

# Public Document Pack

CommitteeName MeetingDate

## MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE HELD AT ON FRIDAY, 13 DECEMBER 2024

PRESENT County Councillors

A E Jones

A Kennerley

C Kenyon-Wade

D H Williams

P E Lewis

Trish Fretten (Employer Representative)

Dafydd Edwards (Independent Chair, Powys Pension Board)

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

Jane Thomas (Director of Corporate Services)

Dan Paley (Financial Reporting & Policy Accountant)

James Zealander (Waystone)

Aidan Quinn / Keith Brakebill / Alice Murphy (Russell Investments)

Kenneth Ettles / Luke Hammond / (Aon)

### 1. APOLOGIES

Apologies received from: Cllr D A Thomas.

### 2. DECLARATIONS OF INTEREST

A E Jones, A Kennerley, C Kenyon-Wade, D H Williams, and P E Lewis declared interests as members of the Local Government Pensions Scheme.

These are personal interests, not prejudicial interests in accordance with Paragraph 12(b) (iv) of the Members Code of Conduct 2016.

### 3. MINUTES

The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 22 October 2024 as a correct record.

### 4. PENSIONS BOARD MINUTES

The Pension Board Chair provided a verbal update and highlighted the discussions held by the Board within the minutes of the meeting on 18.11.2024.

- The Government's open consultation on the LGPS being fit for the future and an amendment to the risk register to reflect the recent and future regulatory changes.
- A deep dive into the investment Pillar risk register took place with adjustments being proposed later in the agenda.

A discussion took place around climate and nature and the Pension Fund Manager would consider the incorporation in to the risk register as the County Council was also considering the same issues.

**Resolved:** Pension Board Minutes be noted.

## 5. CHAIRS ANNOUNCEMENTS

The Chair of the Pensions and Investment Committee attended:

Date	Event	Notes
26 November	Met with the Scheme Advisory Board Chair.	
03 December	The Joint Governance Committee (JGC) meeting.	The focus was on the recent Mansion House announcements and the proposed changes.

A discussion was held around the different positions of local authority pools and how a robust response to the consultation from Powys would be required.

## 6. ADMINISTRATION AND GOVERNANCE REPORT

The Committee received the report. The Pension Fund Manager highlighted the following:

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

2.2 Pensions Review (the way the pensions industry was structured) - call for evidence response had been provided.

2.3 – Scheme Advisory Board meeting attended by Chair on the 26.11.2024 to discuss recent announcements.

### 3.LGPS Updates

3.1 – Changes announced would impact the Pension Team and processes would need to be modified to ensure that inheritance tax variations were incorporated.

It was noted that proposed changes to the Public Sector Net Financial Liabilities (PSNFL) in which the Government would reshape the calculation that allowed borrowing which would include the LGPS funding levels. Clarification was provided that there would not be any liability upon the fund, just a change to the methodology used by the Government.

3.3 – The Pensions Regulator Annual Scheme Return had been submitted within the deadline.

3.4 – The McCloud remedy was embedded within the Pension Team and conducted for every required calculation. It was noted that historic calculations would be revisited.

3.5 – The official government confirmation of the Consumer Price Index rate was awaited but expected to be 1.7%, based on the figure at the end of September 2024.

### 4. The Pensions Dashboard Programme

4.1/4.2/4.3 – the dashboard was a central online portal for pension savers to access all pension benefit information. The Department of Work and Pensions

had issued a statement committing to the previous governments launch of October 2026.

The Pension Fund Manager provided assurance that he had met with software providers to conduct data quality checks, review the dashboard tools and work was ongoing.

## 5. Risk Register

5.1 - Adjustments proposed were reviewed:

INVEST0008 – commentary addressed changes in legislation and agreed risks would be adjusted accordingly.

INVEST0009 –well established processes around evidence provision was in place and the risk was proposed to be archived.

INVEST0010 – a subset of INVEST0001and duplication proposed to be archived.

It was noted that the archived risks remain on the system but would not appear on reports.

INVEST0012 - commentary addressed changes to reflect not only climate change but other relevant world conflicts. The Pension Fund Manager would also update the risk to include geopolitical tensions.

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

### **Resolved:**

1. The Administration and Governance Report be noted,
2. and amendments to the Investment Pillar of the Risk Register approved:
  - INVEST0001 long-term returns - approved.
  - INVEST0009 investment strategy - archived.
  - INVEST0010 returns on Government bonds - archived.
  - INVEST0012 Environmental, Social and Governance (ESG) factors - approved.

<b>7.</b>	<b>UPDATE ON NATIONAL DEVELOPMENTS</b>
-----------	--

The Committee received the Updates Reports. The Pension Fund Manager provided background information that after the Mansion House speech on 14 November a consultation was launched closing on 16 January 2025 on the reform of Local Government Pension Scheme investments. With key recommendations:

Pools must be:

- Financial Conduct Authority (FCA) regulated entity, in which the Wales Pension Partnerships (WPP) was not, since it uses an operator model that hired in expertise and did not meet the criteria. Other Pools had created pooling companies which appeared to be the governments preferred option.
- Funds were to be pooled by March 2026 which presented difficulties for long term investments and a response would be provided to the consultation.

- Wales arrangements were identified as different, meetings had been conducted to discuss the above issues.
- The Good Governance Project was designed to create a framework for all funds to adhere to and was included in the consultation for comment

Messaging towards stakeholders, employers and members would be considered by the Pension Fund Manager to communicate challenges.

