

Pensions and Investment Committee

Meeting Venue

By Zoom

Meeting date

Wednesday, 3 May 2023

Meeting time

9.30 am

For further information please contact

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County Hall
Llandrindod Wells
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26.04.2023

Mae croeso i chi siarad yn Gymraeg neu yn Saesneg yn y cyfarfod.

Rhowch wybod pa iaith rydych am ei defnyddio erbyn hanner dydd, ddau ddiwrnod gwaith cyn y cyfarfod.

You are welcome to speak Welsh or English in the meeting.

Please inform us of which language you wish to use by noon, two working days before the meeting.

AGENDA

1.	APOLOGIES
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To receive apologies for absence.

2.	DECLARATIONS OF INTEREST
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To receive any declarations of interest from Members relating to items to be considered on the Agenda.

3.	MINUTES
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To authorise the Chair to sign the minutes of the last meeting held on 10 March 2023 as a correct record.

(Pages 3 - 8)

4.	EXEMPT ITEM
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The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following items. His view on the public interest test (having taken account of the provisions of Rule 14.8 of the Council's Access to Information Rules) was that to make this information public would disclose information relating to the financial or business affairs of any particular person

(including the authority holding that information). These factors in his view outweigh the public interest in disclosing this information.

Members are asked to consider these factors when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

5.	PENSIONS ADMINISTRATION SYSTEM PROCUREMENT
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To consider the Report.

(Pages 9 - 12)

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY ZOOM ON FRIDAY, 10 MARCH 2023**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, C Kenyon-Wade, D H Williams, 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, Richard Antrobus, Jennifer O’Neil and Vera Apedo

1.	APOLOGIES
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There were no apologies for absence.

2.	DECLARATIONS OF INTEREST
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Councillors A Jones, P Lewis, H Williams, and C Kenyon-Wade 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 meeting held on 16 December 2022 as a correct record.

4.	PENSIONS BOARD MINUTES
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The Pension Board Chair’s report and the draft minutes from the meeting on 10 February 2023 were noted.

5.	ADMINISTRATION AND GOVERNANCE REPORT
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The Committee received the Administration and Governance Report.

The Pension Fund Manager highlighted various issues including:

2.1 – The Scheme Advisory Board met with the Local Government Minister and have asked the Government that the regulation around age complications be considered for removal.

2.2 – Reforms are for consideration for the Investment Strategy and awaiting guidance on Asset Pooling.

2.3 – Scheme Valuation Report will be shared with Committee once available.

3.1 – Pension Dashboards - notification had been received that the implementation has been delayed.

Dashboard expectations have been included in the Data Improvement Plan and work is ongoing.

3.2 –approximately hundred responses were received from scheme members in response to a survey issued to the active membership of one Fund employer. A worthwhile exercise evidencing that the scheme is complex which led to a

targeted communications plan being compiled. A framework is now in place for the exercise to be repeated periodically.

4.2 – The Pensions Regulator has updated and published the following policies:

Revised - Enforcement Policy

Updated - Prosecution Policy

New Enforcement Strategy

4.3 – Joint working between The Pension Regulator [TPR] and Financial Conduct Authority has increased with eight workstreams to be covered.

4.4 - New Transfer guidance is being incorporated into working practices.

5.0 - Risk Register –At the last Committee meeting, following the Board’s Governance Pillar review, the Committee agreed that the risks listed below should be amalgamated. However, on further consideration the Pension Fund Manager recommended that they should remain as separate risks, as they identify specific risks which should be monitored and reviewed in their own right:

GOVERN0005,0006 and 0007

GOVERN 0012 and 0014

The Board will undertake an in-depth review around the Investment Pillar shortly.

6.1 – No new breaches identified.

A review is taking place around the employer contribution process, some employers have been moved over to an electronic monthly process, however more works is needed to ensure that the correct details and monitoring and are in place.

