

Updated IAA summary note

1 BACKGROUND

- 1.1 The existing inter-authority agreement was entered into in 2017 between the eight Welsh administering authorities (the “**Constituent Authorities**” and the “**Existing IAA**”).
- 1.2 The Existing IAA established a joint committee between the Constituent Authorities further to the Local Government Act 1972 (the “**Joint Governance Committee**”).
- 1.3 The Joint Governance Committee was established for the purposes of overseeing and reporting on the performance of the “Investment Pool” (“Investment Pool” being defined broadly as “*the pooled investments (whether held in single funds, multiple sub-funds or held in alternative structures outside of a collective investment vehicle) derived from assets held by the Constituent Authorities in their capacity as administering authorities within the LGPS for the purpose of the Pooling Collaboration...*”).
- 1.4 The “Wales Pension Partnership” is the name given to the current pooling arrangements between the Constituent Authorities. The existing structure was approved by the then Department for Communities and Local Government (now Ministry for Housing, Communities and Local Government (“**MHCLG**”)) in a letter dated 23 November 2016.
- 1.5 On 14 November 2024 the Government launched its consultation on proposals to reform the LGPS, titled Local Government Pension Scheme (England and Wales): Fit for the future (“**FFtF Consultation**”), with an objective of putting the LGPS “*on a clearer, firmer trajectory to scale and consolidation*”. The main policy objectives of FFtF Consultation in the context of pooling included:
 - (a) a requirement on the Constituent Authorities to delegate the implementation of their investment strategies to their asset pool;
 - (b) a requirement for the Constituent Authorities to take their principal advice on their investment strategies from their pool;
 - (c) a requirement on asset pools to be investment management companies authorised and regulated by the Financial Conduct Authority (“**FCA**”) with the expertise and capacity to implement investment strategies;
 - (d) a requirement for all the Constituent Authorities to transfer all investments to the management of their pool;
 - (e) a requirement for pools to develop the capability to carry out due diligence on local investments and to manage such investments.
- 1.6 In February 2025, and further to the requirements of the FFtF Consultation, the Constituent Authorities submitted a business case to Government to make a case for continuing with the Wales Pension Partnership on the revised structure outlined by the FFtF Consultation. This business case was approved by MHCLG in April 2025.
- 1.7 The policy requirements of the FFtF Consultation have been laid out in the Pension Schemes Bill 2026 which is working its way through the parliamentary process. In addition, MHCLG has been undertaking a consultation on the Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 (the “**PMIF Regulations**”).
- 1.8 As can be seen from paragraph 1.5(c) above, one of the requirements of the FFtF Consultation (and which appears in the PMIF Regulations) is that the Constituent Authorities must pool all of their LGPS assets via an FCA authorised and regulated investment management company. Furthermore, the investment management company is responsible for the implementation of each Constituent Authority’s investment strategy and must be the principal source of investment advice to each Constituent Authority (as it relates to LGPS assets).

- 1.9 In readiness for these requirements, the Constituent Authorities have incorporated Wales Pension Partnership Investment Management Company Limited ("**IMCo**") as the FCA authorised investment management company to deliver the Constituent Authorities' requirements pursuant to the Pension Schemes Bill 2026 and the PMIF Regulations.
- 1.10 The eight shareholders of IMCo are the Constituent Authorities and shareholder governance matters will be documented and managed through the terms of a shareholder agreement between the Constituent Authorities and IMCo (the "**Shareholder Agreement**").
- 1.11 Each Constituent Authority will also enter into a client services agreement ("**CSA**") with IMCo which will govern the direct client services provided by IMCo at an individual fund level.

