

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY ZOOM ON FRIDAY, 16 DECEMBER 2022**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, A Kennerley, C Kenyon-Wade, D H Williams and D A Thomas

Trish Fretten, Employer representative, co-opted member
Gerard Moore, Independent Chair, Powys Pension Board

Head of Finance and Pension Fund Manager
Aon representatives – Becky Durran, George Feane, Kenneth Ettles, Richard Antrobus and Benjamin Bryant

1.	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).

2.	APOLOGIES
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There were no apologies for absence.

3.	DECLARATIONS OF INTEREST
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Councillors A Jones, A Kennerly, P Lewis and H Williams 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.

4.	BAILLIE GIFFORD
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The Committee received a presentation from Tim Gooding and Clare Erskine-Murray from Baillie Gifford on the Global Alpha fund.

The Committee noted the concerns in the markets related to inflation, rising interest rates and increasing recession. Baillie Gifford advised it continued to engage with companies throughout the year and not just at annual meetings, so that it could influence and challenge companies decisions on such things as decarbonising a business and governance arrangements. The Committee noted that the carbon footprint [weighted average greenhouse gas intensity] for the Global Alpha Paris–Aligned fund was significantly lower than the MSCI ACWI Index.

The Committee moved into the public meeting.

5.	MINUTES
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The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 24 November 2022 as a correct record.

6.	PENSIONS BOARD REPORT AND MINUTES
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The Committee received the Board Chair's report. The Board Chair advised that at the meeting on 28 October 2022, three recommendations were made and five assurances were sought. At the meeting on 21 November 2022 the Board made a "deep dive" into the Governance pillar of the Risk Register and its recommendations and assurances are referred to in the next item on the agenda. The Committee noted the Board's minutes of 28 October 2022 and the draft minutes of 21 November 2022.

7.	ADMINISTRATION AND GOVERNANCE REPORT
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The Committee received the Administration and Governance report.

The Pension Fund Manager highlighted various issues including:

- the Scheme Advisory Board (SAB) and Powys Pension Fund had responded to the Department for Levelling Up, Housing and Communities' (DLUHC) consultation on Climate risk reporting.
- SAB had discussed the emerging results from the current round of triennial local fund valuations and had issued a statement acknowledging the challenging position for local government finances. SAB indicated that administering authorities and employers should have regard to the desirability of long-term stability in pension contributions when considering whether reductions in employer contributions are desirable as a result of an improved funding position.
- Financial Conduct Authority (FCA) – had issued a press release warning on cost-of-living crisis related pension scams.
- September 2022 Consumer Prices Index (CPI) rate of inflation was 10.1%. Confirmation was awaited from Government that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2023 will be this set at this level.

The Pension Fund Manager referred to the recommendations from the Pension Board in respect to the changes to the Governance pillar of the Risk Register. He advised that the changes related to the scores awarded to various risks, the consolidation of risks and refinement of the narrative and mitigations and the inclusion of reputational risk. The Committee thanked the Board for its in-depth work in reviewing the Risk Register.

In respect of the Breaches Register the Pension Fund Manager advised that no new recordable or reportable breaches have been added since the last meeting. The Committee noted that the Pension Board would be reviewing the process for monitoring Employer Contribution returns.

It was moved and duly seconded to approve the recommendations made by the Pensions Board in respect of the Governance risk register.

Resolved:

1. That the content of the report be noted and
2. the recommendations made by the Pension Board to the Governance Risk Register be approved.

8.	WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee noted the Wales Pension Partnership [WPP] update.

9.	EXEMPT ITEM
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10.	VALUATION
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The Committee received a presentation on the 2022 Valuation update from Becky Durran, Aon.

The Committee noted the status of the Fund at the 2022 valuation in comparison to the 2019 valuation and that individual employer results were being produced and would be available by early January 2023. The Funding Strategy would be updated, consulted on and the valuation report had to be signed off by 31 March 2023.

The Committee noted that a Climate risk analysis and scenario modelling had to be produced for the first time for this valuation. The improvements in the fund in key areas and the financial and demographic assumptions were also noted. In response to questions, it was agreed that the information from the Government Actuaries on the broad principles in respect of the Climate risk analysis would be shared with the Committee. The Pension Fund Manager advised that the valuation update would be shared with the Employers meeting later that day.

