

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY TEAMS ON FRIDAY, 26 JUNE 2020**

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

Mr M Weale, co-opted member

In attendance: Head of Finance, Pension Fund Manager and Financial Reporting & Policy Accountant

Aon representatives – Simon Mayne and Rachel Pinder via skype

1.	APOLOGIES
-----------	------------------

There were no apologies for absence.

2.	DECLARATIONS OF INTEREST
-----------	---------------------------------

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
-----------	----------------

The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 13 March 2020 as a correct record.

4.	PENSIONS BOARD MINUTES
-----------	-------------------------------

The Committee received the minutes of the Pension Board meetings held on 26 March and 22 May 2020, both of which were held remotely.

In respect of the minutes for 26 March 2020, the Board Chair referred the Committee to Item 9 and the Board's recommendations regarding the Risk Register, which the Board hoped the Committee would endorse. The Pension Fund Manager advised that some of the recommended changes had been made to the Risk Register and this was an item on the Committee's Agenda.

In respect of the Board meeting on 22 May 2020 the Chair highlighted that the Board reviewed The Pension Regulator's [TPR] cohort review, which had 47 recommendations. The Board noted that there were no new breaches.

5.	GOVERNANCE AND ADMINISTRATION UPDATE
-----------	---

The Committee received the report which provided an update on the Local Government Pension Scheme [LGPS] governance and administration matters and the potential impact of these on the Powys Pension Fund. The Committee noted that the Local Government Association [LGA], Scheme Advisory Board [SAB] and TPR had produced resources in respect of COVID-19.

The Committee noted the changes in the way the Pensions Team was undertaking its work, due to the closure of County Hall and the use of electronic contact with scheme members and the use of the on-line Pension Portal.

In respect of the McCloud/Sargent Supreme Court's decision regarding age discrimination, the Pension Fund Manager advised that the decision on the final remedy was still awaited. However, whatever remedy is agreed, will require a significant amount of work for all Pension Fund Administrators nationally in collating information and recalculating benefits back to 2014.

The Committee noted the 2019 LGPS annual scheme report. The Pension Fund Manager referred the Committee to the Risk Register which had been updated to reflect five changes recommended by the Pension Fund Board. He advised that work was being undertaken on the other recommendations from the Board and would be added to the Register for consideration at the next meeting. The Committee noted the Breaches Register and that no new recordable or reportable breaches had been added since the last meeting. The Committee noted that there had been a small increase in the number of unpaid frozen refunds and that work is continuing on actively locating these members.

In response to questions regarding the Risk Register the Pension Fund Manager advised that the Risk Register is being transferred to the Council's Risk Register system, which includes a review date. As the information is transferred and checked, review dates are being included. He advised he would add the review date into this current version. It was noted that the Board reviews the Risk Register at each meeting. The Head of Finance advised that a Corporate Risk Register in relation to COVID-19 included risks relating to the Pension Fund.

RESOLVED	Reason for decision
To note the update report and that review dates be added into the Risk Register and that the Register be circulated to the Committee for approval.	As per the report.

6. ADMINISTRATION STRATEGY

The Committee considered the Administration Strategy Statement. The Committee noted that the main changes related to the Fund's expectations of employers and also what the Scheme Members can expect from the Fund. The Pension Administration Managers and Pension Board had discussed the document and a six-week consultation with employers had been undertaken. It was noted that the later had not raised any concerns.

It was moved and duly seconded to approve the document.

RESOLVED	Reason for decision
That the Administration Strategy Statement be approved.	As per the report.

7. OVERPAYMENT POLICY

The Committee considered the Overpayment Policy. The Pension Fund Manager advised that the policy formalised the process and treatment of the various types of overpayments, which the Fund had been using for some time. He advised that overpayments do not happen very often but can occur when a scheme member has died and time lapses before the Pension Administration is notified.

The Pension Fund Manager advised that if the Committee approved the Policy it would become effective from 1 April 2020. The Committee noted the level of overpayments which would be written off and the responsible officer or Portfolio Holder with authority to agree these.

In response to questions regarding scheme members living abroad the Pension Fund Manager advised that 15 scheme members live abroad. The Pension Fund Manager confirmed that these individuals are contacted to prove their identity on an annual basis. If this is not done pension payments are suspended until this has been undertaken.

It was moved and duly seconded to approve the policy.

RESOLVED	Reason for decision
That the Overpayment Policy be approved and be effective from 1 April, 2020.	As per the report.

8. POWYS PENSIONS BOARD TERMS OF REFERENCE

The Committee considered the request to increase the Powys Pension Board membership from two each of Scheme Employer and Scheme Member Representatives, to three. In addition, the Committee noted that the Board's Terms of Reference had been reviewed. It was noted that the Terms of Reference are set by the Council as the administering authority and any amendments require the approval of Pensions & Investment Committee.

