

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT ON FRIDAY, 6 OCTOBER 2023**

PRESENT County Councillors

A Kennerley
C Kenyon-Wade
D A Thomas
D H Williams
E A Jones
P E Lewis

Gerard Moore Independent Chair, Powys Pension Board

Chris Hurst -Pension Fund Manager, Secretary to the Board
Jane Thomas - Section 151 Officer
Dan Paley - Financial Reporting & Policy Accountant
Craig Flynn - Deputy Head of Finance-Strategic Finance

Aon representatives:

Benjamin Bryant
Kenneth Ettles
Becky Durran

LINK Fund Solutions representative:

James Zealander

Russell Investments representatives:

Aidan Quinn
Ioanna Ali
Katherine Husvaeg
William Pearce
Adreas Koester

1. APOLOGIES

Apologies were received from:
Trish Fretten (Employer Representative)

2. DECLARATIONS OF INTEREST

A Kennerley, 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

The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 07 July 2023 as a correct record.

4.	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 full Annual Report has been produced by the SAB using data from the individual LGPS funds has been produced by the Local Government Pension Scheme (LGPS), which the fund showed a positive trend in funding levels and assets held.

A query was answered in response to management fees and explained that it was percentage based, and more information would be presented to the Committee at the next meeting.

2.3 – the Powys Fund's Annual Report would be published by 01 December 2023. Additional guidance on how to make the report easier to produce will be provided by the SAB in future .

2.5 – The Scheme Advisory Board published a scheme valuation report, derived from the individual Funds valuation reports from 31 March 2022 which showed improvements in the overall funding level of the LGPS as a whole.

3. Local Government Pension Scheme (LGPS) Updates

3.1 – a response had been submitted on behalf of the Powys Pension Fund to the Department for Levelling Up, Housing and Communities (DLUHC) regarding the levelling up and pooling of funds consultation.

The Pension Fund Manager explained that a strong message had been provided from Wales including potential implications from changes that may be introduced. It was noted that the Powys Fund value is approximately £800m and the Welsh Pensions Partnership (WPP) was over £20b.

3.2 – McCloud, a Local Government Pension Scheme amendment was implemented on 01 October 2023, retrospective work would be undertaken by the Pensions Team in order to ensure that all member records affected were corrected accordingly. The Pension Fund Manager responded to a query around the costs within the scheme and explained that the impact would be on administration and liability and not expected on the investment management cost.

Assurance was provided to the Committee by the Section 151 Officer that any review around resources will be carried out with benchmarking against other funds and emphasised that Powys did not have the same economies of scale as other funds.

The Chair of the Powys Pensions Board commented that a key link was evident between the level of resource and frequency of breaches, and adequate resources was expected by the Pensions Regulator to provide the administrative function.

6. Risk Register

6.1 – an addition was added to the Investment Pillar around climate change.

INVEST0012 – the risk reflected the actions of the Welsh Pensions Partnership (WPP), the Committee requested that the risk be aligned with separate issues of the eco system and food production.

ADMIN0010 – Work is ongoing in respect of existence checking for overseas pensioners. The Pensions Team had reached out to gain more understanding on how other funds carry out checks which may in turn be introduced.

7. Breaches Register

7.2 - a new breach had been identified and added to register for employers that do not submit pension contributions within the statutory timeframes. The Pensions Team have introduced a dedicated post in place to monitor and support all employers to ensure compliance with the regulations.

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

Resolved:

1. Administration and Governance Update be noted.
2. The Risk Register be approved.

Recommendation: INVEST0012 to include separate elements that are aligned with climate change (food production and the eco system).

5. NEW FUND EMPLOYER

The Committee considered the report. The Pension Fund Manager notified the Committee that Forden with Leighton and Trelystan community Council had become a Pension Fund employer. Support and guidance had been provided to the new employer to ensure that all processes and regulations were adhered to.

6. WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee received the update. Policy reviews had been undertaken by the WPP and a new Breaches Policy had been published and seen as progress around governance.

The WPP had produced packs which enables each of the constituent authorities in Wales to provide and share information in a consistent way.

It was moved and duly seconded to note the reports for agenda 6.

Resolved: The WPP Update Report be noted.

7. 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).

8. OPERATOR UPDATE

The Committee reviewed the reports from the Link Group presented by James Zealander. The Committee received reassurance from James that there would be no impact on operations and support for all those involved in the Wales Pension Partnership (WPP) when Link Group move to the Waystone Group in the near future. The presentation provided the Committee with the operational oversight and the core principles in which they were governed, and details of fund launches and changes that had occurred.

