

Draft Annual Report of Powys LGPS Pension Board for 2021/2022

1 Constitution, Representation and Attendance

1.1 The Powys County Council Local Government Pension Schem (LGPS) Local Pension Board (“the Board”) was constituted under the Public Service Pensions Act 2013. As such, the Board is not a Committee of the Council.

1.2 It held its first meeting on 31 July 2015. From inception it consisted of two representatives of the Scheme employers, and two representatives of the Scheme members, all of whom are voting members. There is also a non-voting independent Chair. In September 2020, Powys County Council approved the addition of two extra Board members, one each from scheme employers and from scheme members, who were appointed during 2021/2022.

1.3 The Board met on five occasions during the year on the following dates: 8 July, 24 September, 15 December 2021, 14 February and 1 March 2022. The meeting of 14 February was inquorate. All meetings were held virtually.

	8.7.21	24.9.21	15.12.21	14.2.22	1.3.22
Gerard Moore: Independent Chair	√	√	√	√	√
John Byrne: Scheme Member representative	√	√	√	√	x
Mick Hutchinson: Scheme Member representative	x	x	x	x	x
David Powell: Scheme Member representative	n/a	n/a	x	√	√
Wayne Thomas: Scheme Employer representative	√	√	x	x	x
Nigel Brinn: Scheme Employer representative	√	x	x	x	√
Graham Evans: Scheme Employer representative	n/a	n/a	√	x	√

1.4 Board meetings are open to the public, other than when considering exempt items.

1.5 To facilitate the operation of the Board, the Chair is invited as an observer to meetings of the Powys County Council Pensions and Investment Committee (“the Committee”).

1.6 Where possible opportunities are taken to arrange succession planning.

2 Functions and Operation of the Board

2.1 The two primary functions of a Local Pension Board (LPB) are to assist the Administering Authority to:

- ensure effective and efficient governance and administration of the LGPS;
- ensure compliance with relevant laws and regulations.

2.2 It therefore has a monitor/assist/review/scrutinize purpose, and is not a decision-making body. It could be seen as being a critical but supportive friend. It sets its

own agenda, and can be selective and probe particular topics in more depth than the Committee, which has a wider range of statutory responsibilities. As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies, that the Fund is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above. It can and does commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.

- 2.3 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. The LGPS in England and Wales has both the Department of Levelling Up, Housing and Communities (DLUHC) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available, including producing Regulatory Intervention Reports. No such reports from TPR have been issued to the Powys Pension Fund.
- 2.4 The Board is supported by the Board Secretary and has benefited from the presence of the s151 Officer at some of its meetings. [The url for current Terms of Reference is shown in paragraph 7.1.](#)
- 2.5 In 2021/2022 the direct costs of operating the Board, covering travel and training expenses relating to Board members and the fees and expenses of the Independent Chair amounted to £XXX. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council. There was a specific budget of £XXX. Board members are covered by indemnity insurance.

3 Detailed Work of the Board

3.1 Overview

- 3.1.1. This is the seventh Annual Report produced by the Board. Since their inception, Local Pension Boards have become increasingly visible and pro-active, as had been anticipated by both TPR and the Scheme Advisory Board (SAB).
- 3.1.2. Boards are in a continuous state of evolution. There is increasing dialogue between Board members between formal meetings, especially between the Board Chair and the Board Secretary, including updates of bulletins from TPR, SAB, DLUHC, Local Government Association (LGA) and other relevant sources.
- 3.1.3 There are efficient communication links between the Board and the Committee, as the Board Chair now produces and formally presents to the Committee an Executive Summary from each Board meeting showing any specific recommendations made by the Board, what assurances it has gained on behalf of the Committee, and any other matters considered to be relevant. I believe the Triangle of Trust between Committee, Officers and Board is firmly established. It is pleasing that governance and administration, which are the primary focus of the Board, now feature more prominently on the agenda of the Committee.
- 3.1.4. As indicated above, the main elements of the work programme of the Board are governance, and oversight of the pensions administration function, which is run by an in-house team. As most of this team had for some time experienced a

significant element of working from home, the majority of the risks and revised procedures associated with home working due to the pandemic had already been identified, mitigated and managed.

- 3.1.5 Amongst other objectives, the Board endeavours to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. The Board reviews the quarterly administration performance reports, and requests greater detail where necessary. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their complete, accurate, timely and secure supply of data is critical. As Chair, I attend the annual meeting with scheme employers. Increasingly, data flows from employers are becoming electronic, so data quality is expected to further improve. Provision of quality data prevents a chain reaction of poor key performance indicators, breaches of the law, inaccurate payment of pensions, inaccurate employer contribution rates and inappropriate investment decisions. With these objectives in mind, the Board previews draft policies, statements and procedures, primarily from the viewpoints of process, consistency and communications, and makes appropriate recommendations. During 2021/22 the Board helped shape the Compliments and Complaints Policy, for approval by the Committee.