It was noted that the frequency of meetings had been increased to discuss options and to prepare for the future:

I. Look to merge with an FCA regulated pool and work under a different framework.

II. The preferred option was to recognise that Wales was different and look to meet the expected standards to continue. The Chair felt it was an opportunity for Wales (and Powys) to keep its identity and keep the investments local to Wales as each Chair had an equal voice.

The Pension Fund Manager added that the Committee would be kept up to date and any potential amendments to the pooling structure may need be processed through Full Council.

It was explained that benefits had been gained by the Powys Fund from being part of the Wales pension Partnership, sharing costs and types of investments that would not usually be available to smaller funds as Powys, however concerns were raised by members of the meeting that Powys may lose their identity, and local investments.

It was stressed to members the importance to attend informal meetings as the pace of change would be rapid when final decisions were made.

It was moved and duly seconded to note the Report.

**Resolved:** The National Development Report be noted.

<b>8.</b>	<b>THE PENSION REGULATOR GENERAL CODE OF PRACTICE</b>
-----------	---

The Committee received the report. The Pension Fund Manager highlighted that the General Code of Practice had been in place for six months, a gap analysis had been conducted and explained that a key focus was around evidencing procedures. The Committee were assured that work was ongoing to achieve full compliance.

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

**Resolved:** The Pensions Regulator General Code of Practice Report be noted.

<b>9.</b>	<b>WALES PENSION PARTNERSHIP [WPP] UPDATE</b>
-----------	---

The Committee received the report regarding the WPP quarterly update. The Pension Fund Manager noted further details would be provided in later agenda items.

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

**Resolved:** The Wales Pension Partnership (WPP) be noted.

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

**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>11. WALES PENSION PARTNERSHIP OPERATOR UPDATE</b>
--

The Committee reviewed the reports from James Zealander a representative from Waystone. The presentation provided the Committee with a corporate update including engagement activities and events.

In depth operational oversights included core governance principles and details of fund launches and changes that had occurred. The Committee were assured that Investments, sub-fund performance graphs provided clarity of the current status.

Market updates were discussed and the impact of current global circumstances.

It was moved and duly seconded to note the report.

**Resolved:** The Wales Pension Partnership Operator Report/The Link Group Operator Update report be noted.

<b>12. RUSSELL INVESTMENTS UPDATE</b>
---------------------------------------

The Committee received an update on the WPP's Sustainable Active Equity and Emerging Markets sub-funds from the Russell Investments representatives. An extensive presentation was delivered, featuring several detailed case studies to enhance understanding of fund portfolios.

A discussion around the approach to net zero took place and questions were answered appropriately. There is a requirement for good data in order to manage progress.

**Resolved:** The Russell Investment Update report be noted.

<b>13. RESPONSIBLE INVESTMENT</b>
-----------------------------------

The Committee received the report. The Pension Fund Manager highlighted that the work towards net zero was positive in regard to the benchmarking position including carbon monitoring and engagement.

The WPP Responsible Investment Sub-Group were reviewing and benchmarking sub funds and looking into methods and formats of communication.

A report was presented to the Committee for the first time, which included detailed tables of benchmarking information, the report could be used for future comparisons to ensure portfolios continue to evolve and adapt.

Feedback from the Committee was encouraged and a discussion was held for further clarity and how some elements could be simplified and improved including the governance and actions around the benchmarking data and the work programme for the future.

The Committee received assurance that the report was produced by Responsible Investment specialists on behalf of the WPP, and a discussion took place around ensuring adequate resourcing for responsible investment due to the pace of change and response to climate emergencies.

It was moved and duly seconded to note the report.

**Resolved:** The Responsible Investment Report be noted.

<b>14. QUARTERLY MONITORING REPORT</b>
--

The Committee received the report Kenneth Ettles and Luke Hammond Aon representatives which included data from June to September 2024. keys highlights of the presentation provided by Aon included:

The portfolio overall showed assets had grown stronger than liabilities resulting in the fund showing a healthy position with a funding level rise .

An asset allocation table was provided a detailed overview of performance and status which would continuously be monitored and evolve. Projected cash flows enabled how future investments would perform.

Strategy and manager updates provided background to current projects and how working with partners supported the access to specialist resources when needed, with a key to reduce carbon emissions and ensure responsible investments for the portfolio.

Quarter 3 equity fund performance was below the benchmark and explained that the factors that drew the conclusions with Powys having a relatively low exposure to equities, when compared to a typical LGPS Fund. A discussion took place around the protection currently in place and the opportunities towards the growth of the fund with all aspects considered within the existing strategy.

It was moved and duly seconded to note the report.

**Resolved:** The Quarterly Monitoring Report be noted.

<b>15. CASH FLOW IMPLEMENTATION UPDATE</b>
--

The Committee received the verbal update from Kenneth Ettles an Aon representative. Information was shared with the Committee around the next steps to be considered by the WPP including the impacts and risks regarding the Governments investment pooling consultation within the UK with certain criteria yet to be defined and clarified.

It was noted that the Wales Pension Partnership (WPP) successfully won the award under the Environmental, Social and Governance Innovation category at the Local Government Chronicle (LGC) Investment Awards ceremony.

**Resolved:** The verbal Cash Flow Implementation Update be noted.

<b>16. AON UPDATES</b>
------------------------

Please see above.

**County Councillor P E Lewis (Chair)**

This page is intentionally left blank