

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD BY TEAMS ON FRIDAY, 12 MARCH 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
Mr M Weale, co-opted member

In attendance: Head of Finance, Pension Fund Manager and Financial Reporting & Policy Accountant
Aon representatives – Richard Antrobus, Simon Mayne and Jennifer O’Neill

1. APOLOGIES

Apologies for absence were received from County Councillor T J Van-Rees.

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 11 December 2020 as a correct record.

As the Pension Board Chair was experiencing technical difficulties accessing the meeting, the Chair moved to the Administration and Governance item next.

4. ADMINISTRATION AND GOVERNANCE UPDATE
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The Committee received the Governance and Administration update report, which had been circulated prior to the meeting.

The Pension Fund Manager highlighted that HM Treasury [HMT] had published the Exit Payment Cap Directions 2021 [the Directions], which disapply the regulations relating to exit caps with immediate effect from 12 February 2021, due to the conflict with existing LGPS regulations. The Committee noted the Scheme Advisory Board’s [SAB] Good Governance Project Phase 3 report had been published. The Pension Fund Manager advised that an Employer Policy was being developed to support the new employer exit flexibilities and this would be considered by the Pensions Board and Committee in due course.

Mr Gerard Moore, Pension Board Chair joined the meeting.

The Pension Fund Manager advised the Committee that the McCloud judgment would have an impact on the workload of the Pension Administration Team. A report on the resources required by the Team to meet this and the increasing complexities of the Funds administration would be brought to Committee for

consideration. The Section 151 Officer advised that rather than calling a special meeting to consider this issue the Committee could consider agreeing to delegate consideration and approval of any actions to the Chair, Vice Chair and Section 151 Officer.

The Pension Board Chair advised that the Board had recognised the urgency of the issue and supported the Committee in its timely action.

It was moved and duly seconded that consideration of the report regarding the extra resources required for the Pension Administration Team and approval of any actions be delegated to the Chair, Vice Chair and Section 151 Officer.

RESOLVED	Reason for decision
That consideration of the report regarding the extra resources required for the Pension Administration Team and approval of any actions be delegated to the Chair, Vice Chair and Section 151 Officer.	To ensure the Pension Administration Team is appropriately resourced to undertake the work required as a result of the McCloud judgement and address the increasing complexities in the Funds administration.

The Committee noted that there were no new breaches. The Pension Fund Manager however advised that he was reviewing whether a recordable breach should be added as a result of the clash of the regulations relating to the £95k cap and the entitlement to benefits, which had been considered at the recent Board meeting. The Committee noted that the Board had reviewed the Risk Register, which would be amended to take into account the Board's recommendations.

RESOLVED that	Reason for decision
the update report be noted.	To ensure that the Fund continues to focus on high standards of administration and governance.

5. PENSIONS BOARD MINUTES

The Committee noted the summary from the Powys Pension Board Chair of the Board meeting held on 5 March 2021. The Pension Board Chair highlighted the following recommendation:

- 1.1 Regarding the awaited statutory guidance from MHCLG on Good Governance, the Board feels it can add value to the relevant discussions to be undertaken locally. In view of the recent comments of the Chair of the LGPS Scheme Advisory Board (SAB) that the Local Pension Board should be the sign off on governance, the Board respectfully requests that it be found an appropriate role to assist the Administering Authority in its planning to comply with the statutory guidance, when published. A link to a recent 30 minute webinar on Good Governance, featuring the SAB Chair, will be circulated to Committee Members.

It was noted that the Board had gained a number of assurances. The Chair highlighted the Board's concerns regarding the vacancies for scheme and employer representatives on the Board, due to the change agreed in the membership and the continuing vacancy on the Committee of a scheme member observer. He advised that the Board would undertake a self-assessment and consider this at its meeting in June.

RESOLVED that	Reason for decision
the recommendation from the Powys Pension Board meeting on 5 March 2021 be noted and that it be actioned as appropriate.	To ensure good governance.

6. WALES PENSION PARTNERSHIP [WPP] UPDATE

The Committee received the WPP report. The Pension Fund Manager advised that officers were producing a person specification and developing a selection process to enable a co-opted (non-voting) pension board scheme member representative to be on the Joint Governance Committee [JGC]. The Committee noted that training events provided by the WPP are open to Committee, Board members and officers. The Pension Fund Manager advised that he was a member of the WPP's Responsible Investment sub-group.

