

**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT BY ZOOM
ON WEDNESDAY, 3 MAY 2023**

PRESENT

Gerard Moore (Chair)

David Powell (Scheme Member Representative)

Ian Jones (Scheme Member Representative)

Nigel Brinn (Employer Representative)

Graham Evans (Employer Representative)

Chris Hurst (Pension Fund Manager, Secretary to the Board)

1.	APOLOGIES
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Apologies for absence were received from:
Wayne Thomas (Employer Representative)
John Byrne (Scheme Member Representative)

2.	DECLARATIONS OF INTEREST
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There were no declarations of interest.

3.	MINUTES OF THE BOARD
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The minutes of the meetings held on 10 February 2023 were agreed as correct records.

4.	MATTERS ARISING
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Chairman's signature to be amended at the end of the minutes.

The Chair advised that The Pension Regulator [TPR] had advised it intends to place the legislation, in respect of the Singular Modular Code before Parliament very soon. The Chair will have the opportunity to speak with the Pension Regulator on the 18 May 2023, and provide an update to the Board.

The Board welcomed Ian Jones as a new Scheme Member Representative.

The Pensions Fund Manager advised that a recruitment exercise has begun with a view to seeking a replacement Employer Representative position, which will arise later in the year.

5.	REVIEW OF RISK REGISTER
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The Board undertook at “deep dive” of the Investment pillar of the Risk Register. It was noted that the Pensions and Investment Committee have welcomed recommendations from previous “deep dives”.

Noted:

The Latest Risk Review column in the report reflects the first review not the latest.

The Risk Register Matrix is on a scoring basis from 1 to 5

The Board noted the following or made the following comments [the numbers shown are the Risk Reference numbers]:

INVEST0001 - Pension Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.

The Pension Fund Manager informed Board that prudence has increased since the risk was identified in 2016 and that regular funding updates are received from the Actuary and regular strategy reviews are undertaken with the investment consultant.

The Board felt the Inherent Risk Score was too low due to the importance of the investment return when setting up employer contribution rates.

The Board recommended that the Inherent Risk score for INVEST0001 was increased slightly from the current score of 6

INVEST0002 - Inappropriate long-term investment strategy.

INVEST0001 and INVEST0002 are interlinked and should remain within the risk register.

The Board recommended that the narrative throughout the report, in the right-hand column, should be updated.

INVEST0003 - Active investment manager under-performance relative to the benchmark.

The Board agreed that the risk is to be updated to reflect that most assets have been pooled and noted that regular reviews were being held with contractors monitoring the pool. Assurance has been received that changes will be made when required.

The Board recommended that Controls and Actions section of risk INVEST0003 could be expanded to reflect internal controls and the multi-layered processes in place, due to the pooling of funds.

INVEST0004 - To permit deficits to be eliminated over a recovery period rather than immediately, introduces the risk that action to restore solvency is insufficient between successive measurements.

The Pension Fund Manager explained that the risk reflected that employers in deficit have been identified and a recovery plan has been put in place.

The Board recommended that to demonstrate a higher level of prudence additional information should be added to risk INVEST0004 and to include the triennial valuation information.

INVEST0005- Permitting contribution rate changes to be introduced annual steps rather than immediately, introduces a risk that action to restore solvency is insufficient between successive measurements.

The risk was initially identified in 2016 and the Board agreed it should now reflect any recent changes to employers' contribution rates. It was noted that a key control remains in place with the Actuary having to sign off any approach at each valuation.

Discussions were held around the refunds to exiting employers and if an additional risk should be added around cash flow, this would be considered by the Pension Fund Manager and other risk register pillars checked for duplication.

The Board recommended that additional information to reflect the issues of two way exiting employers is added to the review summary column of risk INVEST0005.

INVEST0006 - Pay and price inflation significantly more than anticipated.

The Pension Fund Manager advised the Board that due to a high inflationary environment, a contingency was built into the valuation of 5% for the short term providing an extra control by the Actuary at the 2022 valuation.

The Board recommended that the discussions, regarding contingencies for high inflation, with the Actuary should be included in the Controls and Actions.

INVEST0007 - Insolvency of an investment manager investing Pension Fund assets

It was noted that risk INVEST0007 aligns with INVEST0003.

The pooled arrangements added an additional layer of assurance and reputational damage was taken into consideration within the risk, therefore the Board were content with the scores.

The Board recommended that the Controls and Actions for risk INVEST0007 reflect the processes of the Welsh Pension Partnership (WPP).

INVEST0008 - Pooling of Pension Fund assets with other LGPS Pension Funds.

The risk was written when pooling was in its infancy and reflects how the Fund pools assets and needs review. The Pension Fund manager will consider the appropriate re-wording of this risk.

The Board recommended that INVEST0008 is updated and monitored.

INVEST0009 - MIFID II ongoing compliance.

The Pension Fund Manager explained that regular checks are conducted to ensure criteria are met to operate as an institutional investor by offering and

logging training for Committee Members and answering periodic questionnaires from Asset Managers.

Inherent risk score remains high due to the reputational risk and financial implications would only be catastrophic if the Council were found uncompliant.

The Board recommended that risk INVEST0009 Controls and Actions section includes more detail around higher investment costs and loss of diversification opportunity.

INVEST0010 Fall in the returns on Government bonds.

It was noted that the risk provides a lot of detail under controls and actions and the Board were satisfied with the content.

INVEST0011 - Increased risk on Fund Employers.

The Board felt that the risk should sit on the governance pillar of the risk register.

The Board recommended that risk INVEST0011 was moved to the governance pillar risk register.

The Board questioned whether a fourth pillar in respect of financial risks should be considered, and the Pensions Fund Manager agreed to consider this.

6. FUTURE BOARD MEETINGS

The Board noted the meeting dates:

2023

12 June – 2pm

11 September – 2pm

20 November - 10am

Gerard Moore (Chair)