement be approved.	To ensure that the Fund continues to focus on high standards of administration and governance.

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. PERFORMANCE REPORTS

The Committee welcomed Simon Mayne and George Feane, Aon to the meeting. The Committee received the Quarterly Monitoring report to March 2021, the Quarterly Risk and Return Analysis report and the Local Authority Funds statistics 2020/21, which provided a comparison of performance with other peer group funds.

The Committee noted that as assets were being moved to the WPP and the Pool was monitoring the performance of these assets, it was appropriate to review the performance information received by the Committee. In addition, Aon considered that a review was also timely in preparation for the triannual valuation in 2022. Comment was made that any investment performance should be shown net of fees rather than gross of fees for consistency.

Aon advised that the fund had moved closer to the strategic allocation and performance had been achieved against the risks taken. It was noted that the strategy pursued had met the objectives to meet the funding requirements. The Committee would need to consider what it considered was the right strategy taking into account its views on volatility in the markets. It was noted that the equity protection had achieved its aims up to 31 March 2020. However, since then performance has been lower, but the Committee needed to take a long-term view.

Councillor J Morris left for another meeting.

Comment was made that as there was so much information it was important to have an Executive summary. In response to comments Aon agreed that at the next equity protection review a summary of the impact of the protection and the cost would be provided.

10. STRATEGY REVIEW

The Committee received the report regarding the interim Strategy Review. The Committee noted that many changes had occurred since the review in 2019, with the investment in the Pool, use of equity protection and the Committee's 10% aspirational allocation to infrastructure. A full review would be required after the next actuarial valuation on 31 March 2022. It was also noted that it is hoped that the WPP Private Markets sub-funds will be ready for investment in the next 12-

24 months and therefore the Committee's views on such investments need to be assessed.

Resolved	Reason for decision
That Aon undertake an interim Strategy review seeking the views and beliefs of the Committee.	To inform the interim review and the review following the 2022 valuation.

11. RESPONSIBLE INVESTMENT

The Chair welcomed Rebecca Jones, Aon to the meeting. The Committee considered the action plan in respect of the Taskforce for Climate Financial Disclosures [TCFD]. The Committee noted that TCFD looks at four pillars namely, governance, strategy, risk management and risk metrics.

The Committee was advised that the Climate Working Group would initially involve the Pension Fund Manager but it might be appropriate for the Chair to liaise with him on this.

Resolved	Reason for decision
That: <ul style="list-style-type: none"> i. the TCFD action plan be approved ii. an interim update is included in the 31 March 2022 annual report iii. a full TCFD report is completed for inclusion in the 31 March 2023 annual report iv. a "climate working group" to progress TCFD related work is established and v. the Responsible Investment beliefs gathered in 2019 is updated. 	To ensure the work relating to the TCFD can be progressed.

12. FORWARD LOOKING BUSINESS PLAN

The Committee received and noted the plan. Aon agreed to include details of regular items which would need to be considered each year.

13. EMPLOYER RISK ASSESSMENT

Becky Durrant, Aon presented the report regarding the employers risk assessment. The Committee noted that where, due to insolvency, for example, an employer is unable to meet its liabilities in the Fund, the Local Government Pension Scheme Regulations 2013, states that any shortfall, which cannot be met by the employer (or bond / guarantor), the debt would fall on the remaining contributing employers in the Fund. CIPFA is increasingly focussing on this issue and there have been high profile insolvency cases such as Carillion.

The review was completed at the end of 2020 and some actions have been undertaken. The review was a high-level assessment of risk and the associated exposure to the fund, if the risk occurred. The Committee noted that there were no employers assessed as high risk and with a high exposure. Aon advised however, that the bonds were being reviewed to ensure they were at the appropriate level.

Resolved	Reason for decision
That the report be noted.	To review the employers risk.

14. EMPLOYER POLICY

The Committee considered the Employer Policy which had been developed to increase employers' understanding of what was expected of them in the Fund, the options available to them if they were to exit the Fund and also to reflect changes in regulations. The draft document had been circulated to employers for comment.

The policy would be published alongside the Funding Strategy Statement. It was moved and seconded to approve the policy.

Resolved	Reason for decision
That the Employer Policy be agreed and published on the website.	To ensure employers understand their roles within the Fund.

15. DRAFT PENSION FUND ANNUAL REPORT 2020/21

The Committee received the draft Annual report. The Pension Fund Manager asked that comments are emailed to him. It was noted that the draft Pension Board Chair's report had been updated. The Pension Fund Manager advised that to ensure the report was approved in time for its publication on 1 December 2021, an extra Committee may be required after the Wales Audit Office had completed the audit of the accounts and the Audit Committee had considered the accounts and report.

County Councillor P Lewis having declared a prejudicial interest left the meeting for the next item. Aon representatives also left the meeting.

County Councillor A Jones, Vice Chair took the Chair.

16. ALLOWANCES

The Committee received the report regarding Senior Responsibility Allowances.

The Committee considered the report and noted that chairs of pensions and investment committees in other councils receive allowances and these are funded from various sources.

The Pension Board Chair advised that there were risks for the Committee and Fund in not being able to attract an appropriate member with the required skills set and experience to undertake the role of chair.

It was moved and duly seconded that an amount equivalent to a senior responsibility allowance should be paid to the chair of the Pensions and Investment Committee and borne by the Pension Fund.

Recommendation to Council	Reason for decision
<p>i. That an amount equivalent to a senior responsibility allowance should be paid to the chair of the Pensions and Investment Committee and</p> <p>ii. that this should be borne by the Pension Fund.</p>	<p>To ensure that the remuneration of the Chair correctly reflects the level of responsibility placed on the role and is on parity with the rest of Wales.</p>

The Committee considered whether the allowance should be backdated to the date when payment previously ceased or whether it be backdated to the start of the current financial year. It was moved and duly seconded that the advice be sought from the Monitoring Officer regarding the legality of backdating the payment to the start of this financial year and that the above recommendation to Council is amended in light of this advice.

Resolved	Reason for decision
<p>That officers seek the advice of the Monitoring Officer regarding the legality of backdating the payment to the start of this financial year and that the above recommendation to Council is amended in light of this advice.</p>	<p>To ensure that the remuneration of the Chair correctly reflects the level of responsibility placed on the role and is on parity with the rest of Wales.</p>

County Councillor P E Lewis (Chair)