

## Pensions and Investment Committee

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Meeting Venue

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Meeting Date  
**Friday, 22 March 2024**

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Meeting Time  
**1.00 pm**

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For further information please contact

**Rachel Pugh**  
rachel.pugh1@powys.gov.uk



County Hall  
Llandrindod Wells  
Powys  
LD1 5LG  
18.03.2024

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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.

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### AGENDA

<b>1.</b>	<b>APOLOGIES</b>
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To receive apologies for absence.

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

<b>3.</b>	<b>MINUTES</b>
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To authorise the Chair to sign the minutes of the last meeting held on 15.12.2023 as a correct record.

(Pages 5 - 12)

<b>4.</b>	<b>PENSIONS BOARD MINUTES</b>
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To receive for information the draft minutes of the meeting held on 09.02.2024.

(Pages 13 - 20)

<b>5.</b>	<b>ADMINISTRATION AND GOVERNANCE REPORT</b>
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To note the report and approve the amendments to the Governance Risk Register.  
(Pages 21 - 42)

<b>6.</b>	<b>TRAINING NEEDS ANALYSIS</b>
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To note the report and complete the training needs analysis.  
(Pages 43 - 44)

<b>7.</b>	<b>GOVERNANCE AND COMPLIANCE</b>
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To note the report and approve the WPP 2024-27 Business Plan.  
(Pages 45 - 62)

<b>8.</b>	<b>WALES PENSION PARTNERSHIP [WPP] UPDATE</b>
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To receive the WPP update.  
(Pages 63 - 112)

<b>9.</b>	<b>RESPONSIBLE INVESTMENT</b>
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To note the report.  
(Pages 113 - 116)

<b>10.</b>	<b>EXEMPT ITEM</b>
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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.

<b>11.</b>	<b>STRATEGY IMPLEMENTATION</b>
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To receive the update from AON.  
(Pages 117 - 120)

<b>12.</b>	<b>PERFORMANCE MONITORING</b>
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To consider the Quarterly Monitoring report Q4 from Aon.  
(Pages 121 - 138)

<b>13.</b>	<b>WPP OPERATOR PROCUREMENT</b>
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To consider the report and approve the preferred bidder.  
(Pages 139 - 140)

<b>14.</b>	<b>PENSION FUND PROCUREMENT</b>
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To note the report and appoint the preferred bidder.  
(Pages 141 - 146)

<b>15.</b>	<b>BUSINESS PLAN</b>
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To note the report and approve the publication of the Pension Fund Business Plan 2024/25.  
(Pages 147 - 162)

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## 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

<b>1. APOLOGIES</b>
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Apologies were received from: Cllr A Kennerley.

<b>2. DECLARATIONS OF INTEREST</b>
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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.

<b>3. MINUTES</b>
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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.

<b>4. PENSION BOARD MINUTES</b>
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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.

<b>5.</b>	<b>ADMINISTRATION AND GOVERNANCE REPORT</b>
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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.

<b>6.</b>	<b>RISK MANAGEMENT POLICY</b>
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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.

<b>7.</b>	<b>DATA QUALITY TESTING 2023</b>
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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.

<b>8. WALES PENSION PARTNERSHIP [WPP] UPDATE</b>
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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.

<b>9. EXEMPT ITEM</b>
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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).**

<b>10. ACTUARIAL UPDATE</b>
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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.

<b>14. EQUITY PROTECTION</b>
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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.

<b>15. EQUITY IMPLEMENTATION</b>
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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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**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT ON  
FRIDAY, 9 FEBRUARY 2024**

**PRESENT**

Gerard Moore (Chair)

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

Ian Jones (Scheme Member Representative)

Graham Evans (Scheme Employer Representative)

Debby Jones - (Scheme Employer Representative)

<b>1.</b>	<b>APOLOGIES</b>
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Apologies were received from:

David Powell (Scheme Member Representative)

John Byrne (Scheme Member Representative)

Wayne Thomas (scheme Employer Representative)

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
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There were no declarations of interest.

<b>3.</b>	<b>MINUTES OF THE BOARD</b>
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The minutes of the last meeting held on 20 November 2023 were agreed as a correct record.

<b>4.</b>	<b>MATTERS ARISING</b>
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The Chair highlighted and the Pension Fund Manager confirmed that:

- an investment performance internal meeting would be held.
- the Pensions Team were at full capacity as of the beginning of February, with a rigorous training programme underway.
- the Risk Management Policy had been published, with a focus to identify risks.
- Council information would be gathered for a fuller understanding of the use of Artificial Intelligence, the impacts would be considered to develop the next steps for the Pension Fund.

<b>5.</b>	<b>MINUTES OF PENSIONS AND INVESTMENT COMMITTEE</b>
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The Board noted the draft minutes of the Pensions and Investment Committee of 15 December 2023.

It was highlighted that:

- the Pension Fund Manager would ensure that the cash flow modelling carried out by the Actuary would be shared with the Board.
- the Scheme Annual Return had been submitted within the time frame after Committee's approval.

<b>6.</b>	<b>THE PENSION REGULATOR [TPR] CODES OF PRACTICE</b>
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The Board reviewed the following amber sections and noted the following [numbers refer to the Compliance indicator]:

The Board were made aware that the report would be updated accordingly to reflect changes of the transition from code of practice 14 to the new general code.

#### Managing Risks [104-120]

104 – updated to demonstrate that the impacts of internal controls were considered in business-as-usual operations as well as Board discussion.

105 – risk-based approaches and processes included regular rigorous deep dives for each pillar of the risk register.

114 /115 –the amber status demanded particular focus with work carried out with the Actuaries around internal controls.

It was suggested that the Work Programme could be timetabled in line with the next internal audit (date to be confirmed).

The Pension Fund Manager would share the latest Internal Audit Report (March 2023) with the Board.

#### Maintaining Contributions [147-169]

Minor changes had been made to reflect improved processes for managing contributions and employer performance.

<b>7.</b>	<b>THE PENSION REGULATOR [TPR] NEW GENERAL CODE OF PRACTICE</b>
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The Board noted the report. The Pension Fund Manager made the Board aware that the new general code of practice had been amalgamated with code of practice 14 and would take effect from the 27 March 2024, containing 5 sections with 51 modules.

The Chair added that two significant areas, IT and cyber security had been identified in the new general code and the Board fully supported the training programme and suggested an additional presentation from the Data Protection Team within the Council could also be considered.

The Board were reminded of its legal role to assist the Scheme Manager to gain compliance and that the Regulator had acknowledged that the Local Government Pension Scheme (LGPS) generally had a good standard of governance in place.

It was noted that the Scheme Advisory Board would review the new general code to determine what was mandatory and what regarded as good practice. Progress would be monitored and stressed that options were being explored to obtain the most effective tool kit.

A time scaled project plan would be needed with a completed gap analysis to focus on the transition and steps towards improvement e.g. additional training to be carried out for cyber security.

The Pension Fund Manager answered a query how policies and practices underwent a periodic review and would be included in the project plan.

#### **Recommendations from the Board:**

- I. **A time tabled plan to transition to the new general code of practice would be in place for the next Board meeting.**
- II. **Within six months the elements of the new general code of practice that apply to the LGPS would be identified and implemented.**

<b>8. OPERATIONAL AND ADMINISTRATION REPORT &amp; UPDATE</b>
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The Board received the Operational and Administration report.

The Pension Fund Manager updated the Board that:

- the increase for November reflected the back dated pay awards in which contributions rose accordingly.
- 'payments less income line' had been added to the table at the Boards request.
- the 50/50 scheme figures remained low; information on the arrangement was provided to those members wishing to opt out of the main scheme as an alternative option.

A discussion around the cost of living crisis was held and explained that membership figures did not appear to have been greatly impacted, also Unison had not received a significant increase in contacts.

<b>9. LEGISLATION AND GOVERNANCE UPDATE</b>
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The Board noted the Legislation and Governance Update.

The Pension Fund Manager highlighted:

2.0 Scheme Advisory Board

2.2 – The Department for Levelling Up, Housing and Communities (DLUHC) published the consultation responses on investment reforms.

Impacts listed on the report included:

- timescales to transfer assets and an approach of comply or explain would be required.
- concerns around Investment strategies and an expectation to allocate across asset classes which was already taking place.
- guidance, due in the summer would be circulated once received.

1.3 - The Board were made aware that although the Scheme Advisory Board's funding surplus statement did not currently affect the Powys fund, it may in the future. Some LGPS funding levels had improved at the last valuation which saw Individual employer funding levels increase above 100% and lead to a new position for the LGPS and it was felt a statement should be released.

3.0 LGPS updates

3.2 – The introduction of the McCloud remedy last year had doubled the workload of the Pension Team in certain scenarios, it was explained that resources were strained whilst the team were undertaking training to achieve the same level of understanding. Resource and process management options were being explored and a short-term measure had been introduced to free up staff time and would be reviewed in March 2024 to assess the next steps. A discussion took place to consider outsourcing processes to external parties who do not have training needs and would need Committee approval.

3.3 – New contribution bandings for information.

4.0 The Pension Regulator [TPR]

4.1 – Published results of the Governance and administration Survey.

4.2 – Cyber security guidance had been updated and published. The Chair added that The County Council's annual cyber security training examination was regarded as good practice.

5.0 Pensions Dashboards Programme [PDP]

It was expected that the dashboard would be introduced in late 2026 and that the Pension Team were preparing for the launch beginning with data cleansing.

<b>10. REVIEW OF RISK REGISTER</b>
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The Board noted the:

- a. Governance Risk Register
- b. Administration Risk Register
- c. Investment Risk Register

A deep dive was carried out of the Governance Risk Register. It was noted that an automated reminder service was in place on the risk system and would be adjusted by the Pension Fund Manager to ensure that actions and controls were updated before each report was published.

GOVERN0002 – it was agreed that the scoring would remain, and the risk wording be expanded and more explicit.

**The Board recommended that the risk wording would provide more clarity of paying members benefits in a timely manner for GOVERN002.**

GOVERN0016 – the business continuity plan was updated in December 2023. The Pension Fund Manager would consider what risk and knock-on effect there would be to the Council if employers suffered the same risk and not able to provide information.

GOVERN0008 / GOVERN0009 – it was agreed the scoring was appropriate to the risk and the wording would be updated to reflect a mitigating factor with reference to Internal Audit and include the complexity of the scheme and how the McCloud remedy was having a substantial impact on the Pensions Team.

**The Board recommended that the wording for GOVERN0008 and GOVERN0009 would reflect the complexity of the scheme and include reference to Internal Audit.**

GOVERN0011 – a bi-lingual approach was in place with the website operating in both English and Welsh. Scoring agreed.

GOVERN0015 – the scoring reflected the Board appointment compliance risk and felt that the risk scoring was adequate.

A discussion was held regarding meeting attendance figures and technical issues incurred by some members; however, the hybrid option did ensure travel



time was reduced. It was agreed that the wording would include the expansion of the Board structure to provide increased resilience and help ensure a quorum.

**The Board recommended that the wording for GOVERN0015 include the requirement that all meetings be quorate, and the control and actions were updated.**

GOVERN0001 – monitoring and collation of data had improved in line with the provision of performance information.  
Due to the new general code the Administration Strategy would be updated.

GOVERN0003 – as stressed above GOVERN0016 concerns were raised around the knock-on effect to the Council if employers were not able to provide the required information, the Pension Fund Manager would consider the wording for the risk.

GOVERN0004 – It was felt that reputational damage should be included in the wording of the risk.

**The Board recommended that the wording was updated to include reputational damage to the Council for GOVERN004.**

GOVERN0005 / GOVERN0007 – The Board agreed that the word ‘unacceptable’ was not appropriate.

**The Board recommended that the wording was reconsidered for both GOVERN0005 / GOVERN0007.**

**Resolved:**

- i. The Pension Fund Manager would update the Governance Pillar of the Risk Register and recirculate for comment before presenting to Committee.**
- ii. Future reports would include the scoring risk framework for reference.**

<b>11. TRAINING NEEDS ANALYSIS</b>
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The Board noted the report. The Pension Fund Manager explained the annual report and how the training needs analysis was aligned with the CIPFA knowledge and skills framework.

The training needs analysis would be circulated to gain an accurate level of knowledge and for training to be planned.

The Pension Fund Manager would check that the Council Cyber Security training was available to all Board Members.

Additional training from the Wales Pension Partnership (WPP) would be made available to all Board Members on the 05 March.

**Resolved – The Board agreed the recommendation on the report:**

**2.1 That the Board complete an updated training needs analysis form (to be provided by the Pension Fund Manager) in order to assess the training requirements of Pension Board Members, with a view to creating an appropriate training programme for the 2024/25 year.**

**12. WALES PENSION PARTNERSHIP [WPP] UPDATE**

The Board noted the Wales Pension Partnership (WPP) update.

The Pension Fund Manager informed the Board that the quarterly update had not been received and would be made available as soon as possible.

A WPP operator rebranding exercise would take place in the near future due to the part purchase of Link Fund Solutions by the Waystone Group.

It was noted that the eight Fund Board Chairs in Wales conduct half yearly meetings which were found to be extremely helpful and the feedback from the Chairs meetings were taken into consideration by the Host Authority as appropriate.

The Chair expressed thanks for the report and found the links extremely helpful to navigate information easily.

**13. STANDING ITEMS WITH NO UPDATES REQUIRED**

The Board noted the following in respect of standing items:

- a. Breaches Register – no new additions – any late employer contributions were reported to the Committee if required.
- b. Audit Reports – as above.
- c. Board Communications Log – noted.
- d. Internal Dispute Resolution Procedure [IDRP] – a stage two appeal for an overseas transfer had been received for consideration.

**14. FUTURE BOARD MEETINGS**

The Board noted the 2024 meeting dates and the Chair's availability for the 22 September if required.

**15. CONFIDENTIAL**

**RESOLVED that in accordance with Section 106 [8] Local Government Pension Scheme [LGPS] Regulations 2013 the Board goes into the confidential agenda with the public and press being excluded as some of the information may relate to financial or business affairs of a particular person or organisation.**

**16. UPDATE BY CHAIR OF PENSIONS BOARD**

The Chair would circulate a written summary to the Board.

**17. PERFORMANCE MEASUREMENT**

The Board received the Performance Management Report (October to December 2023), it demonstrated how key performance indicators were being developed, tracked, and reported for both statutory requirements and internal targets.

The Pension Fund Manager explained the reports gathered information from processes and how caseload details were monitored against set targets with progression to completion. Development work would continue to improve the heatmap and newly available dashboards to ensure a comprehensive picture was captured.

The Board noted and welcomed the progress in presenting and monitoring of key performance indicators covering case workloads completed and in progress. And noted the scrutiny role played by the Section 151 officer, Chief Executive and Portfolio Holder in the overview of the pension scheme.

**The Board Recommended that additional columns could be added to the reporting table to indicate priority cases.**

<b>18. EMPLOYER PERFORMANCE</b>
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The Board received the Performance Management Report for quarter 2 (July to September 2023). The Pension Fund Manager informed the Board that the report reflects the previous quarter as full information had not been made available for quarter 3.

Assurance was provided to the Board that increased monitoring arrangements and training would continue to support employers that were not fulfilling requirements, and noted improvements had been made by other employers which were evident in the report.

**The Board recommended that the Administration Strategy Statement be reviewed once the Pensions Regulator's General Code of Practice was embedded in March 2024.**

**County Councillor Moore (Chair)**

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**CYNGOR SIR POWYS COUNTY COUNCIL****Pensions and Investment Committee  
22<sup>nd</sup> March 2024****REPORT BY: Head of Finance****SUBJECT: Administration and Governance Update**

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**REPORT FOR: Information**

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**1. Summary**

1.1 This report has been produced to provide Committee with an update on Local Government Pension Scheme (LGPS) governance and administration matters and the potential impact of these on the Powys Pension Fund.

1.2 It is provided in addition to and supplements, where appropriate, the executive summary presented by the Powys Pension Board Chair and will provide updates on:

- Scheme Advisory Board (SAB) and the Local Government Association (LGA)
- The Pension Regulator (TPR)
- Update on the Fund's risk register
- Update on the Fund's breaches register

**2. Scheme Advisory Board (SAB) Updates**

2.1 This section provides an update on the Scheme Advisory Board (SAB) notifications within the above bulletins.

**2.2 DLUHC publishes response on investment reforms**

On 22 November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published its [response](#) to the consultation on investment reforms.

Whilst the response largely adopts the proposals within the original consultation, the government will now implement ways to accelerate and expand pooling with a view to increase investment in levelling up and private equity. It will aim to do this by:

- setting out in revised investment strategy statement (ISS) guidance where funds should transfer all assets to their pool by 31 March 2025.

Funds should also set out which assets are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled.

- issuing revised pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.
- implementing a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.
- issuing revised guidance on annual reports to include:
  - a standard asset allocation and the proportion of assets pooled
  - a comparison between actual and strategic asset allocation
  - net savings from pooling
  - net returns for each asset class against their chosen benchmark.
- making changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
- amending regulations to require funds to set a plan to invest up to 5 per cent of assets in levelling up the UK and to report annually on progress against the plan
- issuing revised ISS guidance to require funds to consider investments to meet the Government's ambition of a 10 per cent allocation to private equity.

