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CommitteeName MeetingDate

MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE HELD AT ON FRIDAY, 15 DECEMBER 2023

PRESENT

County Councillor P E Lewis (Chair)

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

Apologies for absence were received from County Councillors A Kennerley

1.	APOLOGIES
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Apologies were received from: Cllr A Kennerley.

2.	DECLARATIONS OF INTEREST
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C Kenyon-Wade, D H Williams, E A Jones, and P E Lewis 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 Committee meetings held on 06 October and 29 November 2023 as a correct record.

4.	PENSION BOARD MINUTES
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The Committee noted the Pension Board Minutes from 20 November 2023. And a verbal update was provided by the Chair of the Board:

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- The Chair of the Scheme Advisory Board attended the last meeting of the Powys Pension Board and stressed that pooling could benefit from investments in the UK economy, but only if they provided proper returns.
- Items suggested and discussed by the Board had been incorporated into the Risk Management Policy (Item 6 below).
- The recommendation in Item 13 of the draft Board minutes, that the Administration Strategy Statement would be reviewed once the Pension Regulators general code of practices were in operation, which was expected to be in April 2024.

5. ADMINISTRATION AND GOVERNANCE REPORT
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The Committee reviewed the Update. The Pension Fund Manager highlighted the following:

2. Scheme Advisory Board (SAB) Updates

2.2 A Government pooling consultation response was provided by the Scheme Advisory Board, the Wales Pension Partnership WPP and Powys Pension Fund, and support full transparency within reporting in which documents would be shared.

The Scheme Advisory Board were fully in support of comments made however a caution was given that work would fall to officers and investment colleagues.

2.3 thanks were given to all those that had completed the skills and knowledge survey.

2.4 Scheme Advisory Board website information.

3. Local Government Pension Scheme (LGPS) Updates

3.1 Department for Levelling up, Housing and Communities report had been published and noted that the overall market value of the LGPS fund had fallen with a decrease of 1.9% in 2023 with an 8% decrease in retirements compared with 2021/22.

3.2 the McCloud remedy had been in place since 01 October 2023, which applied additional checks to be conducted to adhere to legislation and ensure correct payments were made. Resource impacts were being monitored and expected to be significant, however technology tools and system processes were being implemented to alleviate some of the pressure.

3.3 Concerns were raised regarding the communication around the abolishment of the lifetime allowance to all members, due to the scheme's complexity.

4. Pension Regulator

4.2 findings had been published regarding the independent review carried out by the Department of Work and Pensions on the Pensions Regulator (TPR).

4.3 a formal request has been received from the Pension Regulator (TPR) for the annual scheme return to be submitted by the end of January 2024.

5. a data check has been carried out by the Pension Team in preparation of the Pension Dashboard going live.

6. Risk Register 7. Breaches Register

No new risks or breaches were reported.

The latest risk to be added was around climate and nature, and they cycle of deep dives would begin in February 2024.

A query was answered around training for members, the Pensions Fund Manager encouraged all to attend and noted that the WPP constructed training plans in conjunction with officer discussion.

Inhouse training was considered through presentations and information provided in meetings and could be extended if necessary and noted that through the good governance project carried out by the SAB training logs may be published.

A discussion was held around the high-level technical training recently received from WPP, and some Committee members felt that more background was needed for better understanding.

It was moved and duly seconded to note the report and approve the risk register.

Resolved: The Administration and Governance Update be noted.

6.	RISK MANAGEMENT POLICY
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The Committee considered the report and draft policy, the Pension Fund Manager explained that the report provided more detail around the cycle practice for producing and managing the risk register.

As mentioned earlier in the meeting training would be a key focus to ensure that all involved had the skills and knowledge to fully participate.

Page 7 - The 'Key Risk to the Effective Delivery This Policy' section was discussed and queried if the document should contain risks, the Pension Fund Manager would consider the wording and the placement of the section and recirculate the document.

It was moved and duly seconded to note the report and approve the Risk Management Policy.

Resolved: The Risk Management Policy be approved with recommendation.

Recommendation:

- I. For the Pension Fund Manager to adjust the placement of the wording on Page 7 - The 'Key Risk to the Effective Delivery This Policy' and move to the Report. Once completed the document would be recirculated.
- II. Approve the Risk Management Policy to support the risk register and demonstrate best practice in the management of risk within the LGPS.

7.	DATA QUALITY TESTING 2023
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The Committee noted the Data Quality Testing Report for 2023. The Pension Fund Manager explained that each October data quality tests were undertaken with benchmarking checks against Pension Regulators. Comments had been received from the Actuary that data quality had been of a good standard.

The regulator required the data to be tested against common (all pensions schemes) and scheme specific (LGPS) criteria.