Resolved: The Link Group Operator Update report be noted.

9.	RUSSELL INVESTMENTS UPDATE
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The Committee received an update on the WPP's Sustainable Active Equity and Emerging Markets sub-funds from the Russell Investments Team and commented that the reports provided were extremely comprehensive.

The presentation included a detailed overview of the market environment and the strategies held within the global market.

A performance breakdown was provided around emerging markets for quarter three and the Committee noted that the presentation provided a clear position.

The WPP Sustainable Active Equity Fund structure provided the Committee with details of the asset allocation, fund details and important exclusions.

Resolved: The Russell Investment Update report be noted.

10.	INVESTMENT STRATEGY
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The Committee considered the Investment Strategy Paper from AON representatives. The purpose of the presentation was to provide the Committee with details around the review of the funding strategy which interacts between investment risk and the discount rate in which market conditions had significantly changed reflecting impacts from global interest rates.

Discussions were held concerning the broader view of the discount rate and the volatility of the assessment made around liabilities and how risks and protection structures demonstrated the stability of the fund. Before the recommendations were put before the Committee for decision clarification was provided by AON.

It was moved and duly seconded to approve the paper and recommendations.

Resolved:

1. The Investment Strategy Paper be approved.
2. All three recommendations within the report be approved.

11.	CASHFLOW
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The Committee considered the Cashflow Report presented by the Fund Actuary (Aon). The presentation covered liability and asset cashflows and modelled how different cashflow management approaches were in place to ensure resilience was realised including that of the impact to inflation, along with proposals to changes around those approaches.

It was moved and duly seconded to approve the report and recommendation.

Resolved:

1. The Cashflow Report be approved.
2. Recommendation B be approved.

12. PRIVATE EQUITY

The Committee considered the Private Equity Report presented by Kenneth Ettles a representative from AON, which provided the Committee with reassurance following an assessment that was undertaken by AON on the suitability of the WPP Private Equity Sub-fund for the Powys Pension Fund.

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

Resolved:

1. The Private Equity Report be approved.
2. The recommendation that the WPP Private Equity Sub-fund was appropriate for the Powys Pension Fund and be funded accordingly to maintain the strategic allocation to the private equity asset class.

13. INVESTMENT PERFORMANCE

The Committee considered the Investment Performance Report presented by Ben Bryant, a representative from AON, which included an executive summary covering quarter two key statistics.

Following a discussion at the last meeting additional information has been provided to show the outline of discussion points in relation to how performance compared to the LGPS peer group.

It was agreed that the Pension Fund Manager would obtain more information from AON to share with Committee and consider a performance training session.

Resolved: The Aon Investment Performance Report be noted.

Recommendation: A performance training session would be provided to members of the Committee.

14. WALES PENSION PARTNERSHIP PROCUREMENT
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The Committee considered the Wales Pension Partnership Procurement Report. The Governance arrangements required approval from the Committee for the evaluation criteria before the publishing the tender.

It was moved and duly seconded to approve the evaluation criteria required within the tender.

Resolved: The Wales Pension Partnership Operator Procurement Report be approved.

15. DRAFT ANNUAL REPORT

The Committee considered the Draft Annual Report which had been passed to the Welsh Audit Committee for consideration at a meeting on the 20 November 2023.

The final report would be presented to the Pension Investment Committee on the 29 November 2023 before publication on 01 December 2023.

A discussion took place around timescales of the publication and the Committee were urged to read the report and contact officers with any queries.

It was moved and duly seconded to note the report.

Resolved: The Draft Annual Report be noted.

16. RESPONSIBLE INVESTMENT SUB-GROUP

The Committee considered the Responsible Investment Sub-Group Report. It was discussed at the last meeting that a sub-group could be formed to review topics before Committee meetings due to time constraints and felt it was a positive way forward. It was also suggested that the sub-group could undertake training which would be a significant benefit to members.

It was moved and duly seconded to note the report and approve the proposed recommendation to establish a sub-group.

Resolved:

1. The Responsible Investment Sub-Group report be noted.
2. The recommendation to establish a Responsible Investment Sub-Group be approved.

17. EMPLOYERS PERFORMANCE

The Committee reviewed the Employers Performance Report. It was explained by the Pension Fund Manager that not all employers achieved statutory timescales for the submission of data and contributions, and the process within the Administration Strategy was being followed by the Pensions Team in order to ensure all employers comply with regulations. He also added that all employers receive a quarterly newsletter that included desensitised performance information along with support and guidance contract details and information.

Resolved: The Employers Performance Report be noted.

County Councillor P E Lewis (Chair)