

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY TEAMS ON FRIDAY, 17 DECEMBER 2021**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, D H Williams, A W Davies and Moore

Apologies for absence were received from County Councillors JG Morris and T J Van-Rees

1. APOLOGIES

Apologies for absence were received from County Councillors JG Morris and 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 25 November 2021 as a correct record.

4. GOVERNANCE AND ADMINISTRATION UPDATE
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The Pensions Fund Manager highlighted the following:

- The Scheme Advisory Board [SAB] cost management results and the HM Treasury's [HMT] response
- The Pensions Ombudsman [TPO] information regarding communicating with scheme members and how to manage complaints
- Pension scams: restrictions on transfers – the Administration Team was reviewing the guidance and amending processes in response to the publication of the new regulations and guidance
- The annual scheme return was completed and returned to TPR ahead of the deadline
- The Risk Register - no new risks had been added and the Register would be reviewed early in the new year
- No new recordable or reportable breaches had been added to the Breaches Register.

5. DATA QUALITY TESTING 2021

The Committee received and noted the report regarding the Data Quality Testing.

The Pension Fund Manager advised that as part of the data improvement plan checking data could now be undertaken on a more regular basis. In response to questions, he advised that with the new appointments to the Team there was now capacity to enable this work to be undertaken.

6.	WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee received and noted the report regarding the WPP. The Committee noted the development of a new Rebalancing and Alteration Policy and that the Inter Authority Agreement (IAA) of the Wales Pension Partnership (WPP) had been agreed by the eight funds in the Pool.

7.	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).

8.	WALES PENSION PARTNERSHIP OPERATOR UPDATE
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The Chair welcomed Eamon Gough, Linkgroup to the meeting to provide a presentation from the WPP operator. The Committee noted that the Emerging Markets Fund was launched in October 2021 and work had been undertaken on climate change issues in funds.

The Chair thanked Eamon Gough for attending the meeting.

9.	RUSSELL INVESTMENTS UPDATE
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The Chair welcomed Aidan Quinn, Helena Hui Ravanans and Paddy Bortoli from Russell Investments to the meeting.

The Committee noted that the markets in Q3 were flat and had been impacted on by a variety of issues including Covid, the China risk and concerns regarding inflation. The performance of the various funds was noted.

The Chair thanked Aidan Quinn, Helena Hui Ravanans and Paddy Bortoli for attending the meeting.

10.	ACTUARIAL UPDATE
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The Chair welcomed Becky Durran from Aon to the meeting.

The Committee noted the assumptions it made in 2019 regarding a range of issues including, probability of funding success, pay growth and demographics and noted that these were still relevant as at 30 September 2021. It was noted that since the last valuation in March 2019, the Fund's funding level had improved and the deficit had reduced as at 30 September 2021. Comment was made that this has been primarily driven by asset returns being higher than assumed. Caution was advised since there is still time for the landscape to change ahead of the actual valuation date of 31 March 2022.

The Committee noted the impact of McCloud/Sargeant, legislation, the mortality rate and assets returns would need to be taken into account when considering the 2022 valuation. The Committee noted the timetable of work regarding the valuation prior to signing the valuation report on 31 March 2023.

11. UPDATE ON RESPONSIBLE INVESTMENT

The Chair welcomed George Feane from Aon to the meeting.

The Committee received the report on Responsible Investments. It was noted that the Responsible Investment Policy would be reviewed early in 2022. The Governance statement in respect of the Taskforce for Climate-related Financial Disclosures (TCFD), which explains the Fund's approach to governance of climate-related risks was due to be signed off. The Committee noted that a draft Climate Mission Statement would be reviewed at the March 2022 meeting. Both these statements could be included in the Fund's Annual Report, if the Committee wished. In respect of Engagement and Stewardship an annual statement will be produced detailing how asset owners use their shareholder powers and how they use their voting rights and how these align with the Funds overall policy on issues. Information on fossil fuel exposure and carbon exposure will be updated every six months and be available to respond to questions from scheme members, the public and press.

In response to questions the Head of Finance advised that the Committee was not answerable to the Council. The Council could ask the Committee to consider an issue but cannot instruct it to do so. The Pension Fund Manager advised he would liaise with the Head of Legal and Democratic Services and produce a statement explaining this relationship and make this available to the Fund.

12. INTERIM INVESTMENT STRATEGY REVIEW

The Chair welcomed Simon Mayne from Aon to the meeting and considered the Interim Investment Strategy Review report. The Committee was reminded of its

previous discussions and that it had agreed to include an aspirational allocation benchmark of 10% to Infrastructure funding as part of its Investment Strategy. The Committee noted that the aspirational allocation would not harm the forthcoming valuation and with all other things being equal, would result in higher discount rates and would enable the Fund to take advantage of the options which become available through pooling.

It was moved and duly seconded to continue with the aspirational benchmark of 10% to Infrastructure funding as part of its Investment Strategy.

RESOLVED	Reason for decision
to continue with the aspirational benchmark of 10% to Infrastructure funding as part of its Investment Strategy.	To continue the progress towards the aspirational Investment Strategy by making use of the new sub-funds being made available at the WPP.

13. EQUITY RISK MANAGEMENT REVIEW

The Committee considered the Equity Risk Management report. George Feane, Aon advised that one tranche [£30m] of equity protection was to expire in January 2022 and the Committee had to decide whether to continue the protection and if so on what basis and for what period.

The Committee was reminded of the rationale for the equity protection. The Committee noted that the outlook for equity markets was moving to the downside, the impact of the Omicron Covid-19 variant was unknown, inflation had been increasing and key supports to equity markets had faded. In light of these issues and the Committee's desire to protect returns prior to the forthcoming triennial valuation, Aon advised that the equity protection should be renewed.

It was moved and duly seconded to renew the equity protection which expires in January 2022 and protect until the 2022 actuarial valuation is completed.

RESOLVED	Reason for decision
to renew the tranche [£30m] of equity protection which expires in January 2022 and protect until the 2022 actuarial valuation is completed.	To ensure that continuing appropriate equity risk management structure is in place.

The Pension Fund Manager advised that if markets changed significantly between now and the implementation of the decision, Aon would advise him and the Chair of such changes.

14. QUARTERLY MONITORING REPORT

The Committee received the Quarterly Monitoring report presented by George Feane, Aon. The Committee noted that assets and liabilities had increased and that the performance had remained strong since the previous valuation in 2019.

The Chair thanked the officers from Aon for attending the meeting and thanked Simon for his work and wished him a happy retirement. The Aon officers left the meeting.

15. INVESTMENT CONSULTANT CONTRACT

The Committee considered the Investment Consultant Contract report. The Pension Fund Manager advised that the tender process had been undertaken as required and the Powys Pension Board Chair advised that he was satisfied that the required tender process had been complied with.

In response to a question the Pension Fund Manager advised that the contract was for three years with the option for a two-year extension.

It was moved and duly seconded to appoint Bidder 1 as the Investment Consultant to the Fund.

RESOLVED	Reason for decision
to appoint Bidder 1 as the Investment Consultant to the Fund.	To ensure continuity of service and that the Fund receives high quality Investment Advice.

County Councillor P E Lewis (Chair)