### **2.3 SAB issues statement on surpluses**

On 20 December 2023, the SAB [issued a statement](#) on funding surpluses.

Key points:

- Funding levels across the LGPS increased at the 2022 valuation and subsequent market movements have led to some funds experiencing further improvements
- LGPS regulations emphasise the desirability of stability in primary contributions for employers
- Funds should carefully consider their approach to employer-specific investment and funding strategies and take professional advice as needed.
- Clear communication with employers about the impact (or lack of impact) of funding improvements is key – as well as the potential longevity of those improvements
- Funds should have a clear rationale and be able to explain their approach to setting secondary contributions and how employers' covenant positions have been recognised
- Employer flexibilities regulations, statutory guidance and the SAB's guide are clear on the circumstances in which mid-cycle reviews of employer contributions are appropriate

The Fund has an [Employer Policy](#), which addresses much of the above, but we will review to ensure it remains appropriate.

## **2.4 Website**

The SAB [website](#) provides more information on the Board's work and meeting agendas/papers.

## **3. LGPS Updates**

### **3.1 New Minister for LGPS**

On 13<sup>th</sup> of November 2023, the LGPS had a new minister appointed (Simon Hoare MP), who takes responsibility for the scheme.

### **3.2 McCloud**

#### Update on Transfers

Certain cases have been on hold since the LGPS regulations were amended to implement the McCloud remedy from 1 October 2023. The publication of the Individual Incoming & Outgoing Transfers guidance means that administering authorities have the information needed to process certain transfers.

It is understood that conversations with software suppliers about system updates to reflect the new calculations are ongoing. We will need to consider running manual calculations in urgent cases to ensure any statutory deadlines are met.

The LGA are currently investigating the possibility of producing a spreadsheet administering authorities can use to calculate the McCloud element of non-Club transfer values.

There are also some outstanding queries outstanding regarding deferred refunds, so we await further guidance on this.

#### **McCloud technical guide for administrators**

On 15 November 2023, the LGA emailed administering authorities letting them know they have published the first instalment of the McCloud technical guide for administrators.

The guide explains how the underpin protection works in the LGPS after the changes made because of the McCloud case.

The LGA are releasing the guide in instalments due to the breadth and complexity of the McCloud remedy project and because there is outstanding guidance needed in some areas. The first instalment includes an overview, which pension accounts qualify for underpin protection, as well as how to perform provisional and final underpin calculations.

## **4. The Pensions Regulator (TPR)**

### **4.1 Governance and administration Survey 2022-23 results**

TPR published the results of its [survey on governance and administration practices](#) among public service pension schemes on 27 November 2023.

The survey was carried out online from January to March 2023 and received responses from 191 of 204 public service pension schemes, of which the Powys Pension Fund was one.

The survey covered topics such as risk management, annual benefits statements, breaches of the law and dashboards. It also asked LGPS administering authorities about actions in relation to climate related risks and opportunities.

### **4.2 Cyber security guidance**

The Pensions Regulator (TPR) has revised its [cyber security guidance](#).

The guidance helps trustees and pension scheme managers meet their duties to assess the risk, ensure controls are in place, and respond to incidents.

For the first time, the guidance asks pension schemes to report any significant cyber-related incidents to TPR on a voluntary basis as soon as is reasonably practicable. This will help TPR build a better picture of the cyber risk facing the industry and its members.

There is a significant focus on cyber security within the TPR General Code of Practice, which the Fund is in the process of reviewing.

### **4.3 The Pension Regulator General Code of Practice**

On 10 January 2024, the Pensions Regulator (TPR) responded to the 2021 [consultation](#) on the new code of practice. On the consultation webpage you can also find a link to the [final version of the General Code of Practice](#) ('the Code') which has been laid in Parliament. It is expected to come into force on 27 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous TPR Codes into one code.

The code contains new governance requirements and sets out TPR's expectations of how occupational pension schemes should be managed and the policies, practices and procedures that should be in place.



It sets out what schemes need to do in order to comply with the new legal requirement to establish and operate an effective system of governance (ESOG), including internal controls, proportionate to the size, nature, scale and complexity of the activities of the scheme.

TPR's research on governance and administration shows that the LGPS already has high standards of governance in place. The Code provides an opportunity for funds to review current practices, but also presents challenges during what is already a challenging and busy time for the LGPS.

There remain some areas where clarity is required on which parts of the Code apply to the LGPS, what these mean for administering authorities and how they should be applied in practice. The SAB and LGA will produce new or update existing guidance to help authorities with their responsibilities.

The Fund is in a good position with regards to the existing code, which is reviewed at every Board meeting, but we are currently undertaking a gap analysis to establish any areas that may need further development because of the new expectations.

The Regulator understands that schemes are likely to not be fully compliant by the 27<sup>th</sup> of March 2024, however it will expect all trustees to be taking action to understand where they are not compliant and to be putting a plan in place to address this. Work is ongoing with this.

## **5. Pensions Dashboards Programme (PDP)**

On 1 November 2023, PDP published its [November](#) newsletter.

The newsletter also includes links to:

- PDP's eighth progress update report
- common questions on dashboards
- the Pensions Regulator's blog on preparing for dashboards

### **Blog on recent queries**

On 30 November 2023, the PDP published a [blog](#) covering the following recent queries they have received:

- When do PDP expect to publish dashboard standards?
- What are the different types of testing?
- When will the dashboards available point be?

### **PASA dashboard guidance**

The Pensions Administrations Standards Association (PASA) has published Pensions Dashboards Connection Ready [Guidance](#) and a ['Call to Action'](#).

The guidance explains what being 'connection ready' means and what a typical scheme plan could look like. It covers five main areas: governance, matching, value data, technology and administration. For each area, it describes the key activities, how to do them, why they matter and how to show that they have been done.

The Call to Action lists the top five actions that schemes need to take now to prepare for dashboards.

PASA will release further supporting materials in the next few months, such as practical tips for certain connection ready activities, checklist of key actions and outlines of connection ready decisions.

## **6. Risk Register**

6.1 Committee will recall that the risk register has been consolidated into three separate categories, with the appropriate risks listed in each of those categories:

- Administration
- Governance
- Investment

Since the last Committee meeting, the Pension Board considered the Governance Pillar in depth at their meeting on the 9<sup>th</sup> of February 2024.

The majority of the work involved strengthening the wording of the risks and controls with one recommendation on increasing the risk associated with GOVERN0003, which is related to single person risk.

It is felt that the Fund carries some significant risk at the top of the Pension Fund Structure, so work is ongoing to review this and consider what measures can be put in place to help reduce this risk.

## **7. Pensions Section Update**

7.1 Committee will be aware that the Administration team have been experiencing significant pressures over the recent years as a result of increasing complexity of the regulations, increasing membership, resource drain due to training requirements and most recently, the impact of the McCloud legislation from 1<sup>st</sup> October 2023.

7.2 This legislation has had a significant impact on the administration team which required prompt action to enable the team manage the increase in complexity.

The Pension Fund Manager, in agreement with the Section 151 Officer, The Chair and Vice-Chair of the committee agreed to implement a slight tweak to the Pensions Section structure which has helped redistribute the existing administration resource within the Section.

This adjustment has helped for administration purposes but does not address the single person risk identified above. This work will continue and Committee will be updated accordingly on any proposals related to that.

## 8. Breaches Register

8.1 Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Pensions Regulator Code of Practice no 14, published in April 2015, paragraphs 241 to 275 provides guidance on reporting these breaches.

Under the policy, breaches of the law are required to reported to the Pensions Regulator where there is a reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

8.2 The latest version of the breaches register is attached, for information.

Work has taken place on measuring employer performance against the timeliness of submission of contributions and supporting paperwork to the Fund. There is a requirement within the LGPS regulations for employers to submit contributions over to the pension fund within a statutory time frame. Where this does not happen, it is recorded as breach of the regulations. This has now been added and will be regularly monitored.

## 9 Recommendation

9.1 To note the contents of this report and approve the updated Governance risk register.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the content of the report and approve the amendments to the Governance Risk Register		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>	Immediately		
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Cllr David Thomas
<b>Relevant Local Member(s):</b>	N/A

# Risk Register report

DATE :

## Summary of Risks Ratings

Almost Certain	0	0	0	0	0
Likely	0	0	0	0	0
Possible	0	2	0	0	0
Unlikely	0	6	3	0	0
Rare	0	3	0	0	0
Unassigned 0	Insignificant	Minor	Moderate	Major	Severe

### Red Risks Total:

Risk Register	Risk Title	Net Risk Level	Risk Owner
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### New Risks Total:

Risk Register	Risk Title	Net Risk Level	Risk Owner	Created Date
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### Changing Risks Total: 1

Risk Register	Risk Title	Net Risk Level	Change	Risk Owner
Governance Risk	Inability to deliver service as a result of the loss or over reliance of key personnel.	6	2	Chris Hurst

Detail							
Governance Risk							
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews	
Date Identified			Owner				
GOVERN0001 02/12/2019	Failure to collect and account for pension contributions being paid over to the Fund on time by Fund employers. Potential Reputational Risk.	Adverse audit opinion, potential delays to Fund employer financial reporting; and potential delay to production of annual report and accounts.	Cllr David Thomas Chris Hurst	6	4	01/02/2024	Review Summary: Performance collated monthly and reported back to Employers via newsletters quarterly and Pensions Committee/Board at each meeting.  Regular communications to Employers on the subject and further guidance training provided as/when required.
						17/07/2023	Review Summary: This is currently being reviewed and performance monitored and fed back to Board and Committee as required.
Controls and Actions				Latest Control		Reviews	Review Date
	<ul style="list-style-type: none"> <li>Contributions received monitored on a monthly basis by Fund accounting staff .</li> <li>Contributions received monitored on a monthly basis by Fund accounting staff .</li> </ul>			Control In Place			
	<ul style="list-style-type: none"> <li>Requirement that each end of scheme year, Fund employers certify they have paid over contributions at the correct rates and time</li> <li>Requirement that each end of scheme year, Fund employers certify that they have paid over contributions at the correct rates and on time. regular Communications to Employers to remind them of their responsibilities. production of the Employer Policy to help Employers.</li> </ul>			Control In Place			
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews	
Date Identified			Owner				
GOVERN0002 03/10/2016	Insufficient Fund cashflow to meet liabilities as they fall due. Potential Reputational Risk. Pensioners not paid on time.	Immediate injections of cash from Fund employers would be required where Fund assets cannot be liquidated quickly. For now the Fund is cashflow positive but will not remain so for much longer, therefore requiring the use of investment income to subsidise the payment of pension benefits rather than being reinvested as now. Pensioner members not paid on time.	Cllr David Thomas Chris Hurst	9	6	14/02/2024	Review Summary: Considered at Board meeting on 09.02.24. Wording updated to reflect risk to paying member benefits.  Considered at Pension Board meeting on 09.02.24. Risk updated to include risk of paying member benefits.
						05/05/2023	Review Summary: Cashflow work to take place in Spring/Summer 2023.
Controls and Actions				Latest Control		Reviews	Review Date
	<ul style="list-style-type: none"> <li>cashflow forecast in place</li> <li>Funding strategy statement in place</li> </ul>			Control In Place			
	<ul style="list-style-type: none"> <li>review strategic asset allocation to keep positive cashflow</li> <li>Strategic asset allocation review completed to ensure that cashflow remains positive (on a targeted and monitored basis) whilst at the same time ensuring that the Fund is not forced to liquidate assets on an unplanned basis.</li> </ul>			Control In Place			
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews	
Date Identified			Owner				

Governance Risk

GOVERN0003 27/09/2016	Inability to deliver service as a result of the loss or over reliance of key personnel.	Failure to provide service at all, or at an acceptable level	<i>Cllr David Thomas</i> Chris Hurst	<b>9</b>	<b>6</b>	14/02/2024	Review Summary: Risk scores updated to reflect significant risk of reliance on key/senior officers in the Pensions team.
						05/05/2023	Risk scores updated to reflect significant risk of reliance on key/senior officers in the Pensions team. Review Summary: Consideration given towards succession planning and knowledge sharing. The recent restructure was designed with that in mind, so need to ensure implementation

Controls and Actions		Latest Control	Reviews	Review Date
• Business Continuity Plan in place for the pensions administration service Assurances received from all systems providers in relation to their current resilience to the threat of a failure in cyber security.		Action In Progress	13/05/2020 08/09/2020	07/03/2024
			Review Summary: Regularly review BCP Review Summary: BCP reviewed 07.09.2020	
• Keep Business Continuity Plan under review		Control In Place		
• Knowledge Gaps In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance. In the longer term, ensure succession plans are in place and appropriate.		Control In Place		

Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews
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GOVERN0004 08/11/2016	Loss of funds through fraud or misappropriation	Financial loss to the Fund. Reputational damage.	<i>Cllr David Thomas</i> Chris Hurst	<b>6</b>	<b>2</b>	14/02/2024	Review Summary: Updated to include reputational damage as a potential consequence.
						10/01/2024	Updated to include reputational damage as a potential consequence. Review Summary: Risk Management Policy introduced in January 2024, and procedures remain in place.

Controls and Actions		Latest Control	Reviews	Review Date
• audit and control tests, due diligence done when new manager appointed Internal and External Audit regularly test that appropriate controls are in place and are working effectively. Due diligence is carried out whenever a new investment manager is appointed.		Control In Place		

Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews
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GOVERN0005 04/09/2017	Significant rise in employer contribution rates for Fund employers with strong covenants, as consequence of increases in liabilities.	Employer contribution rates rise, putting upward pressure on Council Tax rates and the ability of Powys County Council to continue to deliver services to its communities.	<i>Cllr David Thomas</i> Chris Hurst	<b>6</b>	<b>2</b>	10/01/2024	Review Summary: Regular Funding updates provided by actuary, so situation regularly monitored. Updated wording to better reflect increases in employer contributions.
						03/07/2023	Review Summary: Valuation was positive and contribution rates reviewed and revised accordingly

Controls and Actions		Latest Control	Reviews	Review Date
• Employers have Discretionary Powers Policies that help to control liabilities Employers have Discretionary Powers Policies that help to control liabilities. In reality, little can actually be done in mitigation due to the fact that liabilities are largely determined by bond yields that are outside of the Fund's control.		Action In Progress	12/12/2022 13/05/2020	07/03/2024
			Review Summary: Policies due for review in 2023 Review Summary: Regular Covenant Assessments	

**Detail**

**Governance Risk**

- insurance options investigated

Investigate further liability mitigations such as ill health strain insurance; developing guidance to assist employers to manage liability increases derived from their actions or inactions; and, work closely with the Fund actuary to determine appropriate valuation assumptions and deficit recovery strategies.

