

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY ZOOM ON FRIDAY, 7 OCTOBER 2022**

PRESENT

County Councillor P E Lewis (Chair)

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

Trish Fretten, Employer representative, co-opted member
Gerard Moore, Independent Chair, Powys Pension Board

Head of Finance and Pension Fund Manager
Aon representatives - George Feane, Kenneth Ettles and Richard Antrobus

1.	EXEMPT ITEMS
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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).

2.	APOLOGIES
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There were no apologies for absence.

3.	DECLARATIONS OF INTEREST
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Councillors P Lewis, A Jones, A Kennerly 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.

4.	RUSSELL INVESTMENTS UPDATE
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Aidan Quinn and Gerard Fitzpatrick, Russell Investments gave an overview of the developments by the Welsh Pension Partnership [WPP] over the past four years, a review of markets and the funds. The Committee noted that the WPP had launched nine sub funds in the last four years and that in Quarter 1 of 2023 a Sustainable Active Equity Fund and Private Markets Programme would be launched.

5.	MINUTES
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The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 15 July 2022 as a correct record.

The Chair welcomed Trish Fretten, Employee co-opted member to her first meeting.

6.	ADMINISTRATION AND GOVERNANCE REPORT
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The Committee received the Governance and Administration update report.

The Pension Fund Manager highlighted the following sections of his report:

- FAQ's on the cost of living crisis available on LGPS member website – which provides scheme members with advice on such things as taking benefits, reducing contributions etc
- The annual SR3 return has been completed by Fund and returned by the due date.
- The employer cost cap was introduced by the Public Service Pensions Act 2013 to ensure that Funds remain affordable. The first valuations show that the cost has remained within the required two per cent corridor for both schemes. This means no changes to benefits or member contributions are needed.
- Integration into the Pension dashboards system is expected to take place in 2023-24 and a work plan has been developed to enable this to happen.
- Work is progressing in respect of the triennial valuation and the Actuary will bring a report to the Committee meeting on 16 December. The report will then be shared at an Employers' meeting on the afternoon of 16 December.
- The Pension Regulator [TPR] and the Department for Work and Pensions (DWP) issued a joint statement on the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. The change in the Regulations was to try to reduce pension scams but low-risk transfers may become blocked or delayed due to the new regulations. The joint statement will enable low risk transfers to continue.

In respect of the Risk Register the Committee noted that the Pension Board had undertaken an in-depth review of the Administration Risk and the Register had been updated with it's recommendations. The Board had recommended that the scores for a number of risks should be updated to reflect the current position. The Board would review the Governance and Investments sections of the Risk Register in the same way. The Committee noted the "heat map". In response to a question the Pension Fund Manager advised that risks are reviewed with the S151 Officer and agreed that the "Latest Risk Review" column should be updated to the reflect this.

The Committee noted that no new recordable or reportable breaches had been added to the Breaches Register since the last meeting. There has been a small increase in the number of unpaid frozen refunds and work continues to actively locate these members and some payments have now been made.

Resolved

- i. **That the content of the report be noted and**
- ii. **To approve the changes to the Administration Risk Register recommended by the Pension Board, subject to the "Latest Risk Review" column being updated.**

7.	DATA IMPROVEMENT PLAN
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The Committee received the Data Improvement Plan. The Committee noted that the Pension Board had reviewed the Plan and its comments had been incorporated into the document.

Resolved

- i. That the content of the report be noted and
- ii. To approve the content of the updated Data Improvement Plan.

8.	COMMUNICATIONS STRATEGY
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The Committee considered the revised Communications Strategy Statement. The Committee noted that the Pension Board had reviewed the Strategy and its comments had been incorporated into the document.

Resolved

- i. That the content of the report be noted and
- ii. To approve the revised Communications Strategy Statement in accordance with Regulation 61 of the LGPS regulations.

9.	WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee received the WPP update report. The Committee noted the appointments of the new Joint Governance Committee [JGC] Chair and Vice Chair. The Committee noted the publication of a number of documents including the Annual Return and Accounts 2020/21, the annual progress update report against the Responsible Investment policy commitments and a Business Continuity Plan.

The Pension Fund Manager highlighted the development of a Sustainable Equity Sub-Fund by the WPP in line with its commitment to responsible investment. The Fund would be available to constituent authorities in due course.

Resolved that the report be noted.

10.	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).

11.	DRAFT ANNUAL REPORT
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The Committee received the draft Pension Fund Annual Report 2021/22, which included the accounts of the Fund. It was noted that the draft accounts had been sent to Audit Wales and the Governance and Audit Committee are to consider the audited accounts on 24 November 2022. The Pensions & Investment Committee will meet to approve the final Annual Report, including audited accounts between 24th and 30th November 2022. This will enable the Annual Report to be published by 1 December, as required under Regulation 57 of the Local Government Pension Scheme Regulations 2013 (as amended).

The Committee noted the draft report and officers asked that any comments should be forwarded to them.

The Chair agreed to take the Responsible Investment item next.

12. RESPONSIBLE INVESTMENT

George Feane, AON provided a summary of the Fund's Responsible Investment journey to date. The Fund was now at a stage where it could consider a target date to reach net-zero carbon emissions for its investments. The Committee was advised that Fund Managers were converging on one approach, namely that significant reduction in emissions by 2030 and net-zero emissions by 2050. The Committee noted that UN Secretary-General has stated that countries need to commit to changes that will deliver a reduction of emissions by 45% by 2030 so that net-zero emissions are achieved by 2050.

The Committee received a presentation from Phelim Bolger, IFM Investors on their approach towards a transition to a lower carbon economy. George Feane advised that the Committee would consider the issue again at its meeting in December.

The following comments were made:

- The methodology to be used by the Committee to enable it to consider issues was sought,
- There was a need for a discussion on the options of on the one hand active engagement with companies to ensure they move away from fossil fuels and on the other disinvesting in companies not working to reduce emissions,
- Risks to the Fund should be considered,
- Benchmarking information regarding each fund would help the Committee consider issues and
- The timetable for agreeing the target date to reach net-zero carbon emissions was required.

The Committee noted that this issue would be considered again at further meetings.

13. EQUITY PORTFOLIO REVIEW

Kenneth Ettles, AON presented the Equity Portfolio Review.

The Committee noted the Fund's current equity portfolio, the potential to enhance the Environmental, Social and Governance ("ESG") considerations throughout the equity portfolio and also the scope to restructure active and passive equities towards increasing the Fund's exposure to Emerging Markets. It was noted that the later would increase the return potential of the portfolio.

The Committee was advised that investments would remain liquid.

Resolved that

of the overall equity allocation (100%):

- i. the current allocation to the WPP Global Growth sub-fund be transitioned appropriately over time to the WPP Sustainable Equity sub-fund (43%) once available;**
- ii. an allocation be made to the WPP Emerging Markets sub-fund (7%);**
- iii. the BlackRock passively managed portfolio be restructured to enhance the integration of ESG considerations and diversify the**

investment style to incorporate factor driven investment: 28% with MSCI World ESG Focus Low Carbon Screened Index Fund and 22% with MSCI World Select Multiple Factor ESG Low Carbon Target Index).

14. FUND PERFORMANCE

Richard Antrobus, AON presented the Fund Performance report.

The Committee noted that the assets had decreased in Quarter 2 and this continued in Quarter 3. The equity protection had protected the hedge funds. Although returns were down in Quarter 2 the Fund was still 2% above the benchmark over a 5year period.

The Committee noted the report.

County Councillor P E Lewis (Chair)