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

7. AUTHORISED SIGNATORIES REPORT

The Committee received the report on authorised signatories.

It was moved and duly seconded to approve the authorised signatory list.

RESOLVED	Reason for decision
That the authorised signature list be approved.	To facilitate internal fund processes.

8. PENSIONS AND INVESTMENT COMMITTEE TRAINING NEEDS ANALYSIS

The Committee received the Powys Pension Fund's policy in relation to the knowledge and skills requirements of members of the Pensions & Investment Committee and Board. The Training Needs Analysis would be emailed to Committee members for them to complete and return to the Pension Fund Manager.

RESOLVED	Reason for decision
That the Committee complete an up to date training needs analysis form in order to assess training requirements.	As per the report.

9. RESPONSIBLE INVESTMENT DISCUSSION AND POLICY REVIEW

The Pension Fund Manager referred the Committee to a recent BBC article regarding the fossil fuels and carbonisation and the investments held by pension funds. It was noted the Council had agreed a climate emergency at a meeting in late 2020 and that the Portfolio Holder for climate change had issued a press release on how the Council was addressing this issue, but that this had not referred to the actions taken by the Pensions & Investment Committee. The Pension Fund Manager advised he had liaised with the Climate Officer. The Committee noted that the WPP has produced a climate change policy and it would be important for this to be acknowledged in the Fund's local policy.

In response to a comment regarding the level of Fund invested in fossil fuels the Pension Fund Manager advised that the figures quoted in the BBC article were potentially inaccurate and that the data used for the article was being checked.

RESOLVED	Reason for decision
That the Committee note the report.	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).

11. RESPONSIBLE INVESTMENT

The Chair welcomed Jennifer O'Neill and Richard Antrobus, Aon to the meeting. The Committee considered a report from Aon regarding the carbon emissions associated with the equity and corporate bond fund managers, which established an initial benchmark as at 2 March 2021. In response to a question Aon advised that the global carbon index is simply a factor of the size of a company in the global equity market, their sales and the inputs and outputs of a company.

The Committee noted The UK Stewardship Code 2020. The Pension Fund Manager advised that the direction of travel for funds to be encouraged to sign up to the Code. The Fund had not previously signed up to earlier versions of the Code due to its complexities and the resource implications.

The Pension Fund Manager suggested that a training session could be held for the Committee to consider the issue of carbon emissions associated with investments, responsible investment and the UK Stewardship Code 2020.

RESOLVED that	Reason for decision
training sessions be held for the Committee to consider the issue of carbon emissions associated with investments, responsible	To provide an opportunity for in depth discussion.

investment and the UK Stewardship Code 2020.	
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The Chair moved to the Investment Strategy Statement item next.

12. INVESTMENT STRATEGY STATEMENT
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The Committee received the updated Investment Statement Strategy [ISS]. Richard Antrobus, Aon advised that in addition to minor amendments, the following had been added to the Statement:

- in respect of Socially Responsible Investment reference was made to how the Council monitors the impact investments have on carbon emissions and how the Fund considers alternative social, environmental and ethical investments which can produce at least comparable returns,
- that through the voting policy the Fund would ensure that companies in which it invests adopt sound principles of corporate responsibility, particularly in relation to environmental and employment standards and
- a more detailed explanation of what membership of the Local Authority Pension Fund Forum (LAPFF) means for the Fund.

It was moved and duly seconded to approve and publish the revised ISS and that it be updated, as appropriate after the Committee has undertaken the training on carbon emissions, responsible investment and the UK Stewardship Code 2020.

RESOLVED	Reason for decision
<p>i. That the revised Investment Strategy Statement [ISS] be approved and published and</p> <p>ii. That it be updated, as appropriate, after the Committee has undertaken the training on carbon emissions, responsible investment and the UK Stewardship Code 2020.</p>	<p>To ensure that the ISS is up to date.</p>

The Pension Fund Manager advised that the updated version would be circulated and published on the Fund's website.

The Chair took the Global Equities item next.

13. GLOBAL EQUITIES

The Committee received a report on the Global Equities. The Pension Fund Manager advised that an alternative version of the Global Alpha sub-fund (the Paris-Aligned Global Alpha fund - with lower carbon exposure) is available. The Committee noted that existing investors into the current Global Alpha sub-fund had already approved the move into this new version of the fund.