Action In Progress      30/08/2022      Review Summary: Appropriate ill health assumptions made for 2022 valuation. Can consider the other factors as part of valuation work.      05/05/2024

12/12/2022      Review Summary: Considered in 2022 valuation work

Risk Ref	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
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GOVERN0006 04/10/2016	Significant rises in employer contribution rates for Fund employers with weak covenants as a consequence of increases in liabilities.	Employer contribution rates rise to unsustainable levels that cause employers to become insolvent	Cllr David Thomas Chris Hurst	8	4	11/10/2023 04/10/2022	Review Summary: Work to progress in 2023 using valuation data. Review Summary: Actuary considering during 2022 valuation
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Controls and Actions				Latest Control	Reviews	Review Date	
<ul style="list-style-type: none"> <li>In process of developing risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty</li> </ul> <p>Employers have Discretionary Powers Policies that help to control liabilities. In reality, little can actually be done in mitigation due to the fact that liabilities are largely determined by bond yields that are outside of the Fund's</p> <p>Consider risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty over the level of employer contribution rates control.</p>				Action In Progress	09/01/2023 05/02/2024	Review Summary: Ongoing and regularly reviewed. Review Summary: Ongoing	05/02/2025

Risk Ref	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
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GOVERN0007 04/09/2017	Significant rises in employer contribution rates for employers with strong covenants as a result of poor/negative investment returns.	Employer contribution rates rise that result in Powys County Council being unable to provide appropriate services for its communities.	Cllr David Thomas Chris Hurst	6	2	10/01/2024 03/07/2023	Review Summary: Regular Funding updates and discussions held with Actuary. Review Summary: Work with actuary to commence on covenant assessments in summer 2023
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Controls and Actions				Latest Control	Reviews	Review Date
<ul style="list-style-type: none"> <li>Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection.</li> </ul> <p>Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. Quarterly investment performance reports presented to Pension Fund.</p>				Control In Place		
<ul style="list-style-type: none"> <li>Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes</li> </ul> <p>Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.</p>				Action In Progress	14/02/2024 12/12/2022	Review Summary: Updated to reflect better wording of the risk.      14/02/2025 Updated to reflect better wording of the risk. Review Summary: Continuing and reviewed at each Committee meeting. Interim review conducted and no plans to change strategy

Risk Ref	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
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**Detail**

**Governance Risk**

GOVERN0008 11/10/2017	Failure to comply with LGPS and other statutory regulations. Potential Reputational Risk. Complexity of the LGPS.	Payment of incorrect pension benefits; provision of incorrect benefit estimates; failure to comply with governance standards; failure to meet HMRC tax requirements. Resulting in: loss of customer satisfaction / confidence; IDRP and Ombudsman appeals; TPR fines for non-compliance.	<i>Cllr David Thomas</i> Chris Hurst	8	6	14/02/2024  03/07/2023	Review Summary: Updated to included reference to internal audit for assurances.  Updated to included reference to internal audit for assurances. Review Summary: Processes regularly reviewed and updated as required
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**Controls and Actions**

**Latest Control**

**Reviews**

**Review Date**

<ul style="list-style-type: none"> <li>Rigorous checking/authorisation procedures for pension benefit calculations and payments, review governance policy; Regular review of governance compliance policy. Staff training and development. Internal Audit Report which focusses on administration and processing.</li> </ul>	Action Completed
<ul style="list-style-type: none"> <li>Closer partnership working with employer payrolls to facilitate accurate data receipts; Closer partnership working with employer payrolls to facilitate accurate data receipts; increased compliance oversight provided by well established Pensions Board.</li> </ul>	Control In Place

Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews
Date Identified			Owner			

GOVERN0009 25/01/2018	Lack of expertise of Pension Fund Officers and expertise of members of the Pensions & Investment Committee. Complexity of the LGPS means significant training of Officers and Committee required.	Poor decision making in relation to principal functions of the Pension Fund , particularly in relation to investments. Incorrect pension benefits paid to scheme members.	<i>Cllr David Thomas</i> Chris Hurst	8	6	14/02/2024  10/01/2024	Review Summary: Updated to reflect complexity of the LGPS as a risk.  Updated to reflect complexity of the LGPS as a risk. Review Summary: Training needs assessments conducted and plans put in place accordingly. next review due in April 2024.
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**Controls and Actions**

**Latest Control**

**Reviews**

**Review Date**

<ul style="list-style-type: none"> <li>training and performance reviews, conferences, seminars to upskill and develop knowledge Officers ensure that they receive appropriate training and are required to keep up to date with developments in pensions matters, as part of their periodic Individual Performance Reviews and by attending relevant conferences and seminars, by reading and through discussions with consultants and peers.</li> </ul>	Control In Place
<ul style="list-style-type: none"> <li>Training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both PIC &amp; PB Formalised Officer training via individual training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both Pensions &amp; Investment Committee and the Pensions Board.</li> </ul> <p>Knowledge &amp; Skills Framework in place and published. Annual Training Needs Analysis carried out and training made available to Committee and Board regularly (provided by Fund, WPP and 3rd parties)</p>	Control In Place

Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews
Date Identified			Owner			

GOVERN0011 26/01/2016	Failure to provide the pensions service in accordance with principles of equality.	Some stakeholders may be unable to access the service fully or at all. In the worst case scenario, this could result in court action against the Fund.	<i>Cllr David Thomas</i> Chris Hurst	9	4	10/01/2024  03/07/2023	Review Summary: Public documents published bilingually and Welsh speakers available in the Pensions team.  Review Summary: Welsh website recently updated and relaunched (June 2023)
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Detail								
Governance Risk								
Controls and Actions					Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> <li>The Fund maintains a Welsh Language register in respect of scheme members and employers .</li> <li>The Fund maintains a Welsh Language register in respect of scheme members and employers .</li> </ul>					Control In Place			
<ul style="list-style-type: none"> <li>To utilise technology to enable access to service and information for stakeholders with disabilities , other language needs etc.</li> <li>To utilise technology to enable access to service and information for stakeholders with disabilities , other language needs etc.</li> </ul>					Control In Place			
Risk Ref	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews		
GOVERN0012	Failure to collect payments due from ceasing employers with no active members.	Failure to collect cessation payments from ceasing employers results in relevant liabilities being funded by the Powys Pension Fund and the active employers.	Cllr David Thomas Chris Hurst	6	4	13/07/2023	Review Summary: Monitoring continuing	
25/01/2016						09/01/2023	Review Summary: Updated funding positions and assessments ongoing.	
Controls and Actions					Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> <li>employer covenants, guarantor bonds, risk sharing agreements</li> <li>The Fund undertakes periodic reviews of the strength of employer covenants. For existing employers, the Fund requires that a guarantor, bond or 'risk sharing agreement' is in place. For all new employers, the Fund insists on either a guarantor or a bond being in place.</li> </ul>					Control In Place			
Risk Ref	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews		
GOVERN0014	An admitted body ceasing to exist with insufficient funding or level of a bond available to meet all its Fund liabilities.	Unfunded pension liabilities being orphaned without sufficient funding/guarantees in place, resulting on increased liabilities falling on other Fund employers.	Cllr David Thomas Chris Hurst	6	4	15/01/2024	Review Summary: Monitoring continues. Work with Actuary to carry out a review.	
01/11/2017						13/07/2023	Review Summary: Monitoring continues	
Controls and Actions					Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> <li>To seek funding guarantees wherever possible, from other Scheme employers or outside bodies</li> <li>To seek funding guarantees wherever possible, from other Scheme employers or outside bodies.</li> <li>To require, in all cases, a bond or other form of security to protect the Fund in the case of unexpected cessation and insolvency. Ensuring that admitted bodies are fully aware of their obligations and responsibilities to the Pension Fund and the benefits of their employees.</li> </ul>					Control In Place			
<ul style="list-style-type: none"> <li>Regular review of admitted body covenants and financial health.</li> <li>Regular review of admitted body covenants and financial health.</li> </ul>					Action In Progress		05/05/2023	Review Summary: Work to begin on latest review in 2023
						08/09/2020	Review Summary: Covenant Assessments commencing Q3 2020	
Risk Ref	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews		
GOVERN0015	Appointment of new Pension Board Chair and membership of the Local Pension Board to ensure meetings are quorate.	Non compliance with Public Services Pension Act. Challenge and scrutiny from the Pensions Regulator. Reduced quality of governance.	Cllr David Thomas Chris Hurst	12	4	14/02/2024	Review Summary: Wording of risk updated to reflect quorate requirements. Pension Board Chair retiring in 2024, so requirement for succession planning.	
09/10/2020						01/03/2023	Review Summary: Chair Continuing in position.	
Controls and Actions					Latest Control		Reviews	Review Date

Detail							
Governance Risk							
<ul style="list-style-type: none"> <li>Pension Board Terms of Reference stipulate membership periods</li> <li>Pension Board Terms of Reference stipulate membership periods and work with Pension Board members and administering authority to ensure appropriate recruitment processes are in place.</li> </ul>				Control In Place			
Risk Ref	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
Date Identified							
GOVERN0016 29/03/2020	Pension Fund Personnel and/or key suppliers are unable to work due to extreme weather, fire, epidemics. Also potential impact of Employers not being able to function accordingly.	Inability to deliver administration services or investment of the Fund. Impact of welfare of Pensions Section Staff. Employers unable to provide information/payments to Pension Fund in accordance with legislation.	Cllr David Thomas Chris Hurst	9	6	14/02/2024	Review Summary: Updated to reflect risk to Employers as well, noting that it should also be included in their own risk management processes.
						10/01/2024	Updated to reflect similar risk to Employers, noting it should be on their own risk registers as well. Review Summary: Business Continuity Plan updated in December 2023
Controls and Actions					Latest Control Reviews		Review Date
<ul style="list-style-type: none"> <li>Business Continuity Plan</li> <li>Business Continuity Plan, assessment of Pensioner Payroll services. Electronic implementation of paperwork.</li> </ul>				Control In Place			

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## Administration Risk Register

Administration Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
ADMIN0004	Failure to maintain and hold up to date and accurate pension records and potential impact on scheme members and employers. <u>Latest Review:</u> 01/02/2024 Data Improvement Plan maintained and regularly updated. Constant data cleansing taking place an ongoing.	Payment of incorrect pension benefits; late payment of benefits; assessment of incorrect liability values. Resulting in loss of customer confidence and satisfaction; IDRP and Ombudsman appeals; and, incorrect assessment of employer contribution rates.	<i>Cllr David Thomas</i> Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>Pensions team work with employer payrolls to ensure data quality; data validation checks undertaken &amp; training</b> Pensions team work with employer payrolls to ensure data quality; data validation checks undertaken by team at each year end; validation checks carried out at each actuarial valuation (triennially) by the Fund actuary. Staff training and development.</li> <li><b>Additional data validation and quality checks to be implemented as required by the TPR code of practice.</b></li> </ul>	Control In Place	
ADMIN0010	Payments to overseas pensions. <u>Latest Review:</u> 17/07/2023 Existence Exercise planned for 2023	Payments continuing to potentially deceased pensioners	<i>Cllr David Thomas</i> Jane Thomas	4	4	<ul style="list-style-type: none"> <li><b>Conduct Existence Check</b> Carry out an overseas existence check</li> </ul>	Control In Place	
ADMIN0009	Cessation of Service Contract for Pensions Administration System <u>Latest Review:</u> 10/01/2024 Procurement exercise undertaken and Contract awarded in November 2023.	Failure to meet legislative requirements and administer the LGPS. Risk of intervention by the Pensions Regulator, legal challenges, reputational risk.	<i>Cllr David Thomas</i> Chris Hurst	10	4	<ul style="list-style-type: none"> <li><b>Monitor Contract Position</b> Work with the Administering Authority Commercial Services to conduct an appropriate procurement exercise at the appropriate time</li> </ul>	Control In Place	
ADMIN0005	Failure to communicate effectively with stakeholders. <u>Latest Review:</u> 03/07/2023 Communications regularly reviewed and amended to reflect changing legislation/landscape. Updated Welsh website now available.	Scheme members unaware of their rights under the LGPS and make poor decisions in relation to pension rights. Employers unaware of the scheme regulations, the procedures and their responsibilities, resulting in poor or inappropriate decision-making and may adversely effect the flow of pensions data to the Pension Fund.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>communications policy</b> the Pensions Support Manager is tasked with responsibilities in relation to scheme and Fund communications, as part of their Job Description. In addition, the Fund has a clear communications policy as well as a regularly updated website.</li> </ul>	Control In Place	
ADMIN0006	Pensioners living longer and, changing retirement patterns. <u>Latest Review:</u> 01/02/2024 Considered during valuation process by actuary	Increased employer contribution rates.	<i>Cllr David Thomas</i> Chris Hurst	6	4			

Administration Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
						<p><b>The Fund actuary investigates these matters at each valuation or more frequently where appropriate.</b> Mortality assumptions are set with some allowance for future increases in life expectancy. The Fund actuary investigates these matters at each valuation or more frequently where appropriate. If significant demographic changes were to occur between valuations, the Pension Fund will advise employers accordingly and notify them of the likely impact on their contribution rates, reviewing bond values, as required.</p> <p>The Fund produces a Funding Strategy Statement which considers long term funding.</p>	Control In Place	
ADMIN0001	<p>Failure to pay pensions and lump sums on time</p> <p><b>Latest Review:</b> 01/02/2024</p> <p>No current change to process. Constantly reviewed for efficiencies and improvements</p>	Financial difficulty for the scheme member concerned, reputational risk to the Pension Fund, and additional cost to the employer where interest is payable as a result of late payment.	Cllr David Thomas Chris Hurst	8	4	<p><b>Maintenance and update of Altair and Trent systems, sufficient staff resources and training. Quality assurance processes</b> Maintenance and update of Pension Administration and Trent systems, sufficient staff resources and training. Quality assurance processes in place to check work done.</p> <p><b>Continuing Review of processes and procedures</b> Ongoing review of process as part of continuous pensions administration workflow assessment</p>	Control In Place	
ADMIN0003	<p>Failure to hold scheme member's personal data securely.</p> <p><b>Latest Review:</b> 27/09/2023</p> <p>Data improvement plan in place and data quality testing imminent.</p>	Poor data quality; compromised data; fines	Cllr David Thomas Chris Hurst	8	4	<p><b>Compliance with Powys County Council Data Protection and ICT policies.</b> Compliance with Powys County Council Data Protection and ICT policies.</p> <p>07/12/2023 Initial pension dashboards data testing done and data quality is very good. Some gone away addresses identified, so a process to investigate those is underway. TPR Data Quality Testing conducted and scores are positive. Board and Committee notified in Nov/De</p> <p><b>Data protection audit in conjunction with TPR data quality standards to be undertaken</b></p>	Action In Progress	07/03/2024
ADMIN0007	<p>Deteriorating patterns of ill health or other early retirements.</p> <p><b>Latest Review:</b> 01/02/2024</p> <p>Considered by Actuary during latest valuations</p>	Increase in employer contribution rates and deficit recovery payments.	Cllr David Thomas Chris Hurst	6	2	<p><b>Employers are required to pay the capital costs of early retirements (pension strain), upfront for all cases.</b> Employers are required to pay the capital costs of early retirements (pension strain), upfront for all cases. Ill health retirements and costs are monitored against Fund allowances.</p> <p>Certain Employers pooled together to share experience and help manage contribution rates (as per the Funding Strategy Statement)</p>	Action In Progress	16/10/2024

Administration Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
						16/10/2023	Considered at actuarial valuation and changes considered in accordance with actuarial recommendations	
ADMIN0002	Inability to deliver service as a result of loss of pensions administration system, or any other system used in the provision of service (eg. pensioner payroll). Failure of any system used by the service as a result of a breach of cyber security. <u>Latest Review:</u> 13/07/2023 Cashflow work to be completed in 2023. reassurances received from Pensions administration software provider	Failure to provide service. Immediate injections of cash from Fund employers would be required where Fund assets cannot be liquidated quickly. For now the Fund is cashflow positive but will not remain so for much longer, therefore requiring the use of investment income to subsidise the payment of pension benefits rather than being reinvested as now.	Cllr David Thomas Chris Hurst	8	2	<ul style="list-style-type: none"> <li>• <b>business continuity planning and systems providers assurance</b> Business Continuity Plan for the Pensions administration service. Assurances received from all systems providers in relation to their current resilience to the threat of a failure in cyber security.</li> <li>• <b>Business Continuity Plan under review. Periodic review by the Pension Board of provider assurances in respect of cyber security</b></li> </ul>	Control In Place	Control In Place

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Breach No	YEAR	Breach Type	Nature of Breach	Breach Description	Action	Material Significance (Y/N)	P & I Committee Notified	Pension Board Notified	TPR Notified	RAG Status
1	2018/19	Administration	Late Notification of deferred Benefits	Disclosure Regulations state that any deferred leaver should be notified of their deferred benefit options within two months of the fund receiving complete leaver information from the employer. Due to the backlog of casework in the fund these deadlines have not been met for a number of historic deferred members. <b>Cause:</b> The backlog has occurred through the introduction of the new LGPS and the increased complexity around administration (aggregations, final salary links etc). An increase in the numbers of deferred pensioners who have left employment through reorganisations in recent months has also had an impact. <b>Effect:</b> although a breach, it is not considered material, as the information is not critical when making future decisions. Where a deferred member reaches retirement age their calculation will be completed at that point. This is a national issue for most funds across the LGPS.	New letter produced and issued to leavers upon notification of leaving, stating their entitlements upon leaving membership of the LGPS (i.e. under 2 years = refund, over 2 years = Deferred)	N	N	Y	N	
2	2018/19	Administration	Automatic payment of refund after 5 years for post 2014 leavers	Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. Regulations require submission of contributions from employers within statutory timescales. A thorough review of the process has identified two employers who have failed to meet this statutory requirement on more than one occasion.	The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014.	N	Y	Y	N	
3	2023/24	Administration	Late receipt of Contributions from Employers	Regulations require submission of contributions from employers within statutory timescales. A thorough review of the process has identified two employers who have failed to meet this statutory requirement on more than one occasion.	Employers written to and process followed as per the published Administration Strategy Statement	N	Y	Y	N	

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**CYNGOR SIR POWYS COUNTY COUNCIL**

**Pensions and Investment Committee  
22<sup>nd</sup> March 2024**

**REPORT BY:** Head of Finance

**SUBJECT:** Pensions & Investment Committee Member Training

**REPORT FOR:** Action

**1 Introduction**

- 1.1 Committee will be aware that the Fund adopts the Knowledge and Skills Framework, as set out in the CIPFA Code of Practice for Pensions.
- 1.2 That framework places a requirement to undertake continual development on general pension and LGPS specific issues and the Fund carries out an annual assessment of the Committee's knowledge and skills to achieve this.
- 1.3 This will involve each Committee Member undergoing a personal training and development analysis, receiving a personal training programme if required and a requirement to demonstrate that members are completing training programmes (this may be for example, by attending appropriate training and development events). The Committee's constitution requires at least 10 hours per year and the Governance and Compliance Statement requires 4 days training in each year ending on 31<sup>st</sup> March.

**2 Recommendation**

- 2.1 That the Committee complete an updated training needs analysis form (to be provided by the Pension Fund Manager) in order to assess the training requirements of Committee Members, with a view to creating an appropriate training programme for the 2024/25 year.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
That the Committee complete an up to date training needs analysis form in order to assess training requirements	As per report

<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Councillor David Thomas
<b>Relevant Local Member(s):</b>	

## CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee  
22<sup>nd</sup> March 2024

REPORT BY: Head of Finance

SUBJECT: Governance and Compliance Statement Review

REPORT FOR: Decision

**1 Introduction**

- 1.1 It is a requirement under regulation 55 of the Local Government Pension Scheme (LGPS) Regulations 2013, that the Powys Pension Fund sets out details of the delegation, management, operation and governance that it wishes to operate under.
- 1.2 The attached Governance and Compliance Statement has been reviewed to reflect current best practices, pending the completion of the Scheme Advisory Board's Good Governance Project. Following completion of that exercise it will be reviewed and presented again for approval at that time.

