

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE  
HELD AT COUNTY HALL, LLANDRINDOD WELLS  
ON THURSDAY 23<sup>RD</sup> FEBRUARY 2012**

**PRESENT:** County Councillor S.R.M. Baynes (Chairman)

County Councillors P.J. Ashton, A.G. Thomas

County Councillor E.T. Morgan (outside employers' representative)

In attendance: Simon Mayne and Rachel Hammonds of AON Hewitts.

<b>1.</b>	<b>APOLOGIES</b>	<b>PIC1 – 2012</b>
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Apologies for absence were received from County Councillors E.A. Jones and G.P. Vaughan.

<b>2.</b>	<b>MINUTES</b>	<b>PIC2 – 2012</b>
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The Chairman was authorised to sign the minutes of the meeting held on 24<sup>th</sup> November 2011 as a correct record.

<b>3.</b>	<b>DECLARATIONS OF INTEREST</b>	<b>PIC3 – 2012</b>
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County Councillors P.J. Ashton, E.T. Morgan and A.G. Thomas declared personal interests as members of the Powys Pension Scheme. These interests were not prejudicial and all three members took a full part in the meeting.

<b>4.</b>	<b>ADMISSION AGREEMENTS – PROVISION OF LEGAL SERVICES</b>	<b>PIC4 – 2012</b>
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The Committee received for information the report of the Head of Finance advising that, following the evaluation of tenders, Burges Salmon LLP had been appointed as providers of legal services to the Pension Fund for the purpose of reviewing admission agreements.

<b>5.</b>	<b>AUTO - ENROLEMENT</b>	<b>PIC5 – 2012</b>
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The Committee received for information the report of the Head of Finance advising that officers from the Pension section were working closely with colleagues in Employment Services to ensure that the Council met its responsibilities in respect of the auto-enrolment of all qualifying employees to either the Local Government Pension Scheme or the Teachers' Pension Scheme.

<b>6.</b>	<b>AVC ARRANGEMENTS</b>	<b>PIC6 – 2012</b>
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The Committee considered the report of the Head of Finance concerning the appointment of a second AVC provider.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>To appoint Prudential as the second AVC provider to the Powys County</b>	<b>As per report</b>

<b>Council Pension Fund</b>	
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<b>7.</b>	<b>LGPS – NEW SCHEME DEVELOPMENT UPDATE</b>	<b>PIC7 – 2012</b>
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The Committee received for information the report of the Head of Finance setting out the principles upon which the Government, Local Government employers and Trade Unions were negotiating. Members were advised that the Pensions Manager represented Welsh pension schemes on the Administration group working on the new scheme. Significant increases in employee contributions were not anticipated. It was unclear if any financial benefits would flow through to Councils or if the settlement would be reduced.

<b>8.</b>	<b>PROPOSED LGPS AMENDMENTS</b>	<b>PIC8 - 2012</b>
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The Committee considered the report of the Head of Finance setting out a number of amendments to the LGPS.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>a) To support the proposals in their entirety.</b> <b>b) To authorise communication of the support for these proposed amendments to DCLG.</b>	<b>As per report</b>

The Chairman thanked the Pensions Manager for his work.

<b>9.</b>	<b>STATEMENT OF INVESTMENT PRINCIPLES</b>	<b>PIC9 – 2012</b>
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The Committee considered the Statement of Investment Principles. Only one minor amendment was proposed to the current Statement.

<b>RESOLVED</b>	<b>Reason for Decision</b>
<b>That the Statement of Investment Principles be approved.</b>	

<b>10.</b>	<b>ACCESS TO INFORMATION</b>	<b>PIC10 – 2012</b>
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**RESOLVED to exclude the public for the following items 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).**

<b>11.</b>	<b>QUARTERLY RESULTS</b>	<b>PIC11 – 2012</b>
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The Committee received an investment report for the three months to 31<sup>st</sup> December 2011 during which time the fund had grown by £20m. The fund was worth £363m at

the end of January 2012. A number of managers had underperformed: Goldman Sachs -11% and Schroders -8.6% over 12 months.

The Chairman asked to provide a list of key bullet points in advance of the meeting and to include a 3 year performance column in the report.

<b>12.</b>	<b>MEDIUM TERM ASSET ALLOCATION UPDATE</b>	<b>PIC12 – 2012</b>
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The Committee received an update report by Aon Hewitt. The Medium Term Asset Allocation had been in place since 1<sup>st</sup> March 2011. Performance had been 2.1% against the benchmark of 3.1%. The key reason for underperformance was that fixed gilts had been underpriced. Equities were not seen as an obvious area for growth therefore there was a large cash holding. The Committee questioned Aon Hewitt on this strategy and on their assessment that there was limited potential for growth in the economy. Simon Mayne agreed to look into investing £3m of the £6m cash held by BGI.

<b>13.</b>	<b>SCHRODER'S REPORT AND QUESTIONS</b>	<b>PIC13 – 2012</b>
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Aon Hewitt provided an assessment of Schroder's performance which had been - 8.8% over 12 months. Schroder had a bias towards value, but value had not outperformed growth for the last 3 years. They held over 500 stocks in small and medium size companies and these were being outperformed by large companies. They were also heavily underweight on US and Emerging Markets stocks. However, they did have a long term quality record and Aon Hewitt did not have any concerns over them.

<b>14.</b>	<b>WM PRESENTATION</b>	<b>PIC14 – 2012</b>
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David Cullinane from WM gave a presentation on local authority pension fund trends. Over 10 years there had been little reward for equities, with bonds outperforming. The most successful funds tended to be run by large metropolitan authorities and were the least complex. The key reason for underperformance was the hiring and firing of managers at the wrong time. The Powys fund had less equity and more cash than average, was in line the average return but had much lower volatility.

<b>15.</b>	<b>AVIVA PRESENTATION</b>	<b>PIC15 – 2012</b>
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Matthew Graham and Luke Powell from Aviva gave a presentation on the performance of the property fund. They advised that the fund had underperformed the benchmark in the last 12 months but was well positioned to outperform going forward. Historically the fund had outperformed when the market was stable or falling. An annual return of 6% was forecast for 2012 -16. with 3-4% forecast for the current year.

CLLR. S.R.M. BAYNES  
Chairman