It was moved and duly seconded to move from the Global Alpha sub-fund into the Paris-Aligned Global Alpha fund.

RESOLVED	Reason for decision
That the transition from the existing Global Alpha sub-fund into the Paris-Aligned Global Alpha Fund be approved.	<ul style="list-style-type: none"> i. Committee have previously approved the investment into the Global Alpha fund and this is a lower carbon version of that (through the exclusion of companies who do not pass the carbon screening process). ii. A commitment to having a Weighted Average Carbon Intensity lower than that of the highly ambitious MSCI ACWI Paris-Aligned index iii. It will reduce the carbon exposure of the Powys Pension Fund investments iv. Fees and performance objectives remain the same with a similar risk profile. v. All investors have to agree to the transition, so that the sub-fund can be made available at the WPP.

14. HEDGE FUNDS

The Chair welcomed Simon Mayne, Aon to the meeting. The Committee considered the Hedge Fund report. Simon Mayne referred the Committee to the previous discussions regarding the Hedge Fund Portfolio, following the downgrading of a few managers over time and whether the Committee continues a hedge fund strategy in its overall strategy.

Aon recommended the Committee adopts Aon's fund solution [delegated] approach which would enable Aon to change managers without the need to seek Committee approval for individual changes. This would ensure that funds could be invested more quickly with buy-rated managers. The Committee noted that Aon is not the only provider of such a service. Aon advised that if this approach was not adopted Aon would continue to provide advice to enable the Committee to appoint new buy-rated managers.

The Pension Fund Manager advised that the WPP does not yet have a sub-fund which provides the same investment opportunities as the hedge fund strategy. However, if it introduced a sub-fund which meets the Committee's needs, the latter could consider investing in this.

In response to a question Aon advised that it does have a conflict of interest protocol and it has not researched what other options are available in the market.

RESOLVED	Reason for decision
That the Aon delegated approach is accepted and a presentation is	To consider the hedge fund options and implement

made to the Committee on Aon's fund solution [delegated] approach.	investments in accordance with the investment strategy.
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15. EQUITY RISK PROTECTION

The Committee received a report on Equity Risk Protection from Simon Mayne, Aon.

The Committee noted that two tranches of equity protection expire in March 2021 and a third expires in January 2023. Aon advised that the two tranches which expire in March 2021 should roll through to April 2022 and the 3rd tranche is re-striking to January 2023 to take into account the current equity market level. Aon recommended that protection should remain at 50% of the fund's strategic equity allocation.

The Committee was reminded of the rationale for the equity protection. The Pension Fund Manager advised that one of the reasons that the protection had been put in place was to protect the funding level for employers at the tri-annual valuation and the next valuation was due in 2022. The protection should be seen as an assurance policy to protect against downturns in the market. In response to questions Aon advised that the protection was a means to smooth out the returns and that after the next tri-annual valuation continuing the protections could be reviewed again. Aon indicated that the market gains seen over the last year would be more difficult to achieve and downside risks remain.

It was moved and duly seconded to agree in principle that the two tranches of equity protection which expire in March 2021 should roll through to April 2022 and the 3rd tranche is re-striking to January 2023 and that it be delegated to the Chair and Vice Chair in consultation with the Section 151 Officer to finalise, when the pricing details have been received and after this information is circulated to the Committee for comment.

RESOLVED	Reason for decision
<p>i. that the two tranches of equity protection which expire in March 2021 should roll through to April 2022 and the 3rd tranche is re-striking to January 2023 be agreed in principle and</p> <p>ii. that it be delegated to the Chair and Vice Chair in consultation with the Section 151 Officer to finalise, when the pricing details have been received and after this information is circulated to the Committee for comment.</p>	<p>To ensure that continuing appropriate equity risk management structure is in place.</p>

16.	CEM BENCHMARKING REPORT
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The Committee received the CEM Benchmarking report. The Pension Fund Manager asked that any questions should be forwarded to him.

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

17.	QUARTERLY MONITORING REPORT
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The Committee received the Quarterly Monitoring report to December 2020.

In response to questions Aon advised that the total asset value as of 28 February was £744k compared to £745K as of 31 December, 2020.

County Councillor P E Lewis (Chair)