It was moved and duly seconded to note the report and that the risks GOVERN0005,0006 and 0007 and GOVERN 0012 and 0014 on the Governance Pillar of the Risk Register be kept as separate risks.

RESOLVED:

1. That the content of the report be noted.
2. The risks **GOVERN0005,0006 and 0007 and GOVERN 0012 and 0014 on the Governance Pillar of the Risk Register to be kept as separate risks.**

6.	FUNDING STRATEGY STATEMENT
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The Committee received the Funding Strategy Statement.

The Pensions Fund Manager has worked with the Actuary as part of valuation work and presented for approval.

4.13 – Wording has been amended with the statement regarding McCloud to reflect growth in knowledge and experience over the past three years. An update on progress relating to the McCloud remedy will be provided at the next Committee meeting.

It was moved and duly seconded to approve the amended Funded Strategy Statement.

RESOLVED:

The amended Funding Strategy Statement be approved.

7.	EMPLOYER POLICY
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The Committee received the updated Employer Policy.

The Pensions Fund Manager explained that the Funding Strategy Statement and Employer Policy are interlinked, and the latter has been updated to reflect the McCloud wording in addition to minor changes.

Consultations with employers were held in February 2023 and comments have been incorporated into the Statement and Policy.

McCloud amendments as in Funding Strategy Statement has been made to sections 3.3 and 4.1.

It was moved and duly seconded to approve the amended Employer Policy.

RESOLVED:

The amended Employer Policy be approved.

8.	WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee received the reports regarding the WPP.

It was noted that recent training undertaken by Members was worthwhile and the link had been circulated.

The Pensions Fund Manager reported that:

2.2- The WPP have disseminated a set of equal communications to the eight Funds in Wales to align consistent messaging.

3.0 – WPP will remain a signatory for the Stewardship Code after a successful submitted application.

Work is ongoing around the creation of new sub funds, private markets, real-estate and infrastructure which will be presented to Committee in the near future.

It was noted that the local strategy remains local to the Committee, and the WPP could be approached with specific needs and requirement to build or provide.

The Wales Pension Partnership Report was noted.

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.	RESPONSIBLE INVESTMENT
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AON representatives Jennifer O'Neill and Vera Apedo provided a presentation to develop a foundation of knowledge around the different approaches to net zero pathways and alignment to the Paris Alignment.

Clarification was provided around:

Net zero – which involves increasing investment into climate solutions such as decarbonising investments including renewable energy, low carbon buildings, energy efficient technologies and nature-based carbon reducing projects and

decarbonising investment portfolios to achieve net zero greenhouse gas emissions.

Paris Aligned Agreement - a legal binding international treaty which agrees for countries to reduce global warming below 2°C.

AON also detailed the new guidance for Task Force on Climate Related Financial Disclosures [TCFD] as in terms of requirements for local pension schemes.

The Pension Fund Manager advised that the WPP were regularly discussing Responsible Investment It was also noted that in addition to considering investments which reduce carbon emissions other issues also had to be considered such as social justice.

Different scenarios have been developed by AON for the Committee to devote time to review. Discussions took place around the options available to the Committee and the next steps would be to develop an appropriate approach and project plan to deliver objectives.

11. EQUITY RISK MANAGEMENT

The Committee considered the AON report presented by Kenneth Ettles. Recommendations were made to maintain the protection of the equity risk management strategy. A significant return would be protected for another three years until 2026. Long term objectives of the fund including risk and cost control were covered with a recap of previous decisions, before moving the expiring protection. Inflation, recession, and Interest rates were covered followed by the key aspects of the recommended structure provided in detail by AON.

It was moved and duly seconded to maintain the protection due to expire in April 2023 for a further three years until 2026.

RESOLVED:

to maintain the protection due to expire in April 2023 for a further three years until 2026.

12. EQUITY RESTRUCTURE UPDATE

The Committee received the Equity Restructure Update Report from George Feane, AON.