3.2 Risk management

A separate Risk Register, formatted to be consistent with that of the County Council, is produced for the Pension Fund. The detailed assessment of the likelihood of each risk occurring, and its impact, has been judged in the light of the existence of the Board as an additional scrutiny resource. An oversight review of the Risk Register, and consideration of any new risks, is a standing item at the quarterly Board meetings. The Risk Register is being streamlined to help better manage related areas of risk. During the year, the Board made various recommendations regarding the Risk Register. These included adding staff recruitment and retention, including staff training policies, as an additional risk. With anticipated legislation regarding responsible investment, the Board recommended that potential non-compliance with the guidance under the Task Force for Climate Related Financial Disclosures (TCFD) be added as a risk. The Board also reviewed the contracts register.

3.3 The Pensions Regulator (TPR)

- 3.3.1 The Pensions Regulator monitors the LGPS on an ongoing basis and has, for example, highlighted delays across LGPS Funds in producing Annual Benefit Statements (ABS's). The Board was pleased to note that Powys Pension Fund once again produced its ABS's by the due date but nevertheless continues to seek assurances that the next set will once again be delivered on time.

- 3.3.2 The Board, together with the Board Secretary, during the year conducts a phased review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14 (COP 14), which is specifically for public services pension schemes. Using a "red, amber, green" approach the Board identifies areas in which the Fund can make improvements. When examining improvements that have been achieved, the Board seeks assurance that the evidence supports the revised assessment levels. It is expected that TPR's Single Modular Code, to replace COP 14, will be implemented later in 2022, and the transition will represent a significant challenge for officers and the Board.

3.3.3 The Board monitors TPR's annual review of its priorities, and studies its guidance, intervention reports and the reasons behind any action it takes. TPR pays particular attention to data protection and cyber security. Like officers, elected and co-opted Members, the Board members also complete the Council's annual examination in these areas, which is seen as good practice.

3.3.4 The Board continues to be mindful of TPR's Scheme Annual Return, which is a statutory, factual document to be returned within a set deadline, with which Powys complied. TPR will be measuring and seeking annual improvements in data quality. Using 2018/2019 data as a baseline, the return shows percentages for completeness and accuracy of "common data" and "scheme specific data". The most recent submission from Powys indicates figures of 98% for common data and 92% for scheme specific data. It is important to note that the Fund depends on timely submission of accurate data from all employers. Whilst data quality for Powys is at a high level, nevertheless a Data Improvement Plan remains in place, which the Board continues to monitor as a key part of its Work Programme.

3.4 Reporting and Recording Breaches

The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. The Board reviews any breaches of the law as a quarterly standing item. During 2021/2022 none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority. A fast-track reporting system is in place for reporting breaches (those of material significance to TPR) in a timely manner. Recorded breaches included several cases of non-payment of "frozen refunds", for which the Fund does not have all necessary information to enable payments to be made.

3.5 Scheme Advisory Board (SAB)

3.5.1. The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings. Increasingly the SAB is issuing guidance and recommending good practice to pension funds. The SAB produces an Annual Report encompassing data for all LGPS Funds in England and Wales, which is made available to Board members.

3.5.2. The SAB commissions periodic surveys of local pension boards. A new survey is expected imminently.

3.6 Government Actuaries Department (GAD)

3.6.1 The Board was pleased that no areas of concern were expressed by GAD in its Section 13 review of the assumptions within the Triennial Valuation 2019.

3.7 Review of Investment Issues

Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.

- 3.7.1 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement.
- 3.7.2. The Board continues to receive updates on progress by the Wales Pensions Partnership on the pooling of assets. The Chairs of each Pension Committee make up the Joint Management Committee of WPP, which also meets quarterly. Hence the demands on each Committee Chair have significantly increased.
- 3.7.3 The eight Chairs of the Wales Pension Boards participate in half yearly engagement meetings with the host authority and external providers. WPP has successfully applied for approval under the Stewardship Code 2020 (the Powys Fund is now considering its plans for its individual application). The relationship between the responsible investment policy of the Wales Pool compared with that of Powys is monitored. The Board was pleased that a scheme member observer has been appointed the WPP Joint Committee.
- 3.7.4 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise, or in membership of the Committee, which is responsible for decisions on assets of some £xxxm, consisting of multiple and increasingly complex and diverse asset classes. Consequently there are significant training requirements for all Committee Members, which include training on understanding and monitoring liabilities. From a risk viewpoint, it is important that, where possible, the most appropriate appointments are made to the Committee, including the Chair.
- 3.7.5 The Board receives reports on cash flow predictions. These help the Board gain assurances that pensions and lump sums will be paid on time, and that cash management arrangements are sufficiently flexible both to avoid any forced fire-sale of assets and to have cash available when called up by the investment managers.