**2 Recommendation**

- 2.1 Committee are requested to approve the updated Governance and Compliance Statement, as required under the LGPS regulations.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
<ul style="list-style-type: none"> <li>To approve the updated Governance and Compliance Statement</li> </ul>		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>	Immediately		
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Cllr David Thomas
<b>Relevant Local Member(s):</b>	N/A

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# POWYS

**CRONFA BENSIWN  
POWYS  
PENSION FUND**

**GOVERNANCE POLICY AND  
COMPLIANCE STATEMENT**

**Reviewed March 2024  
Approved**

## **GOVERNANCE POLICY & COMPLIANCE STATEMENT**

In accordance with the requirements of regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended), this document sets out details of the delegation, management, operation and governance of the Powys Pension Fund. In addition, the Pension Fund's governance arrangements are compared to the best practice guidance issued by Communities and Local Government on 21<sup>st</sup> July 2008 (see Appendix D). This statement has been reviewed in line with best practices.

### **1. Constitutional Arrangements.**

- 1.1 The Powys Pension Fund is a local government pension fund. The primary legal frameworks are the Superannuation Act 1972 and the Public Service Pensions Act 2013, with operational matters being set out in regulations made thereunder.
- 1.2 Powys County Council is the administering authority for the Powys Pension Fund. The governance arrangements of the County Council (including the Constitution, Financial Regulations and Contract Standing Orders) apply to the management of the Pension Fund. In addition, the administering authority is assisted by the Powys Pensions Board which was established under the Public Service Pensions Act 2013.

### **2. Scheme of Delegation.**

- 2.1 Powys County Council delegates its functions in relation to maintaining the Pension Fund to the Pensions & Investment Committee and the Section 151 Officer, in accordance with Appendices A and B to this Statement.
- 2.2 Day-to-day decisions in respect of the management of the Pension Fund and investment decisions that are required to be taken before the next Committee, are delegated to the Section 151 Officer, in consultation with the Chair and Vice Chair of Pensions & Investment Committee.
- 2.3.1 Powys County Council will appoint the voting members of the Pensions & Investment Committee. The Committee will consist of 6 voting members (1 of which will be the Portfolio Holder for Finance); 1 non-voting member representing Pension Fund employers (elected by those Pension Fund employers); and 1 non-voting member representing pension scheme members (nominated by the recognised trade unions). A Pensions and Investment Committee meeting is quorate with attendance from 25% of the voting membership, or no less than 3 in total.



- 2.3.2 The Pensions & Investment Committee will meet quarterly with additional special meetings and training workshops arranged as necessary.
- 2.3.3 The Pensions & Investment Committee will be advised by the Council's Section 151 Officer, the Pension Fund's Investment Adviser (currently Aon) and the Pension Fund's Actuary (currently Aon).
- 2.3.4 Members of the Pensions & Investment Committee will be required to undertake training and demonstrate competency in accordance with the Knowledge & Skills Framework Policy (Appendix C).
- 2.3.5 The minutes of the Pensions & Investment Committee will be reported to the County Council.

### **3. Powys Pensions Board.**

- 3.1 Powys County Council established a local pension board on 21<sup>st</sup> January 2015 in accordance with the requirements of the Public Service Pensions Act 2013.
- 3.2 Powys County Council will appoint the independent chair of the Pensions Board. The Board will consist of 6 voting members in addition to the independent chair; 3 members representing Pension Fund employers (nominated by those Pension Fund employers); and 3 members representing pension scheme members (nominated by the recognised trade unions, or a pension scheme member).
- 3.3 The Pensions Board will meet quarterly (either in advance or after each meeting of the Pensions & Investment Committee), with additional special meetings and training workshops as necessary. Pension Board meetings are open to the public.
- 3.4 The Pensions Board will be advised by the Section 151 Officer and any other Council Officers and professional Advisers and Consultants, as may be required.
- 3.5 Members of the Pensions Board will be required to undertake training and demonstrate competency in accordance with the Knowledge & Skills Framework Policy (Appendix C).
- 3.6 The minutes of the Pensions Board will be reported to the Pensions & Investment Committee and made available via the Pension Fund's website. The Chair of the Board shall also produce an executive summary for the Pensions & Investment Committee after each Board meeting.

### **4. Consultation**

4.1 The Pensions & Investment Committee will engage with stakeholders (including Pension Fund employers and trade unions) through the following:

- An annual general meeting for the main stakeholders.
- A triennial meeting between Pension Fund employers and the actuary to discuss the results of the actuarial valuation.

## **5. Review of this Statement**

5.1 In accordance with the requirements of regulation 55(2) of the Local Government Pension Scheme Regulations 2013 (as amended), this Statement will be reviewed and published by Powys Pension Fund following any material changes or in line with best practice.

## **6. Contacts**

6.1 Any questions, queries or observations on this Statement should be addressed to:

Chris Hurst  
Pension Fund Manager  
Powys County Council,  
County Hall,  
Llandrindod Wells,  
Powys  
LD1 5LG

6.2 Further information about the Powys Pension Fund and the Local Government Pension Scheme, can be found on the Fund's website: [www.powypensionfund.org](http://www.powypensionfund.org)

## **Appendix A**

### **Functions Delegated to Pensions & Investment Committee**

#### **Pension Administration Functions**

To appoint the Pension Fund's Actuary;

To receive the triennial actuarial valuation and such other valuations that may arise from time to time and set employers' contribution rates arising therefrom.

To monitor and review the overall arrangements for the administration of the Local Government Pension Scheme (LGPS). To respond to consultations in respect of the LGPS.

To undertake the following functions of the LGPS:

- To act as Scheme Trustees in relation to the Powys County Council Additional Voluntary Contributions (AVC) Scheme
- To exercise the discretionary powers available to an administering authority under the provisions of the LGPS regulations
- To develop, publish and review policies as required by the LGPS regulations.

#### **Investment Functions**

To determine long-term investment policy.

To approve the Council's Investment Strategy Statement.

To review the Pension Fund's investment structure at least triennially, having regard to the Fund's liabilities and the advice of the Fund's Investment Adviser and the Section 151 Officer.

To appoint and dismiss investment managers, consultants and advisers, either independently or in conjunction with the WPP, as appropriate.

To review investment performance at least once every 3 months.

To receive and approve where required, documentation and updates from the Wales Pension Partnership (WPP).

The Chair will be required to sit on the Joint Governance Committee of the WPP.

To appoint the Fund's custodian for its assets and to periodically review custody arrangements.

To appoint the Performance Measurement Service for the Fund.

**General**

To approve the annual budget and business plan.

To receive the annual accounts of the Pension Fund and any external audit comments related thereto.

To approve the Pension Fund Annual Report.

To receive internal audit reports on Pension Fund matters.

## **Appendix B**

### **Functions Delegated to Section 151 Officer**

#### **Pension Administration Functions**

To manage the administration of LGPS.

To undertake the following functions of the LGPS:

- Award of Death Grants in accordance with the Council's agreed policy.
- Ensure compliance with the Pensions Act 1995
- Ensure compliance with relevant Finance Acts, in particular the meeting of HMRC Reporting Requirements
- Ensure compliance with the Public Service Pensions Act 2013.
- Ensure compliance with the statutory requirements imposed by The Pensions Regulator.

#### **Investment Functions**

To undertake regular monitoring and reconciliation of investments and to report matters of significance to the Pensions & Investment Committee.

To undertake tendering exercises for Fund services and Investment Managers in accordance with the Council's overall governance arrangements and the Pensions & Investment Committee's instructions and to present the Committee with shortlists for appointment.

To participate in and attend Officer Working Groups and Joint Governance Committee meetings of the Wales Pension Partnership.

#### **General**

To produce the Fund's Annual Report & Accounts in accordance with proper practice.

To authorise appropriate expenditure from the Fund.

To authorise cash or asset movements between the Council, the Fund, custodian and investment managers.

When necessary, the exercise of the Fund's voting rights by instruction to the investment managers and custodian, after consultation with the Chairman and Vice-Chairman of the Pensions & Investment Committee. The Pensions & Investment Committee has delegated the use of the voting rights attached to its shareholdings to the investment managers but retains a right to exercise those rights on its own account in exceptional circumstances.

The Section 151 Officer may authorise Officers in their service to exercise, on their behalf, functions delegated to them. Any decisions taken under this authority shall remain the responsibility of the Section 151 Officer and must be taken in their name and they shall remain accountable and responsible for such decisions.

## **Appendix C**

### **Knowledge and Skills Framework Policy**

#### **1 Introduction**

- 1.1 This document sets out the policy of the Powys Pension Fund in relation to the knowledge and skills requirements that it places upon those serving as members of either:
- The Powys County Council Pensions & Investment Committee (being the principal decision-making and management body for the Powys Pension Fund), or
  - The Powys Pension Board
- 1.2 Commitment to this policy is an obligation placed upon those concerned as part of the discharge of their duties; as a matter of best practice and good governance.

#### **2 Knowledge and Skills Framework**

- 2.1 The Powys Pension Fund has adopted the CIPFA Knowledge and Skills Framework, as set out in the Code of Practice on pensions, in partnership with the Pensions Regulator. The Framework provides a roadmap to the knowledge and skills that should be held by those involved in the management and governance of the Powys Pension Fund, who are not themselves pension professionals. In addition, the Regulator provides access to relevant study and training materials.
- 2.2 All relevant Members will be assessed against the criteria set out in the Framework, as soon as possible following their appointment. This will be done by the completion of a Member Training Needs Self-Assessment Form.
- 2.3 On completion of the self-assessment form, the Section 151 Officer will assess the Member against the Framework criteria and determined what training is required to be completed and within what time period.
- 2.4 In total there are 6 areas of knowledge and skills that CIPFA have identified as the core technical requirements:
- pensions legislative and governance context
  - pensions accounting and auditing standards
  - financial services procurement and relationship management
  - investment performance and risk management
  - financial markets and products knowledge
  - actuarial methods, statements and practices.

### **3 Meeting Knowledge and Skills Needs**

- 3.1 Identified knowledge and skills needs may be met by a variety of methods that will include, but are not restricted to:
- completion of specific modules in the e-Learning Public Service toolkit provided free online by the Pensions Regulator
  - attendance at external training events for pension trustees and/or board members
  - attendance at internal training events facilitated by Powys Pension Fund or Powys County Council
  - attendance at pension conferences, seminars and workshops that cover fund investment, scheme administration, fund governance, actuarial matters or other relevant areas.

### **4 Continuing Development**

- 4.1 Pension fund matters do not stand still. Therefore, there will be a requirement to undertake continual development to remain up to date with general pensions and LGPS specific issues. The requirement is for all relevant Members, regardless of professional background, to undertake a minimum of 4 days continuing development in each scheme year (ending 31<sup>st</sup> March). In addition, there may be requirements to cover risks such as cyber security and data protection.
- 4.2 Completion of this requirement may be achieved by a range of attendances at, for example, LGPS Trustees Conference or LAPFF seminars.

### **5 Accountability and Transparency**

- 5.1 Accountability and transparency are principles of good governance and best practice. Therefore, knowledge and skills needs, training and development undertaken and continuing development, will be monitored and recorded and published annually.
- 5.2 Failure by a Member to meet their obligations under this policy, may result in them being barred from serving on either the Pensions & Investment Committee or the Powys Pension Board, as applicable, and as determined by the Section 151 Officer.



## Appendix D

### Governance Compliance Statement

#### Principle A – Structure

	Level of Compliance				
	Non*				Full
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.					<b>X</b>
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.					<b>x</b>
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.					
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.					
* Reason for non-compliance:- none					
Notes and explanations on the ratings given above:- c) There is no secondary Committee. d) There is no secondary Committee.					

## Principle B – Representation

	Level of Compliance			
	Non*			Full
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- e) Fund employers				<b>X</b>
f) Scheme members				<b>x</b>
g) Independent professional observers (where appropriate)	<b>x</b>			
h) Expert advisers	<b>x</b>			
i) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.				<b>x</b>
* Reason for non-compliance:- g) and h) These are not considered to be appropriate nor statutory requirements. However, professional expert advisers to the Pension Fund whilst not members, attend Pensions & Investment Committee.				
Notes and explanations of the ratings given above:- none				

### **Principle C – Selection and role of lay members**

	Level of Compliance				
	Non*				Full
j) That committee members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.					<b>x</b>
k) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.					<b>x</b>
* Reason for non-compliance:- none					
Notes and explanations on the ratings given above:- none					

### **Principle D – Voting**

	Level of Compliance				
	Non*				Full
l) The policy on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.					<b>x</b>
* Reason for non-compliance:- none					
Notes and explanations on the ratings given above:- There are no voting rights for either the representatives of other scheme employers and of scheme members on the Fund's Pensions & Investment Committee. Powys County Council takes the view that it is inappropriate for members of the Pensions & Investment Committee who are not elected members of the County Council to have decision-making powers in respect of a function for which the County Council, as the administering authority, is responsible.					

**Principle E – Training / Facility Time / Expenses**

	Level of Compliance				
	Non*				Full
m) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.					<b>x</b>
n) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.					<b>x</b>
o) That the administering authority considers the adoption of annual training plans for Committee and Board members and maintains a log of all such training undertaken.					<b>x</b>
* Reason for non-compliance:- none					
Notes and explanations on the ratings given above:- None.					

### Principle F – Meetings (Frequency / Quorum)

	Level of Compliance				
	Non*				Full
p) That an administering authority's main committee or committees meet at least quarterly.					<b>x</b>
q) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.					
r) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.					
* Reason for non-compliance:- none					
Notes and explanations on the ratings given above:- q) there is no secondary committee.					
r) Such interests are represented on the Pensions & Investment Committee.					

### Principle G – Access

	Level of Compliance				
	Non*				Full
s) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.					<b>x</b>
* Reason for non-compliance:- none					
Notes and explanations on the ratings given above:- None.					

### **Principle H – Scope**

	Level of Compliance			
	Non*			Full
t) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.				<b>x</b>
* Reason for non-compliance:- none				
Notes and explanations on the ratings given above:- None.				

### **Principle I – Publicity**

	Level of Compliance			
	Non*			Full
u) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.				<b>x</b>
* Reason for non-compliance:- none				
Notes and explanations on the ratings given above:- None.				

## CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee  
22<sup>nd</sup> March 2024

REPORT BY: Head of Finance

SUBJECT: Wales Pension Partnership Update

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REPORT FOR: Information

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**1. Introduction**

- 1.1 This report has been produced as a covering report to support the quarterly updates provided by the Wales Pension Partnership (WPP), with regards to pooling investments in Wales.
- 1.2 The last Joint Governance Committee (JGC) meeting was held as a hybrid meeting on the 13<sup>th</sup> of March 2024 online and in the Powys County Council Offices. The agenda of that JGC meeting is available [here](#).
- 1.3 The WPP are also seeking approval from Constituent Authorities on the 2024-27 Business Plan, which is an attachment to this report.

**2. Pooling investments in Wales**

- 2.1 The latest update reports for the 13<sup>th</sup> of December 2023 JGC meeting are attached as appendices, which include:

JGC Update  
Business Plan Reviews  
Operator Updates  
WPP Investment Performance Updates

**2.2 JGC Update for Pension Fund Committees within the WPP**

The WPP have produced several documents that can be shared with Constituent Authorities (CA) to help ensure a consistent message is delivered to each CA.

The first of which is a useful summary document for which provides some commentary on the most recent JGC meeting.

**2.3 Business Plan Review**

The Business Plan review documents are included for information. This provides an update on how work is progressing and measured against the WPP Business Plan.

**2.4 Operator Update**

A copy of the quarterly updates from the Operator is attached which includes a snapshot of the full range of WPP investment sub-funds

## 2.5 Investment Performance Update

The WPP have also provided is a performance summary and commentary of the WPP sub-funds for information.