2 REVISED GOVERNANCE STRUCTURE

- 2.1 Given the requirements of the FFtF Consultation and the change in law (to be found in the Pension Schemes Bill 2026 and the PMIF Regulations), the Existing IAA needs to be updated to reflect the new legal pooling structure. In summary, the new structure would be:
- (a) IMCo is responsible for management of the pool assets, and will be responsible for the appointment of any third-party providers to deliver that management and the implementation of investment strategies for Constituent Authorities;
 - (b) the shareholder governance of IMCo is governed by the Shareholder Agreement;
 - (c) the CSA provides for the client services between IMCo and each individual Constituent Authority; and
 - (d) (it is proposed), the Joint Governance Committee terms (and therefore the Existing IAA) will be adjusted such that the Joint Governance Committee's remit focusses on client governance and common client issues (whilst documenting the liaison between the Joint Governance Committee and Constituent Authorities on shareholder matters through the Shareholder Forum (see below)).
- 2.2 There is no legal requirement for there to be a joint committee of the Constituent Authorities, or for client governance to be managed through the Joint Governance Committee. However, we understand that the view is there will be a benefit in maintaining the structure of the Joint Governance Committee as the public face of client governance and this is a working structure which has successfully progressed the Wales Pension Partnership to date.

3 PROPOSED AMENDMENTS TO THE EXISTING IAA

- 3.1 With this summary note we have appended a "redline" of the Existing IAA which shows the proposed amendments to it having regard to the revised governance structure.
- 3.2 The key amendments can be summarised as (clause references are to the old clause numbers shown in the "redline"):
- (a) the correct name for Cyngor Gwynedd has been updated throughout;
 - (b) updated recitals to refer to the change in requirements for the Wales Pension Partnership and the FFtF Consultation;
 - (c) updated definitions to refer to the change in legal framework (such as the PMIF Regulations (which revoke the existing investment regulations), define IMCo and the Shareholder Agreement, and remove definitions which will no longer apply (such as the "*Operator*" and the "*Allocator*");
 - (d) clause 3.2 has been added to reflect that the Constituent Authorities will review the terms of the IAA after 12-18 months and may propose reasonable amendments for the other Constituent Authorities' consideration (and engage in meaningful consultation in relation to any proposed changes).

- (e) clauses 4 and 5 have been updated to reflect the change in nature of the Existing IAA and the new focus of the Joint Governance Committee to oversee and report on the pool *“from the perspective of the Constituent Authorities as clients of IMCo”*. Clause 4.1(b) has been introduced to clarify that the Joint Governance Committee shall *“not be responsible for any matters to be determined under the Shareholder Agreement”* although its terms of reference have been expanded to include consultation with the Shareholder Forum (see paragraph (s) below) and the provision of feedback and recommendations to the Shareholder Forum on shareholder matters brought to the Joint Governance Committee. In clause 4.7 we refer to the increased knowledge and understanding requirements for pension committee members to be introduced by the Local Government Pension Scheme (Amendment) Regulations 2026 (which will therefore be relevant to those elected members who form the Joint Governance Committee);
- (f) clause 5 has again been updated to reflect that the Officers' Working Group (**“OWG”**) terms of reference is accordingly adjusted to reflect the revised nature of the Joint Governance Committee (which the OWG supports);
- (g) clause 6.1(b) has been updated to reflect that the pension committee of each Constituent Authority would ordinarily deal with matters reserved to the Constituent Authorities (subject to that Constituent Authority's constitutional requirements);
- (h) clause 7 has been updated to reflect that the business plan to be approved by the Joint Governance Committee is the business plan of the operation of the Joint Governance Committee (with a new focus on client governance) as opposed to the wider business plan of IMCo (which will be approved through the terms of the Shareholder Agreement);
- (i) clause 8 has been amended to reflect that the “Host Authority” (currently Carmarthenshire) will be the host authority for the operation of the Joint Governance Committee, the OWG and the “Shareholder Forum” (see below). The suggested date on which this will be in effect is 1 April 2026. It will not be operating as a support function to IMCo. We have proposed wording which recognises that it may be for the Host Authority to liaise with IMCo on behalf of the Constituent Authorities in relation to common client related matters (reference to liaison with the Operator has been removed as that would be for IMCo to manage in the future). Clause 8.1(g) has been amended to relate to the Joint Governance Committee. Clause 8.5 has been amended (alongside clauses 21 and 22) such that where a Constituent Authority ceases to be a shareholder in IMCo (under the terms of the Shareholder Agreement) it will automatically withdraw from the Joint Governance Committee (clauses 8.5, 21 and 22 can be simplified accordingly);
- (j) clause 8 has been deleted as matters related to the “Operator” will fall to IMCo, and will no longer be a responsibility of the Joint Governance Committee;
- (k) as noted above, clauses 21 (Voluntary Exit) and 22 (Compulsory Exit) (together with clause 23) have been adjusted to be linked to a Constituent Authority ceasing to be a shareholder in IMCo;
- (l) clause 25 (New Constituent Authority) would be linked to an incoming shareholder of IMCo pursuant to the Shareholder Agreement. We would anticipate that any new constituent authority would be invited by the Constituent Authorities (acting in their discretion) to join the Joint Governance Committee (although each Constituent Authority would need to consent to this);
- (m) Schedule 2 (Matters Reserved to the Constituent Authorities) is adjusted to remove reference to the “Operator”. We have amended item 1 in that Schedule to replace reference to the “Operator” with reference to IMCo. References to “Business Plan” are instead to the business plan of the Joint Governance Committee (as opposed to IMCo). We have removed item 7 as the approval for any evaluation or scoring criteria for the procurement of a provider or advisor now sits with the Joint Governance Committee only. We have included the approval of a new administering authority becoming a “Constituent Authority” or a shareholder in IMCo (noting the voting thresholds are provided for in the Shareholder Agreement) as being a matter reserved to the Constituent Authorities;

