

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY ZOOM ON FRIDAY, 15 JULY 2022**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, A Kennerley, C Kenyon-Wade, D H Williams,
D A Thomas and Moore

1.	APOLOGIES
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There were no apologies for absence.

2.	DECLARATIONS OF INTEREST
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Councillors A Jones, A Kennerley, P Lewis and H Williams 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 Pensions and Investment Committees meeting held on 11 March 2022 and 17 June 2022 as correct records.

Councillor C Kenyon-Wade joined the meeting.

4.	PENSIONS BOARD MINUTES
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The Committee received the Board Chair's report and draft minutes of the Board meeting held on 27 June 2022.

The Board Chair advised that as this was the first Committee meeting since the May election he had provided information in his report on the role of the Board. The Committee noted that the Board's recommendations on the Funds Business Plan and the draft Conflicts Policy had been incorporated into these documents which were on the agenda. He advised that the Board was unable to review the Risk Register and a further meeting was to be arranged to do this. The Chair advised that the Chair of the Scheme Advisory Board would be attending the September Board meeting.

Resolved that the report be noted.

5.	ADMINISTRATION AND GOVERNANCE UPDATE
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The Committee received the Administration and Governance report.

The Pension Fund Manager highlighted various issues. In respect of the Risk Register he advised that the risks were now divided into three areas, Administration, Governance and Investment. No new risks had been added since the last meeting. As advised by the Board Chair, the Risk Register would be reviewed by the Board and then presented to the Committee. In response to

a question about the number of risks identified as amber, the Pension Fund Manager that this was due to their potential impact. He advised that the Board would consider the classification of the risks when it reviewed the Register.

The Pension Fund Manager agreed that an explanation would be provided in the Risk Register regarding the scoring system used.

Resolved that the report be noted.

6.	GOOD GOVERNANCE PROJECT UPDATE
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The Committee received the report.

The Pension Fund Manager advised that the Scheme Advisory Board's (SAB) review of Good Governance had resulted in a Phase 3 report and action plan. Although many recommendations require further guidance, the Fund has identified the following which can be considered by the Fund prior to any further legislation, namely the development of a Conflicts of Interest Policy, a Knowledge and Skills assessment framework and a Business Plan. These items are considered on the agenda.

In response to a question the Pension Fund Manager advised that third party providers used by the Fund are asked to state how their systems are tested in respect of cyber security.

The Committee considered the Conflict of Interest Policy. The Pension Fund Manager advised that the information would be held by him and the information would be reviewed annually with the policy being reviewed every three years.

Resolved that

- 1. The report is noted and**
- 2. that the Conflicts of Interest policy is approved.**

7.	KNOWLEDGE AND SKILLS FRAMEWORK INCLUDING MEMBER TRAINING
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The Committee received the report.

Resolved that

the Committee complete an up-to-date training needs analysis form in order to assess training requirements.

8.	WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee received the update report on the Wales Pension Partnership [WPP]. The Committee noted that the WPP is now a signatory to the UK Stewardship Code.

The Committee considered the WPP's Business Plan, which each of the eight Constituent Authorities had to approve. The Pension Fund Manager advised that the Plan was for three years but would be reviewed annually.

Resolved that

1. the report is noted and
2. the Wales Pension Partnership 2022 – 2025 Business Plan is approved.

9.	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).

10.	PENSION FUND BUSINESS PLAN
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The Committee considered the draft Pension Fund Business Plan 2022/23.

The Pension Fund Manager referred the Committee to the Mission Statement and Objectives. The following comments were made:

- the Mission Statement and Objectives should state the position of the Fund at present in respect of investment approaches towards fossil fuels and climate change etc and how it wishes to progress on such issues.
- Reference should be made to the Wellbeing of Future Generations Act.
- Digital Transformation should be optimised rather than maximised, to reflect the fact that some scheme members may prefer to receive hard copies of information
- Links to where the reader of the Plan can find more detailed information should be included.

Resolved

To approve the Draft Business Plan, as recommended in the Scheme Advisory Board Good Governance Project and future Plans take into account the comments made as detailed above.

The Committee took the Asset Allocation views July 2022 item next.

11.	ASSET ALLOCATION VIEWS JULY 2022
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The Chair welcomed Koray Yesildag and Kenneth Ettles, Aon to the meeting.

Aon provided an overview of the key issues in the third Quarter namely whether inflation was peaking, the risk of recession and the risk of changes in interest rates. It was noted that no asset class performs well over all of these risks but diversification can improve a portfolios resilience.

The Committee noted that currently the strategic level of equity protection is set at 50%. Due to the concerns in the market over the next 12 to 18 months Aon recommended that this level of protection should increase to between 65% to 70%. In addition, the credit risk should also be reduced by disinvesting £30m in Multi Asset Credit sub-funds in favour of Absolute Return Bonds, as the latter were less sensitive to market changes.

Aon advised in response to a question that the protection currently in place had protected the Fund in 2022.

Resolved

- 1. That in principle the strategic level of equity protection is increased from 50% to 70% and**
 - i. that Aon provides further information for the consideration of the Committee and**
 - ii. that it be delegated to the Chair and Vice Chair in consultation with the S151 Officer to finalise the change, taking into account the views of the Committee.**

- 2. That the exposure to Multi Asset Credit sub-funds is reduced by £30m in favour of Absolute Return Bonds.**

12.	WALES PENSION PARTNERSHIP [WPP] SUB-FUNDS LATEST VIEWS
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The Chair welcomed George Feane, Aon to the meeting. The Committee considered the report on the new Wales Pension Partnership [WPP] sub-funds.

The Committee noted that the benchmark for Infrastructure/Private Debt in the Powys Pension Fund's Strategic Asset allocation was 10% and currently no funds are invested in these asset classes. The WPP had now made available three "open-ended" Infrastructure funds in which the Fund could invest. It was also noted that the WPP had launched an emerging Markets Equity sub-fund in late 2021, a Sustainable Equity sub-fund was expected to be launched at the end of the year and further information on the closed-end Infrastructure and Private Debt funds would be available towards the end of the year.

The Committee noted that by investing via the WPP the Fund benefited from the reduced costs of buying. Aon advised it could provide further information to the Committee on the WPP's three "open-ended" Infrastructure funds to enable it to consider these new funds.

Resolved

- 1. That Aon provides further information on the WPP's three "open-ended" Infrastructure funds to enable the Committee to consider these new funds and a further meeting is held to enable the Committee to consider the level of investment and**
- 2. that the Fund's entire equity portfolio is evaluated to consider the extent to which the new WPP sub-funds should be incorporated into the Fund's equity allocation.**

County Councillor A Jones left the meeting.

13.	RESPONSIBLE INVESTMENT/FOSSIL FUEL EXPOSURE
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The Committee received Aon's report on the Review of fossil fuel exposure. The Committee noted that the Fund's exposure to fossil fuels was 2.04% of Fund value [£16.6m] as at 31 March 2022.

The Committee noted the information on the Fund's exposure to fossil fuels. This information would help the Committee to understand the Fund's exposure

as it changes over time. The Committee was reminded that work was continuing in respect of the Taskforce for Climate-related Financial Disclosures (TCFD). Aon advised that a further report would be provided at the next meeting.

Resolved that the Committee note the report.

County Councillor H Williams left the meeting.

14.	PERFORMANCE
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The Chair welcomed Benjamin Bryant, Aon to the meeting.

The Committee noted the annualised return of 8.3% since the last actuarial valuation compared with a median projected return of 5.1%.

Resolved that the report be noted.

County Councillor P E Lewis (Chair)