2.6 The WPP have also recently published the All Wales Climate Report, which is available on their website [here](#).

## 3. Recommendation

To note the content of this report and approve the 2024 to 2027 Business Plan.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
1. To note the content of this report and enclosures.		As per the report	
2. Approve the WPP 2024-27 Business Plan			
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Councillor David Thomas
<b>Relevant Local Member(s):</b>	



## Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Wednesday 13 December 2023

Location: Virtual meeting

Chair: Cllr Ted Palmer, Clwyd

Vice Chair: Cllr Elwyn Williams, Dyfed

Agenda item	Detail
Host Authority update	<p>Anthony Parnell of the Host Authority provided an update in relation to work that has been completed since the last JGC meeting and WPP's next steps / priorities.</p> <p>Operator contract - the Invitation to Tender was issued on 16 October 2023 and closed on 20 November 2023. The WPP are currently evaluating the submissions received.</p> <p>The procurement exercise for the Real Estate managers is also underway with the Pre-qualification Questionnaire issued on 17 November 2023. The recommendation report is due to go to the July 2024 JGC for approval, with the contract being awarded in August 2024.</p> <p>Anthony also presented the 2023/24 Business Plan update as at 30 September 2023 (attached).</p>
Risk Register Q4 2023 Review	<p>The OWG is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis. The OWG has a dedicated Risk Sub-Group to take ownership of the Risk Register and the quarterly review of the document.</p> <p>During Q4 2023, a review has taken place of the Investment Risks.</p> <p>Hymans presented the changes which were approved by the JGC. The Risk Register has been uploaded on the WPP website.</p>

<p>Policy Reviews:</p> <ul style="list-style-type: none"> <li>• Training Policy</li> <li>• Rebalancing &amp; Alteration Policy</li> </ul>	<p>The WPP have approved several policies / plans which are to be reviewed on a regular basis. This quarter, the OWG have undertaken a review of the Training Policy and Rebalancing &amp; Alteration Policy.</p> <p>The Training Policy outlines WPP's approach to training and requirements. Following this review, the policy has been updated to reflect the method that training needs are identified.</p> <p>The Rebalancing and Alteration policy sets out WPP's approach to rebalancing the assets held within the pools' sub-funds. The policy outlines the framework that has put in place to ensure that manager allocations within sub-funds are monitored and rebalanced where appropriate. During this review, the policy has been updated to take account of the Private Market mandates.</p> <p>The updated policies were approved and have been uploaded on the WPP website.</p> <p>There were no new policies this quarter.</p>
<p>Operator Update</p>	<p>The sale of Link Fund Solutions to Waystone Management (UK) Limited (Waystone) completed on 9th October 2023. Waystone presented their quarterly update report as at 30 September 2023 (attached). This report provides market updates, details of WPP's current sub fund holdings, as well as a corporate and engagement update.</p>
<p>Performance Reports as at 30 September 2023</p>	<p>Russell Investments presented a Q3 2023 performance summary paper (attached) summarising the performance of each individual ACS sub fund for the quarter ending 30 September 2023.</p>
<p><b>Exempt Items</b> – the following items were discussed during the non-public part of the meeting.</p>	
<p>Securities Lending Report as at 30 September 2023</p>	<p>Stock Lending commenced in March 2020 and Northern Trust presented the Securities Lending Report for Q3 2023 (quarter ending 30 September 2023).</p>

Robeco Engagement Report – Q3 2023	In March 2020, Robeco was appointed as WPP’s Voting & Engagement Provider to undertake Voting and Engagement functions on behalf of the WPP. Robeco commenced their engagement service in April 2020, and they have provided an engagement report for Quarter 3 2023 (quarter ending 30 September 2023). The engagement theme chosen for this quarter was Net Zero Carbon Emissions.
Responsible Investment and Climate Risk reports	<p>Each quarter, Hymans Robertson produce quarterly Responsible Investment &amp; Climate Risk Reports for WPP’s sub funds.</p> <p>For Quarter 3 2023 (quarter ending 30 September 2023), the Emerging Markets and UK Opportunities reports were produced.</p> <p>Hymans presented the reports to the JGC members.</p>
All-Wales Climate Report	<p>Hymans Robertson have drafted an all-Wales climate report which provides an assessment of climate risks across the pool, including recommendations to be considered. This report was presented to the JGC.</p> <p>A public facing version of the report will be issued in the new year.</p>

Webcast link for the 13 December 2023 JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 13th December, 2023, 10.00 am](#)

WPP’s website address - [Wales Pension Fund | Home \(walespensionpartnership.org\)](http://walespensionpartnership.org)

Next meeting:

- Wednesday 13 March 2024 – Hybrid meeting, hosted by Powys

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Wales Pension Partnership  
Business Plan  
2023 -2024  
Q2 Review  
(July to Sept 2023)

## Governance

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Development of a WPP Breaches and Errors Policy</li> </ul>	Yes	Approved at the September 2023 JGC
<ul style="list-style-type: none"> <li>Legal Services provider contract (initial 3 year review)</li> </ul>	Yes	Initial 3 year review completed, 2 year contract extension put in place
<ul style="list-style-type: none"> <li>Ongoing review of the Inter Authority Agreement</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Annual review of WPP's policies and plans</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Quarterly reviews of the Risk Register</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes</li> </ul>	Ongoing	Response submitted in relation to the recent LGPS Investments consultation

## Ongoing Sub-Fund development

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Launch of Private Debt &amp; Infrastructure Sub-Funds</li> </ul>	Yes	Infrastructure and Private Debt investment programmes launched
<ul style="list-style-type: none"> <li>Launch of Private Equity Sub-Fund</li> </ul>	Yes	Private Equity investment programme launched
<ul style="list-style-type: none"> <li>Launch Sustainable Equities Sub-Fund</li> </ul>	Yes	Launched 20 June 2023
<ul style="list-style-type: none"> <li>Formulate the WPP's Property requirements and optimal means of implementation &amp; launch the property Sub-funds</li> </ul>	In progress	PQQ issued 17 November 2023
<ul style="list-style-type: none"> <li>Consideration of WPP's Levelling up / impact requirements</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Launch of other Private Market sub-funds (TBC)</li> </ul>		Discussions to be held with individual CA's

<ul style="list-style-type: none"> <li>• Consultation with CAs on need for further sub-funds, review and develop a mechanism to pool any suitable non-pooled assets</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>• Consideration of Local Investment opportunities</li> </ul>	Ongoing	

### Operator Services

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>• Operator contract / procurement process</li> </ul>	In progress	ITT issued October 2023, currently evaluating the submissions received
<ul style="list-style-type: none"> <li>• Operator oversight</li> </ul>	Ongoing	

### Investments and Reporting

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>• Review Sub-Fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>• Task Force on Climate-related Financial Disclosures (TCFD) reporting</li> </ul>		Awaiting TCFD consultation response
<ul style="list-style-type: none"> <li>• Stewardship Code reporting</li> </ul>	Yes	2022/23 report submitted 31 October 2023
<ul style="list-style-type: none"> <li>• Consider additional reporting that demonstrates WPP's commitment to Responsible Investment</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>• On-going Investment Manager performance reporting, scrutiny and challenge</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>• Annual review of WPP's Cost Transparency Requirements</li> </ul>		To be reviewed in Q1 (January to March) 2024

<ul style="list-style-type: none"> <li>Annual performance review of WPP Sub Funds (Equity and Fixed Income)</li> </ul>		To be reviewed in Q1 (January to March) 2024
<ul style="list-style-type: none"> <li>On-going engagement with Constituent Authorities regarding minimum ESG / RI standards and their climate ambitions</li> </ul>	Ongoing	

### Communication and Training

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Responsible Investment Progress Report</li> </ul>	Yes	Report presented at the July 2023 JGC and published on website
<ul style="list-style-type: none"> <li>Formulation of the WPP's annual training plan</li> </ul>		To be formulated in Q1 (January to March) 2024
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Update</li> </ul>	Yes	2022/23 Annual Update published in August 2023
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Report</li> </ul>	Yes	2022/23 Annual Report published in November 2023

### Resources, budget and fees

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Annual review of resources and capacity</li> </ul>		To be reviewed in Q1 (January to March) 2024
<ul style="list-style-type: none"> <li>Formulation of Annual WPP Budget</li> </ul>		To be formulated in Q1 (January to March) 2024
<ul style="list-style-type: none"> <li>Review and Monitoring of Operator / external provider fees</li> </ul>	Ongoing	



## Training Plan

Training topics to be completed during 2023–2024 as per approved 2023-2024 Training Plan and progress to date:

	Completed	Comments
• Private Market Asset Classes – Private Equity / Property	Yes	8 June 2023
• Levelling up / development opportunities	Yes	8 June 2023
• TCFD reporting		Scheduled for 13 December 2023
• Performance reporting		Scheduled for 13 December 2023
• Voting & Engagement	Yes	21 September 2023
• RI within the WPP sub funds	Yes	21 September 2023
• Progress of other LGPS pools & Collaboration Opportunities		
• Pooling Guidance		

## Budget

2023-2024 Budget Monitoring Report:

	<b>Budget 2023 – 2024 £000</b>	<b>Forecast 2023 – 2024 £000</b>	<b>Variiances 2023 – 2024 £000</b>
Host Authority *	200	186	14
External Advisors *	1,448	1,467	(19)
<b>TOTAL to be recharged</b>	<b>1,648</b>	<b>1,653</b>	<b>(5)</b>
Operator Services **	37,257	37,257	0
<b>TOTAL to be deducted from the NAV</b>	<b>37,257</b>	<b>37,257</b>	<b>0</b>

*\*Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

*\*\*Operator Services costs are based on each Constituent Authority's percentage share of WPP assets (held with the Operator) and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets (held with the Operator).*

## Investments

### Equity Sub-Funds

#### Global Growth Fund

Managed by: Link Fund Solutions

Portfolio Value: £2bn\*

#### Global Opportunities Fund

Managed by: Russell Investments

Portfolio Value: £2bn\*

#### UK Opportunities Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn\*

#### Emerging Markets Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn\*

#### Sustainable Active Equity Fund

Managed by: Russell Investments

Portfolio Value: £1.2bn\*

### Fixed Income Sub-Funds

#### Absolute Return Bond Fund

Managed by: Russell Investments

Portfolio Value: £0.4bn\*

#### Global Government Bond Fund

Managed by: Russell Investments

Portfolio Value: £0.5bn\*

#### Multi-Asset Credit Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn\*

#### Global Credit Fund

Managed by: Russell Investments

Portfolio Value: £0.8bn\*

#### UK Credit Fund

Managed by: Link Fund Solutions

Portfolio Value: £0.5bn\*

### Private Markets

#### Infrastructure – closed ended

Managed by: GCM Grosvenor

#### Infrastructure – open ended

Managed by: CBRE, IFM and Octopus

#### Private Credit

Managed by: Russell Investments

#### Private Equity

Managed by: Schroders

\* Portfolio Values as at launch date



Wales Pension Partnership  
<https://www.walespensionpartnership.org/>



Wales Pension Partnership  
Joint Governance Committee  
Q3 2023 review – 13 December 2023



# Market Updates

## Acquisition Complete

As discussed since the last Joint Governance Committee on 20 September 2023;

The Sale to Waystone Management (UK) Limited (WMUK) completed on 9<sup>th</sup> October 2023

Waystone is the leading provider of institutional governance, risk and compliance services to the asset management industry.

Partnering institutional investors, investment funds and asset managers Waystone builds, supports and protects investment structures and strategies worldwide. With over 20 years' experience and a comprehensive range of specialist services to its name, Waystone is now supporting asset managers with more than US\$2Tn in AUM

Waystone provides its clients with the guidance and tools to allow them to focus on managing their investment goals with confidence

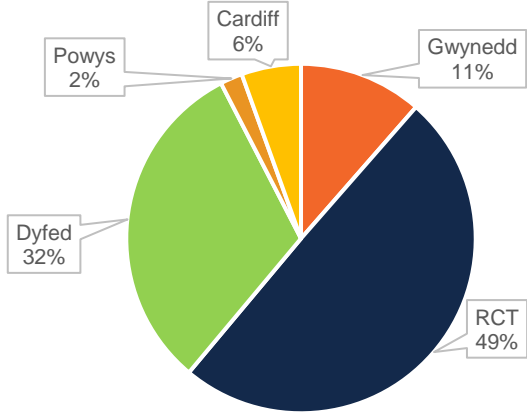
# September 2023 WS Wales PP Fund Summary AUM

Fund	AUM	Inception date
Global Growth	£3,134,315,780	6th Feb 2019
Global Opportunities	£2,911,502,397	14th Feb 2019
UK Opportunities	£775,493,564	10th Oct 2019
Multi Asset Credit	£463,462,906	12th Aug 2020
Emerging Markets	£677,376,333	20th Oct 2021
Global Credit	£857,063,502	21st Aug 2020
Global Government Bond	£577,072,879	20th Aug 2020
Absolute Return Bond	£517,323,204	30th Sept 2020
Sterling Credit	£357,077,225	19th Aug 2020
Sustainable Active Equity Fund	£1,259,811,721	20th June 2023
<b>Total Active Investments</b>	<b>£11,530,499,511 as at 30 September 2023</b>	

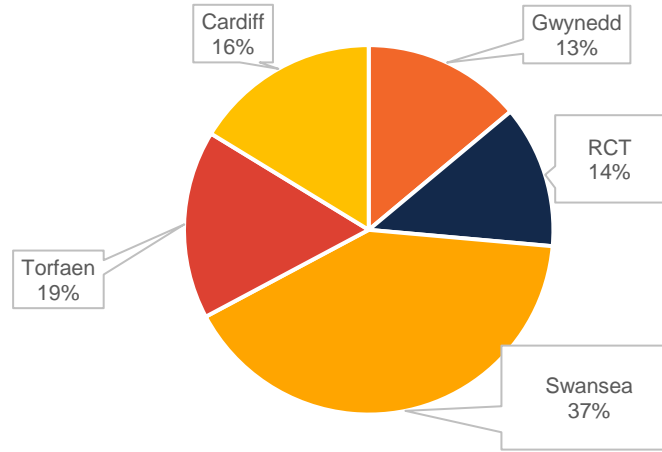
# September 2023 Fund Snapshot - Equities

- Key:
- Dyfed
  - Powys
  - Gwynedd
  - RCT
  - Torfaen
  - Clwyd
  - Swansea
  - Cardiff