Discussions took place around the equity structure along with confirmation of the transition into the WPP's Active Sustainable Equity Fund once available.

The Report provided and discussions took place around the details for the next steps of progression.

The Equity Restructure Update Report was noted.

13. STRATEGY

The Committee received the Investment Strategy Statement.

The document had been updated with minor changes to incorporate the equity restructuring and the WPP emerging markets sub-fund. The document will remain live to reflect changes and decisions.

A presentation of the Investment Strategy following the Valuation was provided by Kenneth Ettles, which included key investment related risks and management through the investment portfolio.

The Committee noted that the following risks would be reviewed with AON over the next year: cashflow management framework, inflation, risk and return profile and longevity risk management.

It was moved and duly seconded to approve the amended Investment Strategy Statement.

RESOLVED:

The amended Investment Strategy Statement for publication be approved.

14.	PERFORMANCE MONITORING
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The Committee considered the Quarterly Monitoring Report Q4 2022 from Aon.

The presentation provided the Committee an update for Q4. The Committee noted that assets and returns had decreased over the quarter, but the Fund continued to achieve superior risk-adjusted returns over the long term. Questions and discussions took place around the LGPS peer group information and included details of the Fund and Asset Performance.

Quarterly Monitoring Report Q4 2022 Report was noted.

15.	VALUATION UPDATE
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The Committee received the Valuation Update Report.

The Pension Fund Manager presented a report on the 2022 Valuation to the Committee, which was presented to the Employers meeting by the Fund Actuary in December 2022. It reflected a positive result after a prudent stepped approach taken to build resilience for the fund which helps employers manage contribution rates.

It was noted that the overall whole of fund employer contribution rate had fallen, however the Committee were made aware that the Risk Shared Employers have seen a small increase in contributions which take effect in April 2023.

The Pension Fund Manager explained the benefits of the strategy and how the Committee's decisions have contributed towards the valuation and assurances provided within the report. In response to a question the Pension Fund Manager advised that the Actuary had reviewed the inflation assumptions as a result of the changes in inflation since March 2022 and the Committee noted that the assumptions were still valid. It was noted that the Governance and Audit Committee had considered an update on the valuation

The next steps:

The Funding Strategy Statement will be published.

The Actuary would sign the Rates and Adjustment Certificate by the 31 March 2023.

New contribution rates will take effect from April 2023.

The Valuation Update Report was noted.**16. BUSINESS PLAN**

The Committee considered the Business Plan.

The Pension Fund Manager explained minor changes to the Plan that included work challenges for the Team, which reflected improved funding levels and a positive Audit Report.

Positive progress has been made regarding training within the Team, with the majority undertaken in-house and Team members carrying out professional qualifications.

Work with employers has progressed with more digital interaction and time spent to identify what policies need to be in place with a periodic cycle of training.

The Pension Board Chair suggested that the Board could review the performance against the Business Plan and the Pension Fund Manager welcomed this.

It was moved and duly seconded to approve the Business Plan, subject to financial information being included and the Plan being recirculated.

RESOLVED:

The Business Plan be approved Subject to financial information being inserted and re-circulated.

17. GMP RECONCILIATION

The Committee received the Guaranteed Minimum Pension (GMP) Reconciliation report.

The Pensions Fund Manager explained that a data matching national exercise has taken place with PCC and HMRC to ensure scheme members receive entitled benefits. The process is now concluding.

Additional work has resulted in the Payroll and Administration systems being aligned with a view to a monthly reconciliation in the near future.

The Pension Board Chair advised that the Board had been assured that in respect of the monthly payroll reconciliation the policy guidelines had been followed and communication with affected scheme members had been appropriate.

The Committee conveyed gratitude and thanks for the considerable work undertaken by the Pensions Team to achieve successful outcomes.

The GMP Reconciliation Report was noted.

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By virtue of paragraph(s) 14 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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