- (n) Schedule 3 (Joint Governance Committee Matters) has been adjusted to remove reference to the Operator, to reflect the updated role of the Joint Governance Committee to focus on client governance and to remove reference to approval of new pooled vehicles and funds (as this will be a matter solely for IMCo further to the PMIF Regulations). Item 6 has been updated so that approval of the Business Plan now sits with the Joint Governance Committee;
- (o) Schedule 4 (Joint Governance Committee – Terms of Reference) has been adjusted again to remove reference to the Operator, to reflect the updated role of the Joint Governance Committee to focus on client governance and to remove reference to approval of new pooled vehicles and funds (as this will be a matter solely for IMCo further to the PMIF Regulations). Performance reporting will instead focus on the performance (from a client perspective) of IMCo. References to the appointment and removal of an “Allocator” have also been removed as that will be a matter for IMCo. Paragraph 13 has removed the requirement for the evaluation of bids or tenders for any procurement of advisers to the Joint Governance Committee to be sent to the Constituent Authorities for approval (in accordance with the comments at para 3.2(m) above);
- (p) Schedule 5 (Policies and Procedures) has been retained, other than to remove reference to a “Rebalancing and Alteration Policy” which will instead be an operational matter for IMCo. We note that the underlying policies and procedures will need to be updated to reflect the new governance model;
- (q) Schedule 6 (Joint Governance Committee Procedure) is amended to reflect the minimum number of meetings required and include new wording relating to hybrid attendance at meetings;
- (r) Schedule 8 (Officer Working Group Remit) again has been adjusted to reflect the revised remit of the Joint Governance Committee (and so the remit of the OWG will need to be adjusted accordingly); and
- (s) a new Schedule 9 (Shareholder Forum – Terms of Reference) has been introduced. There is not standard wording for these terms and so wording has been suggested which is consistent with Schedule 4 (Joint Governance Committee – Terms of Reference). It is, however, acknowledged that these serve different purposes and the drafting is intended to reflect this. Paragraph 1 provides that the representatives of the Constituent Authorities will be officers employed by the relevant Constituent Authority. Paragraph 2 outlines that the purpose of the shareholder forum is to be the principal forum for consultation and decision-making in respect of shareholder reserved matters and related governance matters under the Shareholder Agreement. The role and function of the shareholder forum is provided at Paragraph 3 which sets out the matters expected to be dealt with by the shareholder forum (Paragraph 3.1), what information the shareholder forum might request from IMCo (Paragraphs 3.2 and 3.3), and the interaction of the shareholder forum with the Joint Governance Committee (Paragraph 3.4). Details of the operation of the shareholder forum, e.g. the quorum, frequency of meetings, and voting requirements, are to be discussed. The reason that the shareholder forum terms of reference does not form part of the Shareholder Agreement is that the terms of reference are a matter for the Constituent Authorities (as shareholders) and not IMCo. This updated inter-authority agreement is the suggested document to set out these terms of reference (as only the Constituent Authorities are a party to it – IMCo will not be a party to it).

BURGES SALMON LLP

16 February 2026