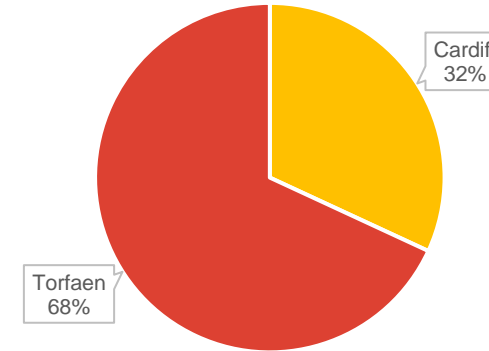
## Global Growth



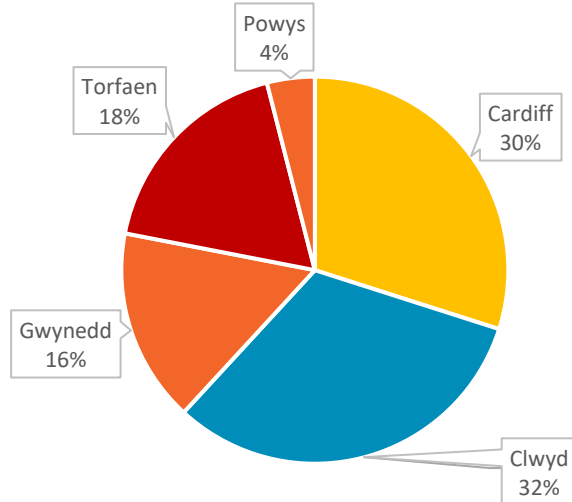
## Global Opportunities



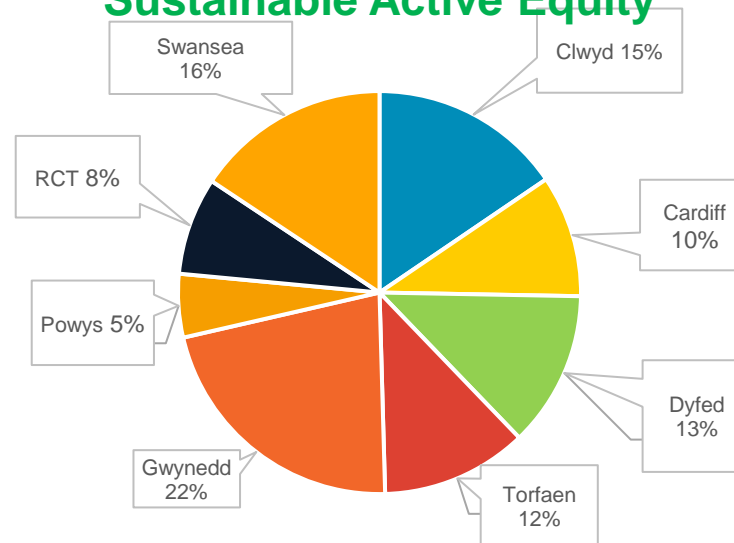
## UK Opportunities



## Emerging Markets



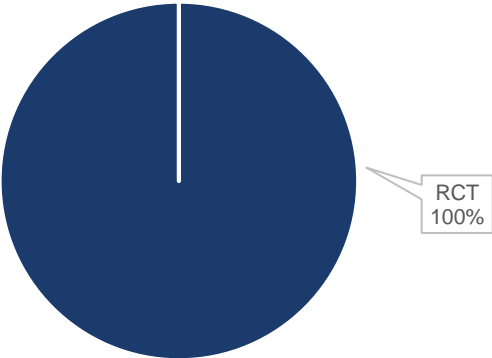
## Sustainable Active Equity



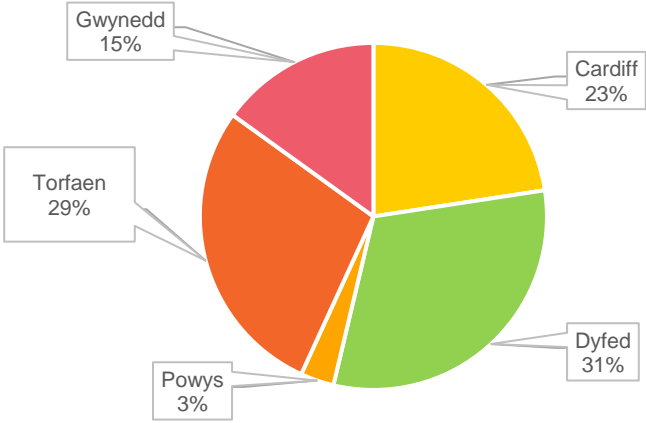


# September 2023 Fund Snapshot - Fixed Income

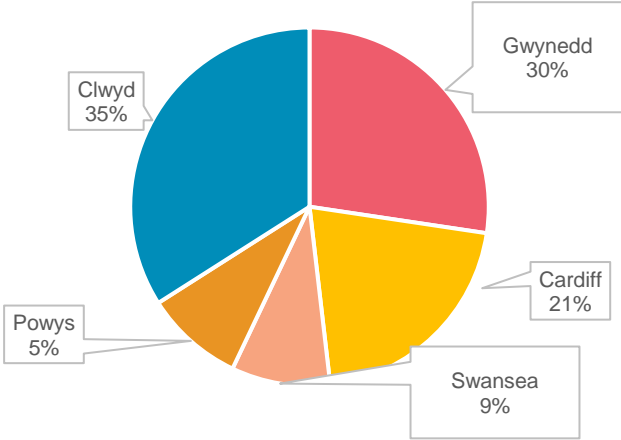
**Sterling Credit**



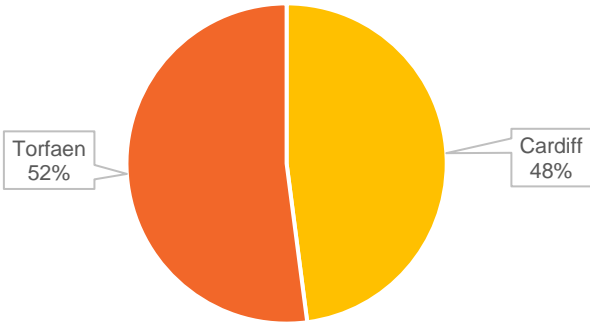
**Global Credit**



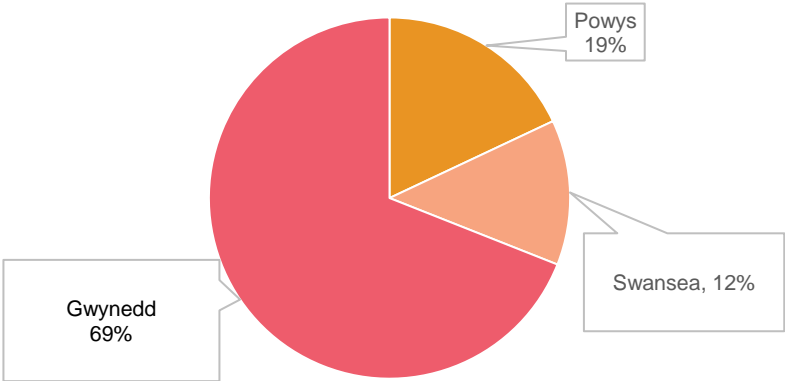
**Multi Asset Credit**



**Global Gov. Bond**








**Absolute Return Bond**



- Key:
- Dyfed
  - Powys
  - Gwynedd
  - RCT
  - Torfaen
  - Clwyd
  - Swansea
  - Cardiff





# Sub-Funds Update

## Fund Launches & Changes

	Activity	Status	Commentary
<b>Completed Fund Launches &amp; Changes</b>	N/a		N/a
<b>Ongoing Fund Launches &amp; Changes</b>	Addition of Robeco to the Global Credit fund, removal of T Rowe Price		New Investment Manager 'Robeco' to be implemented Q3 2023. This is now expected to be Q1 2024"
	Addition of New Investment Manager to the Global Growth Fund, as an addition to current Managers		Proposed addition new manager to be discussed with Host and Hymans before sharing with Constituent Authorities with rationale behind the change – Live date to be confirmed
	Manager Changes on UK Opportunities Fund		WS WPP UK Opportunities Fund - Terminate Lazard and Majedie UK Core, hire Fidelity, and increase the weight to Liontrust UK CF Solution, JO Hambro UK Dynamic and Ninety-One UK Value - Live date 16 October
	Manager Changes on Absolute Return Bond Fund		WS WPP Absolute Return Bond Fund - Terminate Putnam and increase the weightings of Wellington, Insight and Aegon - Live date 16 October
	Cash Yield Options for current fund range		Cash Yield Options currently being investigated by WMUK Governance.

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Status key:





	Completed or already in place
	On target;
	Delay Expected;
	Not Applicable

# Market Updates

Market Updates			
	Activity	Status	Commentary
Russia / Ukraine	Impact to ACS sub-funds holding Russian companies	✓	WMUK continue to monitor the situation and will advise Constituent Authorities of any developments. Our Fair Value Pricing Committee regularly discuss, and assets are still priced accordingly. All WPP Funds holding no Russian companies
Middle East	Impact to ACS sub-funds holding Israeli companies	✓	Currently 10 securities held in Israeli companies across four sub funds; Global Government Bond Fund, Multi Asset Credit Fund, Global Credit Fund & Global Opps Equity Fund with a value of approx. £11.8m. Situation currently being monitored as part of the BAU oversight process

Page 8 of 9

## Status key:

	Completed or already in place
	On target;
	Delay Expected;
	Not Applicable

# WMUK Corporate Update & Engagement

## Key Q3 and future WPP Engagement

### Waystone attendance at OWG/JGC meetings in period:

- WPP JGC 19 July 2023
- OWG 24 July 2023
- WPP JGC 20 September 2023

### Waystone attendance at OWG/JGC meetings in next quarter:

- OWG 24 October 2023
- WPP JGC 13 December 2023

### Waystone - Pension Committee attendance in period:

### Waystone - Pension Committee attendance in next quarter :

- Powys Pensions and Investment Committee meeting – 6 October 2023

### Other meetings in period

- Host Authority update – occurs bi-weekly
- Strategic Relationship Review – 20 September 2023

### Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- Pension Board Chairs Engagement Meeting - 3 October 2023
- WPP briefing / training session – (second session)

# WMUK Engagement Protocol – Business as Usual

Strategic Relationship Review	Frequency	Objective
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Chris Moore</li> <li>▪ Anthony Parnell</li> <li>▪ Two Section 151 / Deputy Section 151 officers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bi-annual</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure strategic alignment between Host Authority and WMUK</li> </ul> <b>Waystone Attendees</b> <ul style="list-style-type: none"> <li>▪ Karl Midl, Country Head, UK and CEO</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> </ul>
JGC Engagement	Frequency	Objective
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Joint Governance Committee (JGC)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>▪ Engage with JGC on pertinent matters and strategic deliverables</li> </ul> <b>Waystone Attendees</b> <ul style="list-style-type: none"> <li>▪ Karl Midl, Country Head, UK and CEO / Adam Tookey, Head of Product – as required</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ James Zealander, Senior Relationship Manager</li> <li>▪ Russell Investments</li> </ul>
OWG Engagement	Frequency	Objective
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Officers Working Group (OWG)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identify and deliver on opportunities to improve and expand the relationship</li> <li>▪ Provide update on open projects or issues</li> <li>▪ Monthly KPI Review (Data supplied monthly)</li> </ul> <b>Waystone Attendees</b> <ul style="list-style-type: none"> <li>▪ James Zealander, Senior Relationship Manager</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ Heidi Robinson, Relationship Managers (as required)</li> <li>▪ Ad-hoc Link attendance from functional departments: Investment Management Oversight, Tax, Compliance, Product, etc.</li> <li>▪ Russell Investments</li> </ul>

# WMUK Engagement Protocol continued...

Host Authority Update	Frequency	Objective
<p><b>WPP Attendees</b></p> <ul style="list-style-type: none"> <li>▪ Anthony Parnell</li> <li>▪ Tracey Williams</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bi-Weekly</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regular Host Authority – WMUK to discuss deliverables and business updates</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ James Zealander, Senior Relationship Manager</li> <li>▪ Heidi Robinson, Relationship Managers (as required)</li> <li>▪ Clair Baguley, Client Service Manager (as required)</li> </ul>
Pension Fund Committees	Frequency	Objective
<ul style="list-style-type: none"> <li>▪ Individual Pension Fund Committee meetings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> </ul>	<ul style="list-style-type: none"> <li>▪ General update on the ACS and planned initiatives</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ James Zealander, Senior Relationship Manager</li> <li>▪ Heidi Robinson, Relationship Managers (as required)</li> <li>▪ Russell Investments</li> </ul>
Manager Engagement Days	Objective	
<ul style="list-style-type: none"> <li>▪ Open to all involved parties</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ Open day for presentations on strategy and performance (with IM)</li> <li>▪ Waystone Client Team</li> <li>▪ Northern Trust</li> <li>▪ Russell Investments and other Investment Managers</li> <li>▪ Other consultants as required (e.g. bFinance)</li> </ul>	
Pension Board Engagement	Frequency	Objective
<p><b>WPP Attendees</b></p> <ul style="list-style-type: none"> <li>▪ Chairpersons of the Constituent Authorities</li> <li>▪ Host Authority</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bi-Annual</li> </ul>	<ul style="list-style-type: none"> <li>▪ General update on the ACS and planned initiatives</li> <li>▪ Waystone Client Team</li> <li>▪ Russell Investments</li> </ul>

# Thank you

## Relationship Managers

Name: James Zealander  
Role: Senior Relationship Manager  
Number: +44 (0)7522 348 474  
Email: [James.Zealander@linkgroup.co.uk](mailto:James.Zealander@linkgroup.co.uk)

Heidi Robinson  
Relationship Manager  
+44 (0) 7843 804917  
[Heidi.Robinson@linkgroup.co.uk](mailto:Heidi.Robinson@linkgroup.co.uk)

## Head of Client Relations

Name: Richard Thornton  
Role: Head of Relationship Management – Asset Owners  
Number: +44 (0) 7765 220277  
Email: [Richard.Thornton@linkgroup.co.uk](mailto:Richard.Thornton@linkgroup.co.uk)

## Executive Contact

Name: Karl Midl  
Role: Country Head, UK and CEO  
Number: +44 (0)7951 266225  
Email: [karl.midl@linkgroup.co.uk](mailto:karl.midl@linkgroup.co.uk)

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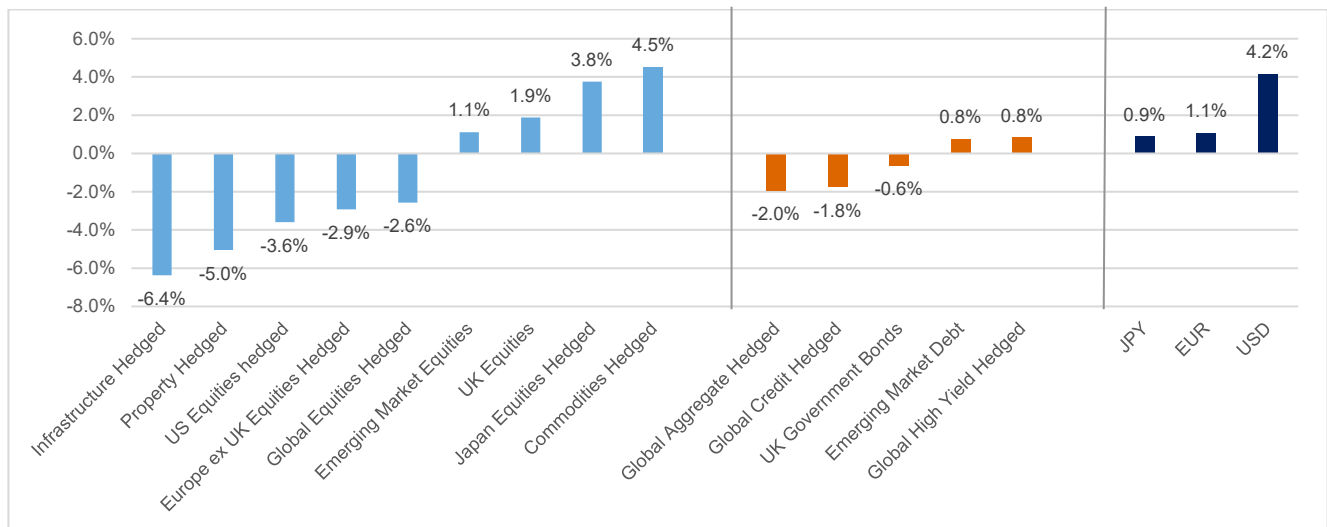


# JGC - WPP Performance Summary Q3 2023

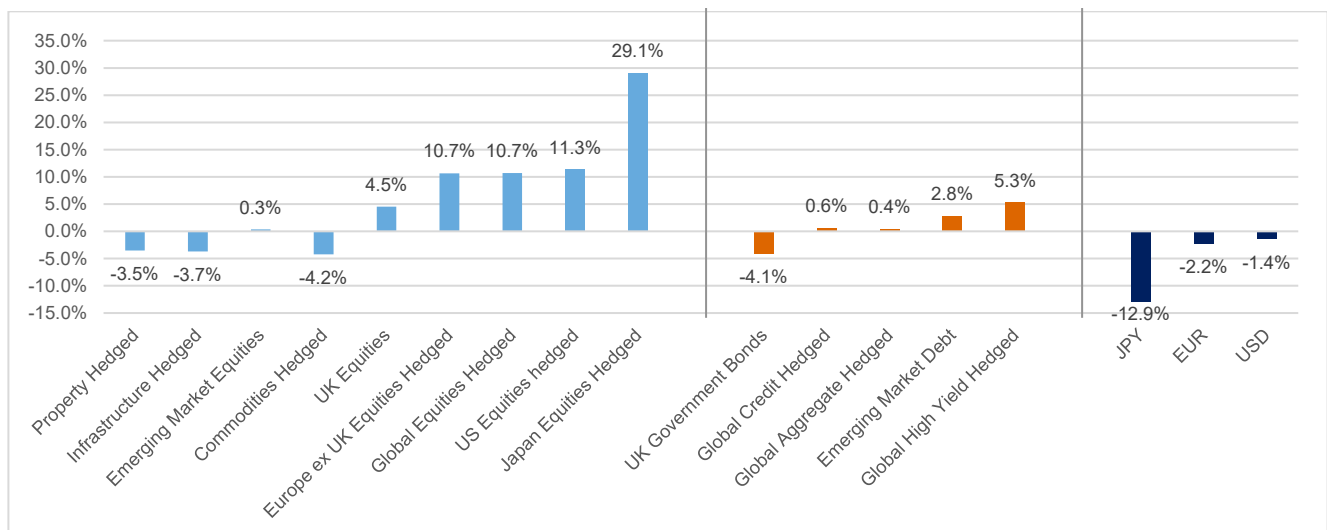
## Global Market Commentary

Equities retreated following earlier gains on rising expectations that interest rates would stay higher for longer prompted by hawkish comments from central banks. Soaring oil prices added to concerns that the battle over inflation may be prolonged. Worries over the Chinese economy, particularly the property sector, prompted a sell-off in Chinese equities mid-quarter although new stimulus measures from Beijing and a pick-up in manufacturing stemmed some of the falls. The US dollar strengthened against most currencies. The Federal Reserve (Fed) and Bank of England (BoE) both raised rates by 25 basis points (bps) earlier in the quarter but left them unchanged at their September meetings. The European Central Bank (ECB) raised rates twice, each by 25 bps, bringing them to the bloc's all-time high of 4.0%.

## Asset class performance – Quarter to Date (September) 2023



## Asset class performance – Year to Date (September) 2023



Benchmarks : Global equity hedged (MSCI World ACWI), UK equity (FTSE All Share), US equity hedged (Russell 1000 Net GBPH), Europe ex UK equity (MSCI Europe ex UK Equity Net GBPH), Japan equity (TOPIX Net GBPH), Emerging equity (MSCI Emerging Markets Net), Global HY bonds (BofAML Global High Yield 2% Constrained Index), EMD LC (JP Morgan GBI-EM Global Diversified Index), Global credit hedged (Bloomberg Barclays Global Aggregate Credit Index), Global aggregate hedged (Bloomberg Barclays Global Aggregate Bond Index GBPH), UK Government Bonds (ICEBofAML UK Gilts All Stocks (GB)), Property hedged (FTSEEPRA Nareit Dev Re GBP)

## Global Growth Equity Fund:

	Three Months	1 Year	Since Inception
Gross	-0.5	10.8	9.1
Net	-0.6	10.3	8.7
MSCI AC World Index Net	0.6	10.5	10.1
Excess returns (gross)	-1.1	0.3	-1.0

Inception Date: 31<sup>st</sup> January 2019

Source: Northern Trust as of 30 September 2023

### Overall Fund Commentary

Energy and Communication Services were the best performing sectors over the quarter. Utilities, Real Estate and Consumer Staples were the worst performers. Value outperformed the benchmark which supported the outperformance of Pzena. Veritas' value bias helped deliver small outperformance. Growth broadly underperformed which impacted the returns of Baillie Gifford as a number of holding experienced significant drawdowns. This caused underperformance at the total fund level.