Increasing the membership on the Board would introduce more flexibility for the Council, due to the demands on Board member diaries and improve the resilience of the Board to ensure that meetings are quorate.

It was moved and duly seconded to recommend the proposed changes to the Powys Pension Board membership and Terms of reference to Council.

RECOMMENDATION TO COUNCIL	Reason for decision
That the membership of the Powys Pension Board increases to three Scheme Employer and three Scheme Member Representatives and that the revised Terms of Reference be approved.	As per report.

9. WALES PENSION PARTNERSHIP [WPP] UPDATE
--

The Committee received the update report regarding the Wales Pension Partnership [WPP]. The Committee noted that an Annual Update document has been produced by WPP.

The Pension Fund Manager highlighted that the WPP had produced a Business Plan and was seeking approval of this by all participating authorities. It was noted that the six-monthly Engagement Day with the Pension Board Chairs had been postponed.

The Committee noted that the launch of the fixed income sub-funds was expected in the near future. The Powys Pension Fund would be transferring between £160 - £170m into this and that as a result approx. £300m would then be invested within the WPP. It was also noted that the Powys Pension Fund also has passive investments pooled outside of the WPP with Blackrock. It was hoped that with these changes the benefits of pooling, such as savings in managers fees etc, will be realised by the Powys Pension Fund.

It was moved and duly seconded that the WPP Business Plan be approved.

RESOLVED	Reason for decision
That the WPP Business Plan be approved and that the report be noted.	As per report.

10. 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).

The Chair changed the order of the Agenda and took item 14 Updated Asset Values next.

11. UPDATED ASSET VALUES

The Committee noted the progress of the asset allocation to the new agreed strategy.

The Committee noted the equity protection had smoothed out the fluctuations in the market.

RESOLVED	Reason for decision
The Committee noted the report.	As per report.

12. BAILLIE GIFFORD UPDATE

The Chair welcomed Tim Gooding and Alicia Cowley from Ballie Gifford.

The Committee noted that the investment returns since the initial investment and over 12 months were 8% and 9% respectively, however investments were being made for the long term. Governance and sustainability are important issues when considering investments. Ballie Gifford advised that it engages with the companies in which it invests in respect of a range of governance issues such as their carbon footprint and how they address this, working conditions and tax issues.

13.	BLACKROCK LOW CARBON WORLD EQUITY TRACKER INVESTMENT REVIEW
------------	--

At the last meeting the Committee approved, in principle, a strategic asset allocation that includes a 3.5% allocation to the BlackRock ACS Low Carbon Equity Tracker Index Fund (sterling hedged) subject to further advice being received from AON. Such an investment would reduce the Fund's exposure to the financial risks associated with climate change and introduce the potential to gain from a transition to a low carbon economy.

Aon advised that BlackRock had indicated that the currency hedged version of the fund will not be available until Q3 or Q4 2020. As a result of this and that the costs of investing in the currency hedged share class was considered too high, Aon recommended that, in order to maintain the strategic currency hedge, a partial investment of 2% of the Powys Pension Fund allocation should be made into the standard share class [unhedged fund]. Aon advised that the tracking error compared to the benchmark was slightly higher than originally indicated but it was not concerned about this. The Committee noted that other Welsh Pension Funds had invested in this fund.

Aon advised that it would monitor the asset allocation and propose the investment of the remaining 1.5% at a future point to increase the investment up to the full 3.5% strategic allocation, whilst bearing in mind the strategic decision to currency hedge 50% of the foreign currency exposure.

It was moved and duly seconded to approve Aon's recommendation.

RESOLVED	Reason for decision
To approve an initial investment in the BlackRock ACS Low Carbon Equity Tracker Index Fund [unhedged fund] of 2% of the Powys Pension Fund allocation (c. £13m).	To reduce the exposure of the overall equity allocation to the financial risks associated with climate change and introduce the potential to gain from a transition to a low carbon economy and to reduce exposure to carbon whilst controlling the performance differential relative to a broad global equity index.

14.	QUARTERLY MONITORING REPORT
------------	------------------------------------

The Committee received the Quarter 1 monitoring report to 31 March 2020.

The Committee noted the impact of the Equity Protection Strategy [EPS] on asset values. With the EPS the asset value had reduced by £43m but would

have reduced by £62m without protection. Aon advised that during Q2 there had been an upswing in markets and values have regained. The EPS was smoothing out the fluctuations in the markets.

During Q1 performance was negative but had improved in April and May. In response to a question Aon advised that the liquidity in the property markets had dried up and therefore funds had been suspended. However, investment in property was still considered as an important long-term investment but some property sections such as retail were struggling.

The Committee noted that the Graham investment was due to be launched on 1 July 2020.

RESOLVED	Reason for decision
That the Quarter 1 monitoring report be noted.	As per the report.

County Councillor P E Lewis (Chair)