3.8 Scheme documents

- 3.8.1 The Board examines the range of scheme documents expected to be in place, and with which Board members are expected to be conversant. All relevant documents are listed and easily accessible on the Fund's website.
- 3.8.2 The Board pays regard to those standard letters and documents which are sent to scheme members and has made recommendations regarding their content. Particular focus is given to the ever-present dangers of pension scams.

3.9 Engagement with s151 Officer

As Board Chair, I hold an annual discussion with Powys County Council's Section 151 Officer. Appropriate assurances have been given to the Committee regarding the appropriate resourcing of the Pensions Team in the light of the additional administrative burdens arising from the multitude of actual and anticipated legislative changes and guidance.

4. **Ensuring Compliance with Regulatory Deadlines.**

- 4.1 An increasing component of the Board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations. In all cases timely progress reports are received, with the Board considering whether any recommendations are needed to help ensure that deadlines are met.
- 4.2 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements, the submission of the Scheme Annual Return to the TPR and publication of the Pension Fund Annual Report and Accounts. Notwithstanding the practical difficulties caused by the pandemic, the Fund complied with the relevant deadlines, and followed guidance issued by TPR regarding work priorities.

5. Training

- 5.1 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge. On appointment, a new Board member receives one to one training with the Board Chair.
- 5.2 The training policy for Board members is based on an individual training needs analysis and is therefore being individually tailored. This allows use of both the CIPFA Framework and TPR Toolkit. Board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference, and are encouraged to attend at least two such seminars or conferences each year.
- 5.3 Board members are invited to internal training events provided for Committee members which are often targeted to specific issues or asset classes.
- 5.4 A communications log is maintained of all relevant guidance and regulatory documents received and distributed to Board members, to ensure that their knowledge and skills are kept up to date, and to monitor the Fund's compliance with the associated changes.
- 5.5 Further, easily available training opportunities were presented via the availability of webinars during UK lockdown, and subsequently. This was particularly true of the excellent investment training courses provided on-line by the Wales Pensions Partnership and made available for Board members to participate.
- 5.6 As Independent Chair, I attend many industry events, and am able to share some of the learning outcomes with Board members, thus adding informal training to the range of opportunities available to the Board. I personally undertook a substantial amount of Continuing Professional Development during the year.

6. Workplan

- 6.1 The work plan for 2022/2023 will include the following activity areas:
 - Pension Fund Annual Report and Accounts
 - administration, including Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
 - audit and risk management, including the Risk Register
 - a self-assessment by the Pension Board of its own performance

- governance; including conflicts of interest, recording and, if appropriate, reporting breaches, and compliance with TPR's Code of Practice 14 and its proposed successor, the Single Modular Code of Practice.
- preparation for implementing the DLUHC guidance on the Good Governance Project
- training, to include the Triennial Valuation March 2022 and the Wales Pooling Partnership (WPP)
- investments, including on-going developments at WPP and implications for Administering Authorities
- overview progress on responsible investments and the Stewardship Code
- monitoring external deadlines such as issuing Annual Benefit Statements
- member communications
- on-going reviews of cyber security, GDPR and managing the threats from pension scams
- participating in and learning from relevant surveys, e.g. of SAB and TPR.
- a review of the Forward-Looking Business Plan

6.2 The above represents a challenging list. There is flexibility to allow for any additional reviews and developments. The experience gained through holding virtual meetings opens up the possibility of arranging additional short but focussed on-line meetings to supplement the scheduled quarterly meetings, should business so require.

7. Public accountability

7.1 As well as being open to the public, the agendas, minutes and the Board's Terms of Reference are available on the Authority's website at the following address:

<https://www.powyspensionfund.org/powys-pension-fund/about-us/forms-and-publications/>

Thanks.

I wish to thank my fellow Board members, who have volunteered their time and energies in their roles. Thanks are also expressed to the Board Secretary, the Chair of the Pensions and Investments Committee, the s151 Officer, and in particular the Cabinet Manager for Legal, Scrutiny and Democratic Services and team, plus the Council's IT staff, for their timely and effective support during these challenging times. Finally I pay tribute to the Pensions Administration Team for their sterling determination to ensure benefits were paid accurately and in a timely way, notwithstanding the difficulties presented.



Gerard Moore
Independent Chair
Powys County Council LGPS Local Pension Board

20 June 2022