### Global Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	1.4	10.4	11.4
<b>Net</b>	1.4	10.1	11.0
<b>MSCI AC World Index Net</b>	0.6	10.5	10.1
<b>Excess returns (gross)</b>	0.8	-0.1	1.3

Inception Date: COB 14th February 2019

Source: Source: Northern Trust as of 30 September 2023

#### Overall Fund Commentary

High dividend yield and value were the best performing styles over the quarter. Growth broadly underperformed. In developed markets large caps outperformed small and mid-caps, notably in the US, while the trend reversed in emerging markets where small caps outperformed large cap stocks. Energy was the standout performer due to soaring oil prices. In contrast, utilities, real estate, and consumer staples were the weakest-performing sectors given their bond proxy exposures.

### Sustainable Active Equity Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-1.7	-	-0.1
<b>Net</b>	-1.8	-	-0.2
<b>MSCI AC World Index Net</b>	0.6	-	2.6
<b>Excess returns (gross)</b>	-2.3	-	-2.7

Inception Date: COB 17<sup>th</sup> July 2023

Source: Source: Northern Trust as of 30 September 2023

#### Overall Fund Commentary

High dividend yielding and value were the best performing styles over the quarter. Growth broadly underperformed in the market environment followed by small caps. Energy was the best sector on rising oil prices, the Funds underweight to this sector drove underperformance. Bond-like sectors (Utilities, Real Estate) were weak as the term-premium for bonds rose strongly. A further tilt of the Fund away from large caps was a detractor on performance. With the tilt towards value adding positive performance over the period.

## EM Market Commentary

Emerging markets outperformed the index. In contrast to its position in the second quarter as the laggard, Turkey was the standout performer over the last quarter. Equities reached record highs as foreign investors returned to the market following the central bank's interest rate rises of 250 bps, 750 bps and 500 bps in July, August and September, respectively, which brought borrowing costs to the highest since September 2003. Investors have been encouraged by evidence of the country's adoption of more orthodox monetary policy. Egypt also performed well with the EGX index reaching a record high propelled by investors seeking to protect their savings from rampant inflation. In addition, United Arab Emirates, Malaysia and India recorded notable positive gains. Among the worst performers were Chile, Poland and Argentina.

## EM Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	0.2	3.4	-6.7
<b>Net</b>	0.1	2.9	-7.1
<b>MSCI Emerging Market Index + 1.5%</b>	1.5	3.7	-5.2
<b>Excess returns (gross)</b>	-1.3	-0.3	-1.5

Performance Target is MSCI Emerging Market Index + 1.5%

**Inception Date: 20<sup>th</sup> October 2021**

**Source: Source: Northern Trust as of 30 September 2023**

### Overall Fund Commentary

Within the emerging market environment, the Fund's positive exposure to momentum contributed positively. However, stock selection within China, and within consumer discretionary names (overweight Ecovacs Robotics, underweight online retailer PDD), detracted. Stock selection within Brazil (overweight Banco Bradesco) was also negative. At the country level, an underweight to India did not suit the market environment. However, an underweight to and stock selection within Taiwan (underweight semiconductor giant TSMC, overweight smaller players) mitigated additional underperformance.

## UK Market Commentary

UK equities outperformed other markets and the wider index (in USD) due to strong performance from the energy sector. The BoE raised interest rates by 25 bps in August but left them unchanged in September, at 5.25%. Warning that borrowing costs would remain high for at least the next two years the bank claimed the economy had proved more resilient than expected and that strong wage growth was the main reason for higher interest rates. Later in the quarter, revised figures from the Office of National Statistics supported the BoE's claim, revealing that the economy recovered from the pandemic faster than previously estimated. In the second quarter, GDP was 1.8% above the pre-pandemic level in the last quarter of 2019, rather than the initial estimate of a 0.2% contraction.

## UK Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	2.1	20.4	3.7
<b>Net</b>	2.0	19.9	3.3
<b>FTSE All Share</b>	1.9	13.8	4.1
<b>Excess returns (gross)</b>	0.2	6.5	-0.4

Inception Date: 23<sup>rd</sup> September 2019

Source: Northern Trust as of 30 September 2023

## Overall Fund Commentary

The Funds overweight to Quality and underweight to Low Volatility supported performance over the quarter. The exposure to value helped bolster performance as value stocks outperformed over the period. In particular, JO Hambro and Ninety-One benefitted from their value exposure. With small cap stocks underperforming large caps the Funds exposure to small caps acted as a headwind to performance.

## Fixed Income Market Commentary

The Bloomberg Global Aggregate Bond Index (USDH) was down 1.8% over the quarter. Corporate bond markets struggled while government bond yields climbed. Continued hawkish comments from central bank officials and soaring oil prices dampened investor optimism prompting an adjustment to interest rate expectations. Ten-year government bond yields reached new year-to-date highs in the US and eurozone. High yield corporate credit outperformed investment grade equivalents. The Federal Reserve (Fed) and Bank of England (BoE) both raised interest rates by 25 basis points (bps) early in the quarter but left them unchanged at their September meetings. The European Central Bank (ECB) raised rates twice, each by 25 bps, bringing them to the bloc's all-time high of 4.0%.

### Global Government Bond Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-2.3	0.7	-4.3
<b>Net</b>	-2.5	0.5	-4.5
<b>FTSE World Gvt Bond Index (GBP Hedged)</b>	-2.5	-0.7	-5.4
<b>Excess returns (gross)</b>	-0.2	1.4	1.1

Inception Date: 30<sup>th</sup> July 2020

Source: Source: Northern Trust as of 30 September 2023

#### Overall Fund Commentary

The Fund's underweight to benchmark 10-year Japanese bonds was a key contributor this quarter. UK gilt positioning suited the market environment, particularly towards short-dated issues as these yields declined from elevated levels seen in the previous quarter. An underweight to core eurozone bonds also contributed positively. In contrast to the second quarter, an overweight to Mexican rates detracted this period.

### Global Credit Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-1.7	2.8	-4.9
<b>Net</b>	-1.8	2.6	-5.0
<b>Bloomberg Barclays Global Agg Credit Index (GBP Hedged)</b>	-1.8	3.1	-4.7
<b>Excess returns (gross)</b>	0.1	-0.3	-0.1

Inception Date: 27<sup>th</sup> July 2020

Source: Source: Northern Trust as of 30 September 2023

#### Overall Fund Commentary

The Fund's overweight to European high yield (financials) and investment grade credit contributed positively. Overweight exposure to US high yield credit financials also helped. However, an underweight to US investment grade industrials and utilities detracted. In hard currency emerging market debt, underweights to investment grade credit in Asia, Europe, and Latin America were ineffective.

### Multi Asset Credit Fund:

	Three Months	1 Year	Since Inception
Gross	0.1	10.4	0.4
Net	0.0	10.0	0.1
3 Month GBP SONIA + 4%	2.3	8.3	5.6

Performance Target is 3 Month GBP SONIA + 4%, we have not shown excess return as this is a target.

Inception Date: 27<sup>th</sup> July 2020

Source: Source: Northern Trust as of 30 September 2023

#### Overall Fund Commentary

As in the second quarter, high yield (HY) was stronger than investment grade corporate debt, except for US HY where spreads widened. The Funds exposure to the sub asset class helped deliver over the period. In the rising interest rate environment, the Funds exposure to bank loans through ICG helped to stem underperformance. The exposure of the Fund to EM local currency was a detractor on performance due to the US dollar strength over the period. Positive performance from Voya through exposure to residential mortgage backed securities helped stem further underperformance over the quarter.

### Absolute Return Bond Strategy Fund:

	Three Months	1 Year	Since Inception
Gross	2.7	6.3	2.9
Net	2.6	5.9	2.6
3 Month GBP SONIA + 2%	1.8	6.2	3.7

Performance Target is 3 Month GBP SONIA + 2%, we have not shown excess return as this is a target.

Inception Date: 30th September 2020

Source: Source: Northern Trust as of 30 September 2023

#### Overall Fund Commentary

The Funds exposure to high yield was a main driver of its outperformance over the quarter as spreads tightened. With increased volatility in the market over the quarter due to the expectation that interest rates would be higher for longer. Investors were attracted to asset backed securities (ABS) increasing these securities values. The Funds exposure to ABS through Aegon was a driver of its outperformance over the quarter.

## Sterling Credit Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	2.4	8.4	-4.6
<b>Net</b>	2.4	8.3	-4.8
<b>ICE Bank of America Merrill Lynch Euro-Sterling Index plus 0.65%</b>	2.4	8.1	-5.0
<b>Excess returns (Gross)</b>	0.0	0.3	0.4

Inception Date: 27<sup>th</sup> July 2020

Source: Northern Trust as of 30 September 2023

### Overall Fund Commentary

During the quarter, the fund performed in line with the benchmark, returning 2.2%, with credit positioning supporting returns while term structure positioning detracted from performance. An overweight credit beta position supported returns as credit spreads broadly tightened over the quarter amid signs of improving consumer confidence and hopes that interest rates may have peaked. At a sector level, the overweight stance in banks & brokers, insurance and other financials supported performance. Our overweight position in legacy Credit Suisse debt (now UBS) contributed to performance, as we exploited the spreads differential between Credit Suisse and UBS, on the announcement of the merger. Our underweight positioning in quasi/sovereign names such as KfW and European Investment Bank detracted from performance. On the duration front, an overweight position in the Euro duration detracted from performance as central banks stuck to their message to keep rates high for longer. The fund's adverse sterling duration position also detracted from performance. Gilt yields remain volatile and rose during the quarter. However, Gilts recovered as weaker growth data forced investors to dial down their expectations for terminal rates.

UK bonds posted positive returns during the quarter, with corporate bonds outperforming government bonds. In the corporate credit space, credit spreads tightened amid signs of improving consumer confidence and hopes that interest rates may have peaked. The European Central Bank (ECB) raised interest rates by 25 basis points in July however, the overall tone moved in a dovish direction. Furthermore, the ECB regarded the outlook for inflation as highly uncertain, thereby emphasising sticking to a data-dependent, meeting-by-meeting approach. However, investors remained cautious about the possibility of further monetary tightening by the ECB on the back of mixed economic data. US treasuries sold off at the start of the quarter amid the tight labour market and a relatively hawkish stance from the US Federal Reserve (Fed). The trend continued when the credit rating agency, Fitch, lowered the US government's long-term debt rating to AA+ from AAA due to concerns over fiscal and governance-related issues.





# Wales Pension Partnership Business Plan 2024-2027



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# Introduction

This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for, 2024/25, 2025/26 and 2026/27. The business plan is constantly monitored and is formally reviewed and agreed every year. The purpose of the business plan is to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives of the WPP over the next three years
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

## About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Waystone Management (UK) Limited (Waystone) and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities. We have a shared vision and agreement on the means and pace at which this vision will be achieved. The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:



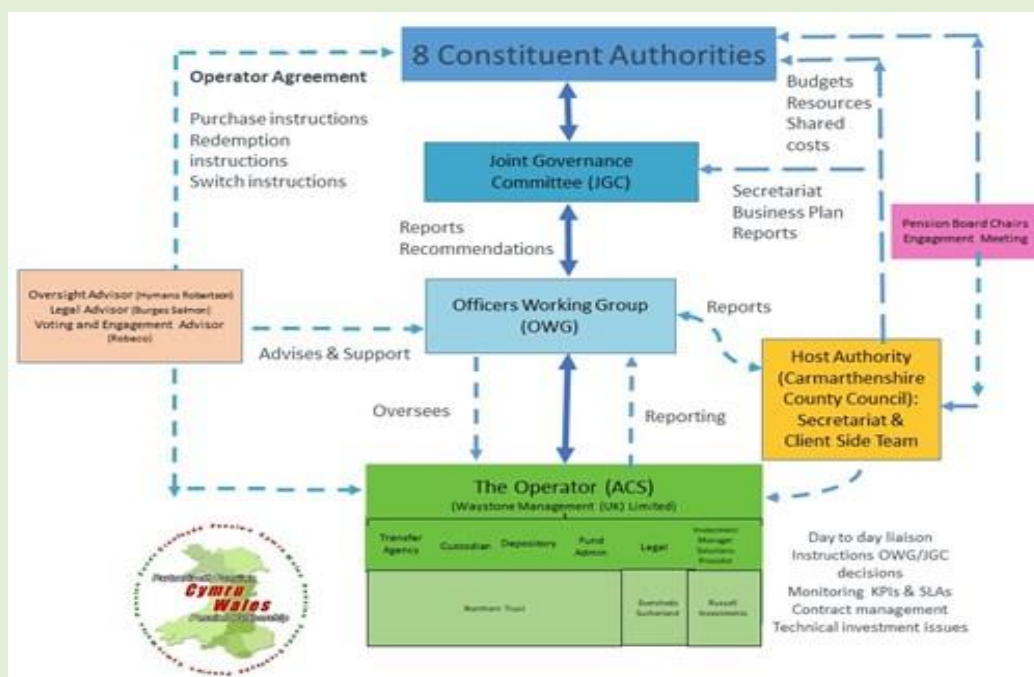
# Governance

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for, used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure, which has been designed to:



The diagram below shows WPP's governance structure:



The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving this Business Plan, which outlines the WPP's budget and workplan, as well as its beliefs and objectives. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised respectively of elected councillors, scheme member representative and officer representatives from the Constituent Authorities.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP ensures the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers are also made publicly available. Local Pension Board engagement days are also held regularly as a means of fostering stakeholder engagement. The WPP recognises the importance of all of its stakeholders to reflect this the WPP has put in place an Engagement Protocol Framework, this is carried out via the following engagement mechanisms:

Engagement mechanisms and Frequency:

- Strategic Relationship Review meeting                                      Bi-Annual
- JGC Engagement    Quarterly
- Manager Performance Meetings/ Calls    Quarterly
- Training Events    Quarterly
- OWG Engagement    Quarterly
- Bi-weekly meetings    Every 2 weeks
- Pension Fund Committees    Annual
- Manager Engagement Days    Annual
- Member Communications    Annual
- Pension Board Engagement    Every 6 months
- Engagement via the website & LinkedIn    Continuous

# Risk Management

The Wales Pension Partnership ('WPP') recognises that it faces numerous risks which, if left unmanaged, can limit the WPP's ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances' risks need to be embraced through active and effective management.

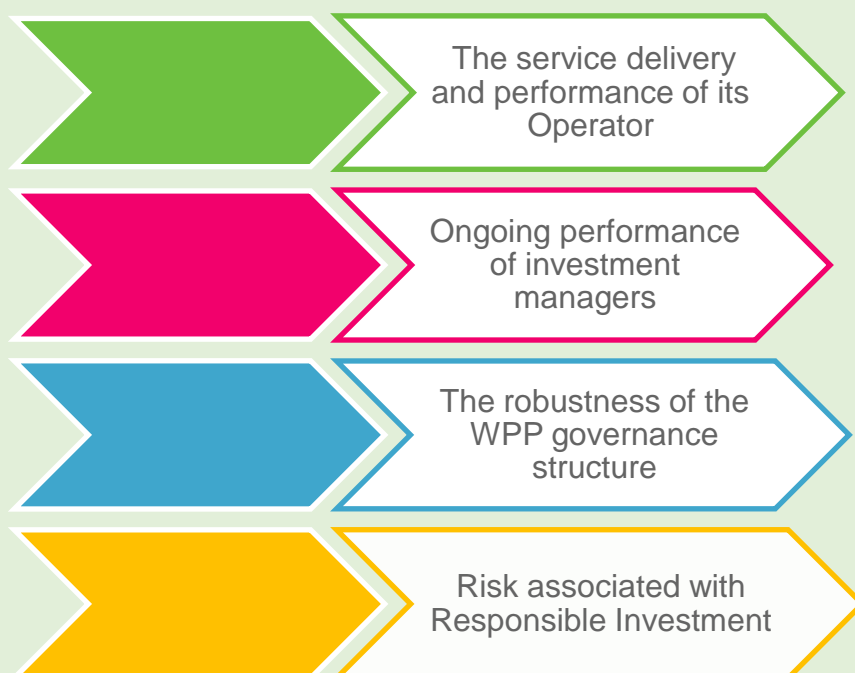
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, the WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed.

The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP's Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks.

During the course of this business plan the WPP will seek to develop mechanisms, frameworks and process for managing the following key risks:



# Objectives

The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of all stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives these can be summarised as follows:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical)
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers
- To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.