11.	RESPONSIBLE INVESTMENT
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The Committee received a verbal update from George Feane, Aon regarding Responsible Investments. It was noted that the WPP are regularly reviewing carbon exposure, with several pieces of work ongoing. At the appropriate time, the Fund could review it's own position on carbon, bearing in mind it's investments within the WPP. Various scenarios would be considered in respect of reducing carbon emissions prior to 2030 and net zero before 2050 and the impact of such timescales. It was noted that asset managers would be asked for information.

12.	RISK MANAGEMENT
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Kenneth Ettles, Aon presented a report on Equity Risk Management. The Committee noted that three tranches of the equity protection expired in January 2023. Aon advised that inflation had seemed to have peaked but economic growth continues to weaken, concerns about recession remained and equities had suffered sharp falls in the past 12 months. This cautious market outlook was

balanced against attractive protection pricing. Aon recommended rolling the protection due to expire in January 2023 for three years to January 2026, using the existing protection structure.

It was moved and duly seconded to roll the protection due to expire in January 2023 for three years to January 2026, using the existing protection structure.

Resolved

to roll the protection due to expire in January 2023 for three years to January 2026, using the existing protection structure.

County Councillor P Lewis left the meeting and County Councillor A Jones took the Chair.

13.	EQUITY RESTRUCTURE IMPLEMENTATION
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The Committee considered a report on the Equity Restructure Implementation from George Feane, Aon as a result of the Committee's decisions on 7 October 2022. It was noted that the restructuring of the equity allocation would be via the WPP funds. If the Committee agreed to this investment the paperwork would be completed by January 2023 and trading would take place between January and April 2023.

It was moved and duly seconded to delegate to officers to implement the Committee's decision to:

- Transition current passive BlackRock funds to the new funds in a phased approach
- Transition funds to WPP Emerging Market fund at the same time as passive exposure is restructured
- Transition funds to WPP Sustainable Equity fund in a phased approach with half on launch and the remaining allocation 12-18 months after and that a further report is brought to the next meeting.

Resolved

to delegate to officers to implement the Committee's decision to:

- **Transition current passive BlackRock funds to the new funds in a phased approach**
- **Transition funds to WPP Emerging Market fund at the same time as passive exposure is restructured**
- **Transition funds to WPP Sustainable Equity fund in a phased approach with half on launch and the remaining allocation 12-18 months after and that a further report is brought to the next meeting.**

14.	WPP PRIVATE MARKETS
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The Committee received a report from Richard Antrobus Aon regarding the WPP Private Markets assets. The Committee had previously agreed, a 10% strategic allocation of the Fund's assets [£81m] to this new investment opportunity. The Committee noted the detailed suitability advice provided by Aon in respect of each fund and that Aon recommended an allocation of one third to Private Credit and two thirds to Infrastructure. In response to questions, it was noted that open-end investments could be reviewed at any time and closed-end investments were longer term for 12 years. The Pension Fund Manager advised that

investment in such funds outside of the WPP portfolio would not be feasible due to the size of the Fund.

It was moved and duly seconded to make the following investments:

- WPP Global Private Credit (£27m)
- Portfolio of open-ended infrastructure funds (£27m)
 - IFM Global Infrastructure (50%) £13.5m
 - CBRE Caledon Global Infrastructure (20%) £5.4m
 - Octopus Renewables Infrastructure (30%) £8.1m
- WPP Global Infrastructure (closed-end) (£27m)

and that officers advise WPP of the above and update the Committee at its next meeting.

Resolved

to make the following investments:

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- **Portfolio of open-ended infrastructure funds (£27m)**
 - **IFM Global Infrastructure (50%) £13.5m**
 - **CBRE Caledon Global Infrastructure (20%) £5.4m**
 - **Octopus Renewables Infrastructure (30%) £8.1m**
- **WPP Global Infrastructure (closed-end) (£27m)**

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15.	MONITORING REPORTS
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The Committee received the Quarterly Monitoring Report presented by Benjamin Bryant, Aon.

The Committee noted that the assets value had decreased to £765.9 in Quarter 3 [£780m Quarter 2], with the main drivers being rising inflationary pressures and recession. Quarterly returns were ahead of the benchmark and the annualised return since the last actuarial valuation in 2019 was 5%.

The Committee noted the report on the review of fossil fuel exposure. The report provided information to assist the Committee to understand the Fund's exposure to fossil fuels - oil, gas, and coal as at 30 September 2022. It was noted that the Fund would discuss and determine its approach to setting a carbon target at a later date as part of its continued work surrounding the Taskforce for Climate-related Financial Disclosures (TCFD).

County Councillor P E Lewis (Chair)