

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS
ON MONDAY, 28 JANUARY 2019**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, D H Williams and A W Davies
Mr G Moore, Chair Powys Pensions Board

Strategic Director Resources, Head of Financial Services and Pension Fund Manager.
Aon representatives - Simon Mayne, George Feane and Kenneth Ettles [via Skype] for
Item 8.

1.	APOLOGIES
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Apologies for absence were received from County Councillors JG Morris and T J Van-Rees and Mr M 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.

3.	MINUTES
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The Chair was authorised to sign the minutes of the meeting held on 13 December, 2018 subject to the amendment that Mr Gerard Moore was the Chair of the Powys Pension Board rather the Powys Pension Fund [Item 1]. The Chair was authorised to sign the minutes of the Joint Audit and Pensions & Investment Committee meeting held on 6 September, 2018 as a correct record.

4.	POWYS PENSIONS BOARD FEEDBACK NOTES AND DRAFT MINUTES
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The Committee noted the report and minutes from the Powys Pension Board held on 30 November, 2018.

Mr Moore, Chair Powys Pension Board advised that the two recommendations had been superseded, as joint training between the Committee and Board had been agreed. He considered that the number of assurances was an indication of how well the Powys Fund is managed and the good links between the Board and Committee. He noted the recorded breach [paragraph 2.6] and highlighted a concern affecting the local Government Pension Schemes [LGPS] nationally in respect of historic refunds [paragraph 3.2], which may result in a reportable breach to The Pension Regulator [TPR]. The Pension Fund Manager advised that this issue had been discussed at the National Technical Group and guidance on how to manage such breaches was being developed. In respect of the number of concerns regarding the Wales Pension Partnership [WPP] the Powys Pension Board Chair reported that he had discussed these with the Chair of the Committee (who was also the Vice-chair of the WPP Joint Governance

Committee). The Committee Chair advised that the WPP Joint Governance Committee was to consider the concerns raised.

5.	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).

6.	WALES PENSION PARTNERSHIP [WPP] GLOBAL EQUITY TRANSITION UPDATE
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The Committee received the report regarding the Global Equity transition and noted that one part of the Fund had not yet been transferred and would be considered in the next item.

RESOLVED	Reason for decision
That the content of the report be noted.	For information.

7.	GLOBAL EQUITY UPDATE - AON
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The Pension Fund Manager advised that as referred to in the previous item, part of the active global equity allocation had not been transferred into the Wales PP Global Growth Fund due to the different trading dates. As a result, Aon had been asked to look at the different options for managing the transfer of the assets.

The Committee discussed the options presented by Aon. In response to questions regarding Infrastructure investment Aon advised that the WPP Joint Governance Committee had not confirmed a timetable for the investment into Infrastructure and therefore, if the Committee wanted to do so, this may be outside the WPP. Aon advised that it could provide training on such investments. It was noted that there was an aspiration within the Investment Strategy to invest 10% of funds into Infrastructure.

RESOLVED	Reason for decision
That the WPP be approached for discussion around the timetable for potential Infrastructure investments within the Pool. Aon provide training to the Committee and Board on Infrastructure investment.	To enable the Committee to consider the issue further.

8.	EQUITY PROTECTION - AON
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The Pension Fund Manager advised that market volatility could lead to a downturn in the equity market and the Committee at its last meeting had considered options to protect funding levels via equity protection strategies. Kenneth Ettles, Aon joined the meeting via Skype.

The Committee considered the various options and protection levels including the amount of the fund which should be protected. The Section 151 Officer advised that there was a balance between the need to protect the Pension Fund, the affordability of the employer's contribution to the Fund and the impact of this on the Council's budget. In response to questions, Aon advised that In their experience, they had seen a spread of funds that have chosen to take out equity protection, those that are currently reviewing their options and those that had decided not to take out protections. It should be noted that these decisions are taken with regards to each individual Fund's requirements and that not all Funds are in the same position. Those that had implemented protection had protected between 50% - 75% of their equities. The key driver for this decision was what level of losses the Fund could bear. Aon advised that 75% of Funds that had taken out equity protection, had done so due to the potential changes in the market, with the remainder doing this for the triannual valuation.

The Committee noted that the medium term view was that equity markets were in a transitional phase with significant risk but that there were signs that this was coming to an end. Aon advised that equities remained a good investment for the long-term and it recommended that protection be provided for a 6 – 9 month period with the option of extending this further. In response to a question it was considered that protection was a dynamic approach to decrease the impact of volatility of markets. It was noted that ongoing protection could be part of the Investment Strategy Review.

RESOLVED	Reason for decision
<p>That in principle an equity protection strategy be agreed that</p> <ul style="list-style-type: none"> • protects against losses from 3% up to 23% on a zero premium basis (i.e. giving up some upside to pay for the protection) • over the period of two end dates of late December 2019 and 31 March 2020 and • that the protection is taken out on 50% of the Fund's equities <p>subject to further discussions with officers.</p>	<p>To ensure an Equity protection strategy is utilised to protect the Fund against market downturns.</p>

County Councillor P E Lewis (Chair)