The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

# Beliefs

The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented
- Good governance should lead to superior outcomes for the WPP's stakeholders
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders
- Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader Environmental, Social and Governance issues, should result in better outcomes for the WPP's stakeholders
- Effective internal and external communication is vital to achieving the WPP's objectives
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise
- Fee and cost transparency will aid decision making and improve stakeholder outcomes
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve
- Flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

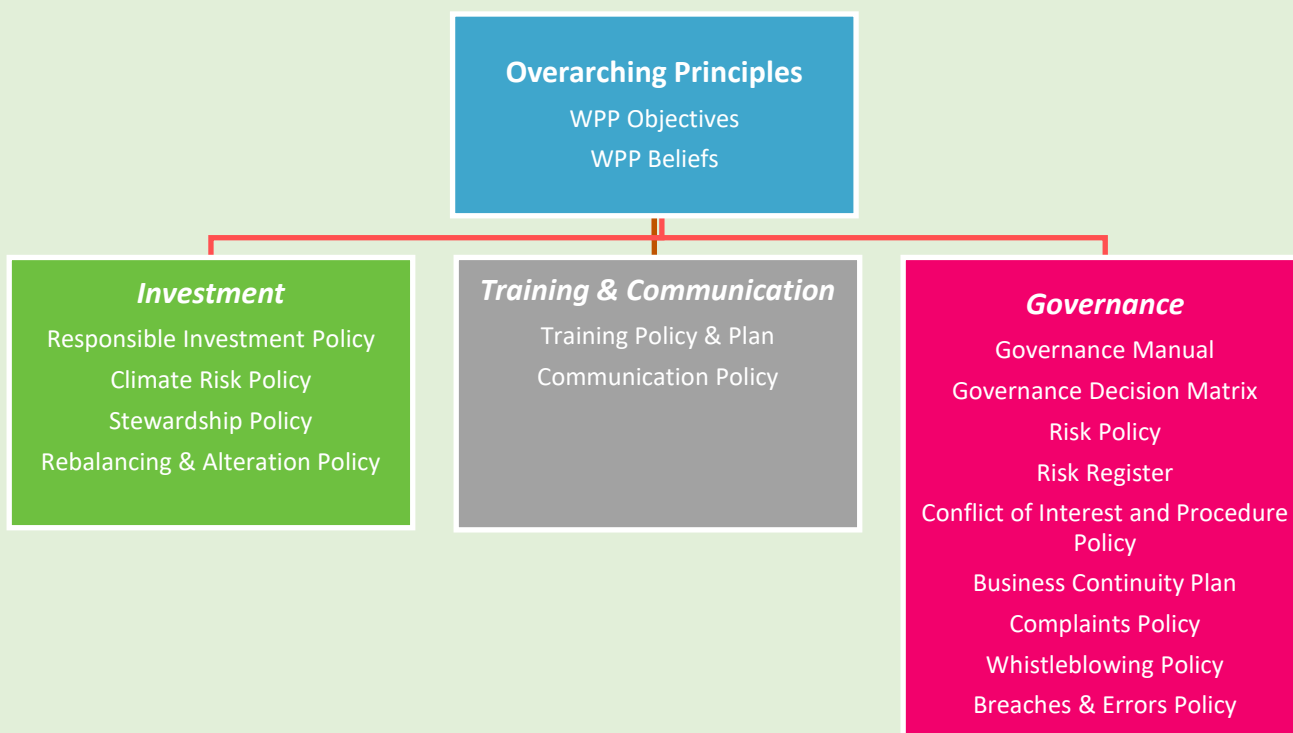


# Policies

The WPP believes that good governance should lead to superior outcomes for the WPP’s stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and a set of governing policies. In all instances the WPP’s policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP and the Constituent Authorities, to:



The WPP’s key policies, registers and plans are listed below and can be found on the WPP website.



The WPP’s policies are reviewed on a regular basis and the WPP will continually assess whether any additional policies, registers or plans are required. The policies play a vital role in the WPP’s governance arrangements and have been formulated with the sole purpose of providing a codified framework which will ensure that the WPP achieves its objectives in an effective and transparent means.

# Work Plan

The table below shows key priorities and objectives that the WPP aims to complete over the next three years. The workplan has been broken down into a number of key sections which are all vital to the continued success of the WPP

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework and carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Sub-Fund development** – To date the WPP has pooled c70% of its assets and a number of other sub funds are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers are crucial. The current operator contract comes to an end in December 2024 and the procurement process for the new operator contract is underway.
- **Investments and Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements covering areas such as investment performance, risk, Stewardship activities, Responsible Investment and Climate, and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **Resources, Budget and Fees** - The WPP recognises that insufficient resources pose a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2024 - 2025	2025 - 2026	2026 - 2027
<b>Governance</b>			
Oversight Advisor procurement process	✓		
Voting & Engagement Service provider procurement process	✓		
Legal Services provider procurement process		✓	
Annual review of WPP's policies and plans	✓	✓	✓
Quarterly reviews of the Risk Register	✓	✓	✓
Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes	✓	✓	✓
<b>Ongoing Sub-Fund development</b>			
Launch the real estate investment programmes	✓		
Launch additional Private Market vintages	✓	✓	✓

Consideration of WPP's Levelling up / impact requirements	✓	✓	✓
Consultation with CAs on need for further Sub-Funds, review and develop, as required	✓	✓	✓
Consideration of Local Investment opportunities	✓	✓	✓
<b>Operator Services</b>			
Complete Operator contract procurement process and implement new operator contract	✓		
Operator and Sub-Fund governance Oversight	✓	✓	✓
<b>Investments and Reporting</b>			
Develop & Implement Private Markets reporting	✓		
Climate-related / TCFD reporting	✓	✓	✓
Stewardship Code reporting	✓	✓	✓
Consider additional reporting that demonstrates WPP's commitment to Responsible Investment	✓	✓	✓
On-going Sub-Fund responsible investment and climate risk performance reporting, scrutiny and challenge	✓	✓	✓
Annual performance review of WPP Sub-Funds	✓	✓	✓
Review of Russell Investment's service delivery in delivering WPP's objectives across Sub-Funds	✓		
On-going engagement with Constituent Authorities regarding ESG / RI standards and their climate ambitions	✓	✓	✓
<b>Communication and Training</b>			
Formulation of WPP's Annual Responsible Investment Progress Report	✓	✓	✓
Formulation of WPP's Annual Training Plan	✓	✓	✓
Formulation of WPP's Annual Update	✓	✓	✓
Formulation of WPP's Annual Report	✓	✓	✓
<b>Resources, Budget and Fees</b>			
Annual review of resources and capacity	✓	✓	✓
Formulation of Annual WPP Budget	✓	✓	✓
Review and Monitoring of Operator / external provider fees	✓	✓	✓

# Training Plan

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes; and
- relevant investment opportunities.

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP. WPP personnel should also be aware of the WPP's framework, beliefs, policies, governance matrix, the decision-making process and decision logging process.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

We have set out below a list of training topics which the Host Authority will arrange training for during the 2024/25 financial year. WPP's training topics are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG').

Product Knowledge and Cyber Security:

- WPP Pooled Investments
- Overview of cyber security and consideration for WPP

Policies:

- Responsible Investment Policy
- Climate Risk Policy
- Stewardship Policy

Responsible Investment (RI):

- Net Zero journey planning
- Climate Metrics

Market Understanding & Regulatory Requirements:

- Progress of other LGPS pools & Collaboration Opportunities
- Any new regulatory / guidance developments

# Budget

The table below outlines the WPP's budget for the next three years.

	Forecast 2023-24 outturn	2024-25	2025-26	2026-27
	£'000	£'000	£'000	£'000
Host Authority *	173	231	239	245
External Advisors *	1,559	1,411	1,435	1,541
<b>TOTAL to be recharged</b>	<b>1,732</b>	<b>1,642</b>	<b>1,674</b>	<b>1,786</b>
Operator **	36,079	40,734	45,705	50,231
Allocator **	1,796	7,006	7,016	7,302
<b>TOTAL to be deducted from the NAV</b>	<b>37,875</b>	<b>47,740</b>	<b>52,721</b>	<b>57,533</b>

*\*Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

*\*\*Operator / Allocator Services costs are based on each Constituent Authority's percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets.*

# Investments & Performance

The WPP's Constituent Authorities have total assets of circa £22.5bn (as at 31 March 2023). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

The Officers Working Group receives quarterly, six monthly and annual performance reports, the group reviews and challenges the performance of Investment Managers on behalf of the WPP. The WPP hosts annual manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees. Below we outline the WPP's existing Sub-Funds.

## Equity Sub-Funds



Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd, Cardiff and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT and Cardiff	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, Nissay, Intermede and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Baillie Gifford, Ninety-One, J O Hambro, Liontrust and Fidelity	Sept 19
Emerging Markets	MSCI Emerging Markets ND +1.5%	Cardiff, Clwyd, Gwynedd, Powys and Torfaen	Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree	Oct 21
Sustainable Active Equity	MSCI ACWI ND	Cardiff, Clwyd, Dyfed, Gwynedd, Powys, RCT, Swansea and Torfaen	Sparinvest, Mirova, Neuberger Berman, Wellington and Artemis	June 23

## Fixed Income Sub-Funds

### Absolute Return Bond Fund

Managed by Russell Investments

### Global Government Bond Fund

Managed by Russell Investments

### Multi-Asset Credit Fund

Managed by Russell Investments

### Global Credit Fund

Managed by Russell Investments

### UK Credit Fund

Managed by Waystone Management (UK) Limited

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Gwynedd, Powys and Torfaen	Western, Metlife, Fidelity and Robeco	July 20
Global Government	FTSE WGBI Index (GBP Hedged)	Cardiff and Torfaen	Bluebay and Colchester	July 20
Multi-Asset Credit	3 Month GBP SONIA plus 4%	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 20
Absolute Return Bond Fund	3 Month GBP SONIA plus 2%	Gwynedd, Powys and Swansea	Wellington, Aegon and Insight	Sept 20
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 20

## Private Markets

### Infrastructure – closed ended

Managed by GCM Grosvenor

Participating Funds: Clwyd, Dyfed, Gwynedd, Powys, RCT, Swansea and Torfaen

### Infrastructure – open ended

Managed by CBRE, IFM and Octopus

Participating Funds: Cardiff, Gwynedd, Powys, Swansea, Torfaen

### Private Credit

Managed by Russell Investments

Participating Funds: Cardiff, Clwyd, Dyfed Gwynedd, Powys, Swansea and Torfaen

### Private Equity

Managed by Schroders Capital

Participating Funds: Cardiff, Clwyd, Gwynedd, Powys and Swansea

# Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - [WalesPensionPartnership@carmarthenshire.gov.uk](mailto:WalesPensionPartnership@carmarthenshire.gov.uk)

Telephone - (01267) 224136

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

<https://www.walespensionpartnership.org/>





**CYNGOR SIR POWYS COUNTY COUNCIL****Pensions and Investment Committee  
22<sup>nd</sup> March 2024****REPORT BY: Head of Finance****SUBJECT: Responsible Investment**

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**REPORT FOR: Information**

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**1. Summary**

- 1.1 This report has been produced to provide Committee with an update on Responsible Investment (RI) matters following the first meeting of the Fund's RI sub-group on the 4<sup>th</sup> of March 2024.

**2. RI sub-group Updates**

- 2.1 Minutes for the sub-group will be shared in due course but the agenda covered:
- Terms of Reference and High-Level Objectives
  - Recap on the RI journey to date
  - RI Policy
  - Looking Forward
  - Setting Objectives
  - Voting and Engagement
  - Sharing Communications and Updates
- 2.2 The sub-group invitation is open to all members of the Pensions and Investment Committee, officers responsible for the management of the Fund and the Fund's investment consultant. There were representatives from each at this meeting.
- 2.3 The group reflected on the journey since 2019 and agreed that a review of the existing RI policy was an immediate requirement, to ensure the content remains appropriate in a rapidly challenging and evolving environment. This work will be completed and presented to Committee for approval at the next meeting.
- 2.4 The main discussion was around climate, but it was agreed that responsible investment is a much larger consideration than only climate and should include Human Rights, Social, biodiversity and any other appropriate subject matter that is related. The group will consider all

matters accordingly and meet as frequently as required in order to discuss these.

### 3 Looking Forward

- 3.1 A discussion took place around setting targets and how best to achieve those targets.
- 3.2 It was acknowledged that the Wales Pension Partnership (WPP) will play a key part in helping the Fund achieve its RI objectives and it was recognised that steps have already been taken at the WPP to help Funds along this journey. The launch of the Sustainable Active Equity sub-fund, into which the Powys Fund invests was a significant step forward.
- 3.3 The Pension Fund receives a significant amount of correspondence on RI matters, including from the WPP. A discussion took place around the best way to disseminate the relevant information to the sub-group and in turn, the Pensions and Investment Committee. It was agreed that the Pension Fund Manager would act in the first instance and share information accordingly, highlighting the areas of interest within the communications.

### 4. Wales Pension Partnership (WPP)

- 4.1 The WPP have also recently published an All Wales Climate Report, which is available on their website [here](#).

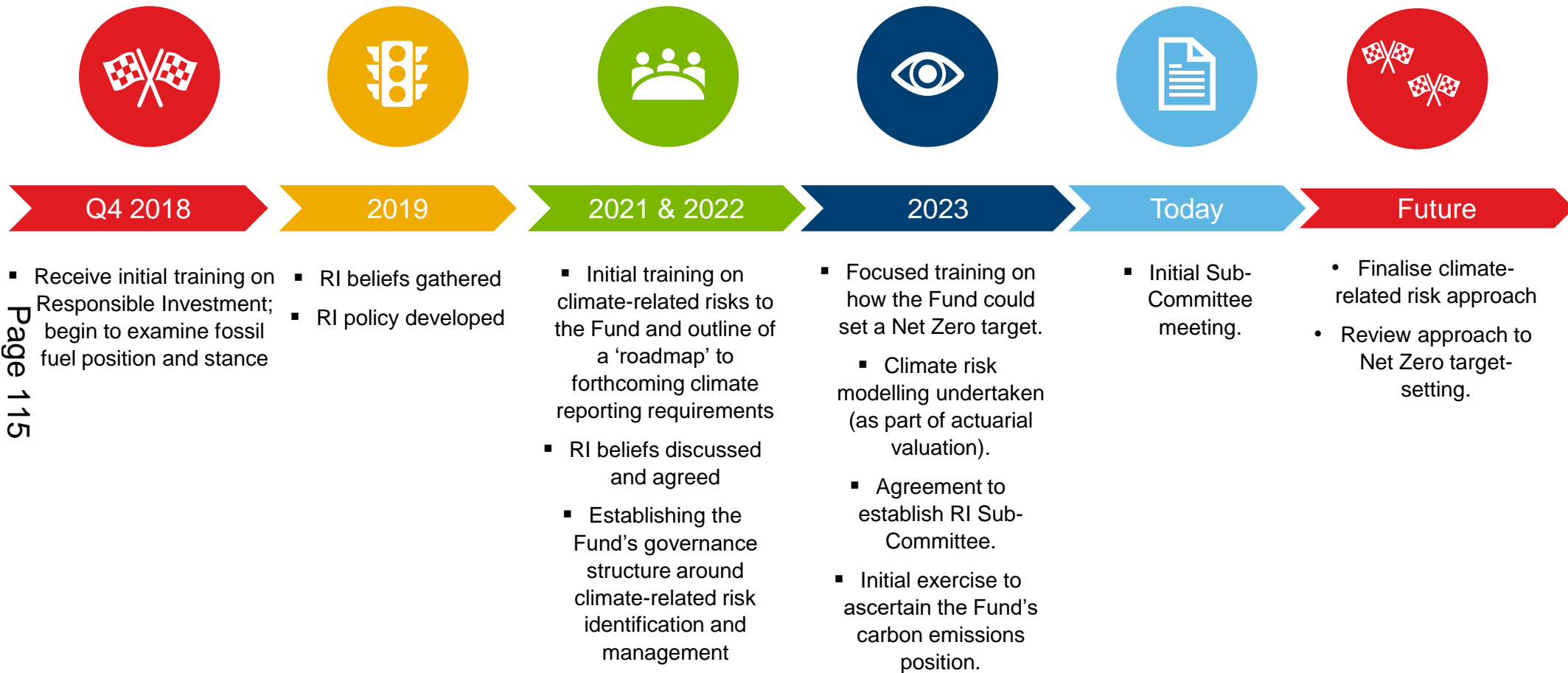
### 5 Recommendation

- 5.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the content of the report		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>	Immediately		
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Cllr David Thomas
<b>Relevant Local Member(s):</b>	N/A

# The Fund's journey so far



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## Key takeaway

The Committee has maintained focus and momentum on this important area, alongside its other priorities. The Sub-Committee can now continue this in a targeted way. **To support this, we have proposed some actions for consideration today.**

# Potential actions and order of activity

## Completion of climate-related risk project

Put The Fund has made good progress, with further discussion required over 2024.

## Review and consider RI policy

We propose an annual review in order to keep pace with the Fund's activity and market developments.

## Agree on Net Zero target

The Committee has supported the focus on target adoption, and should consider appropriate timescales for this. Aon will support the Committee in doing so.



## Structured training programme

Delivery of ongoing training on topical matters to build the Committee's awareness.

## Manager engagement

Liaison with managers (either via WPP or directly) on their RI approach and implementation.

## Manager selection

Incorporate RI capabilities into future manager selection exercises.



## Timeline

We propose actions on the left hand side as 2024 priorities for the Sub-Committee, with actions to the right being ongoing focal points.

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