The overall percentage of tests passed for Powys' common data was 98.5% (98.3% in 2022 and 97.7% in 2021). The data showed a gradual increase, which reflects members movements. A discussion took place around the address data bar which showed 97.48% within the graph, which was fully dependant data fields being completed in the correct format.

The overall percentage of tests passed for Powys' scheme specific data was 93.37% (91.95% in 2022 and 91.87% in 2021). The Committee were reassured that the Members Benefits bar showing 85.67% in the graph did not reflect what members were being paid but how historical records for internal aggregations were held and part of an internal data recording exercise. The Pension Fund Manager stressed that records could potentially be reconciled through a bulk exercise, otherwise they would be corrected over time.

It was moved and duly seconded to note the report.

Resolved: The Data Quality Testing Report be noted.

8. WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee received the update, the Pension Fund Manager informed the Committee that there were no additional packs available as the papers from the Joint Governance Committee on the 13 December had not been published.

1.2 provided a link to the published 2022/23 WPP Report.

1.3 reinforced that the WPP provided regular quarterly training, with links available in the report.

It was moved and duly seconded to note the report.

Resolved: The WPP Update Report be noted.

9. 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).

10. ACTUARIAL UPDATE

The Committee reviewed the report from Becky Durran a representative from the actuarial team at AON which provided a summary recap and an update of the funding position for the latest quarter as at 30 September 2023 for the Powys fund.

Changes and variations in asset classes were explained since the 2022 valuation and the impacts affecting the funding position. A forecast was presented to the Committee with details in regard to asset and liability levels as the next valuation will be 2025.

It was moved and duly seconded to note the report.

Resolved: The Actuarial Update report be noted.

11. ACTIVE DIVERSIFIERS PRESENTATION

The Committee received a presentation from Guy Saintfiet a representative from AON. The purpose of the presentation provided the Committee with background information on the aims of the fund, which was actively managed and diversifies sources of return within the overall asset portfolio to manage risk and offer a different stream of return. It was explained how it fits into the overall strategy that was previously approved by the Committee with a guide to the governance and investment objectives. The portfolio construction that drives the performance of the fund was illustrated in graph form since the inception of fund two years ago. As an active fund the cost controls were shown with models available and how value was added for the fund.

It was moved and duly seconded to note the reports.

Resolved: The Aon presentation on Active Diversifiers be noted.

12. CARBON EXPOSURE ANALYSIS

The Committee considered the Carbon Exposure Analysis Paper from AON representative Kenneth Ettles. The purpose of the paper was to share data on carbon emissions, and greenhouse gas exposure on the fund. It was noted that the scope of data and the collection process was evolving and not all data could be provided in the presentation to the Committee.

Discussions took place around the importance and significance of carbon emissions and that all funding options should be explored and was suggested that the Fund has a discussion with the WPP on their proposed approach with regards to reducing carbon exposure within the WPP sub funds

The Pension Fund Manager added that a responsible investment subgroup for the Powys Fund would be established in the new year and the WPP plan would hopefully be available for discussion.

It was moved and duly seconded to approve the paper and approve the next steps.

Resolved: The Carbon Exposure Analysis Paper from AON be noted.

13. QUARTERLY MONITORING REPORT

The Committee considered the Quarterly Monitoring Report presented by Emma Perrin a representative from AON.

The Pension Fund Manager explained that a transition was underway to a new performance management company, therefore the report presented was only a

work in progress. An extra meeting would be held in the new year to discuss performance in depth.

The presentation provided analysis of how the fund, asset classes and markets performed during quarter three. The agreed strategy updates from the last meeting had not been included as implementation changes to the strategy were being worked through in terms of individual managers and the structure of some portfolios, with an investment outlook showing all the elements considered regarding the fund.

It was moved and duly seconded to approve the report.

Resolved: The Quarterly Monitoring Report be noted.

14. EQUITY PROTECTION

The Committee considered the Equity Report presented by Kenneth Ettles a representative from AON which provided an update and summary of actions previously been agreed by the Committee on both short term and long-term equity protection. AON had been working with the Pension Fund Manager and Team to implement additional protection for three years.

Discussions took place around the different asset classes and the elements within infrastructure investment assets and the income generated over a longer-term investment.

It was moved and duly seconded to approve the Equity Protection Report.

Resolved: The Equity Protection Report be noted.

15. EQUITY IMPLEMENTATION

The Committee reviewed the report presented by Emma Perrin a representative from AON which provided an update on the implementation of the equity restructure in 2023.

Previous advice delivered by AON remained appropriate following the equity review last year. Steps were being taken to carry out the actions approved by the Committee to commit to a phased approach to a sustainable fund.

A recommendation was presented to the Committee in response to the equity protection in item 14.

It was moved and duly seconded to approve the Equity Protection Report and approve the recommendation.

Resolved: The Aon Equity Implementation Report be noted, and recommendation approved.

County Councillor P E Lewis (Chair)

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