

Draft Annual Report of Powys LGPS Pension Board for 2022/2023

1 Constitution, Representation and Attendance

1.1 The Powys County Council Local Government Pension Scheme (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. During the year a vacancy for a scheme member representative remained unfilled.

1.3 The Board met on five occasions during the year on the following dates: 27 June, 6 September, 28 October, 21 November 2022 and 10 February 2023. All meetings were held virtually. Average attendance was 67% of the appointed members of the Board.

	27.06. 2022	06.09. 2022	28.10. 2022	21.11. 2022	10.02. 2023
Gerard Moore: Independent Chair	√	√	√	√	√
John Byrne: Scheme Member representative	√	x	√	x	√
David Powell: Scheme Member representative	x	√	x	√	√
Wayne Thomas: Scheme Employer representative	√	x	√	√	√
Nigel Brinn: Scheme Employer representative	√	x	√	x	x
Graham Evans: Scheme Employer representative	x	√	√	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 prepare 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 and decision-making. 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, which 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. The url for current Terms of Reference is shown in paragraph 7.1.
- 2.5 In 2022/2023 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 £18.2k. 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 £25k. Board members are covered by indemnity insurance.

3 Detailed Work of the Board

3.1 Overview

- 3.1.1. This is the eighth Annual Report produced by the Board. Since their inception, Local Pension Boards have become increasingly visible and pro-active. There is good dialogue among Board members between formal meetings, and especially between the Board Chair and the Board Secretary. All Board members received regular updates of bulletins from TPR, the Scheme Advisory Board (SAB), DLUHC, Local Government Association (LGA) and other relevant sources.
- 3.1.2 There are effective communication links between the Board and the Committee, as the Board Chair 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, feature prominently on the agenda of the Committee.

3.1.3. As indicated, 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. “Working from home” arrangements have been in place for many years, so the risks and revised working procedures required by the pandemic had already been identified, mitigated and managed.

3.1.4 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. 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. As Chair, I attend the annual meeting with scheme employers. To further assist, the Board previews draft policies, statements and procedures, primarily from the viewpoints of process, consistency and communications, and makes appropriate recommendations. During 2022/23 the Board helped shape the draft policies relating to Compliments and Complaints, Conflicts of Interest, Communications Strategy, the Data Improvement Plan and the Draft Business Plan, for subsequent approval by the Committee.

3.2 Risk management

A separate Risk Register is produced for the Pension Fund. A detailed assessment of the likelihood of each risk occurring, and its impact, is now judged in the light of the existence of the Board as an additional scrutiny resource. Inherent risks, and then residual risks after mitigations, are given appropriate scores. During the year 2022/2023, the Fund both revised its formatting of the Risk Register and strengthened its procedures whereby the Board now dedicates a short additional meeting to focus on one of the three pillars of the Risk Register, namely Governance and Administration, both of which were reviewed in the year, and Investments, which will be reviewed in 2023/2024. These two deep dives resulted in various recommended changes for the Committee to consider and, where agreed, to adopt. An oversight review of the Risk Register, and consideration of any new risks, remains as a standing item at the quarterly Board meetings, and recommendations included a more explicit analysis of the risks in pooling investments, and adding the Pensions Dashboard to the Administration pillar.

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 During the year the Board, with the Board Secretary, conduct a phased review of the Fund against the standards and expectations of TPR. The Regulator's anticipated wider General Code of Practice, to replace COP 14, which was specifically written for public services pension schemes, is at the time of writing still awaited. When legislated upon and implemented later in 2023, the transition to the General Code 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 complete the Council's annual examination in these areas.
- 3.3.4 TPR's Scheme Annual Return is a statutory, factual document for completion by the Fund. TPR measures and seeks 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 98.3% for common data and 91.95% for scheme specific data, which represented marginal improvements to the previous year. For information, the results for common data were 93.4% and scheme specific data were 75.9% when the exercise was first conducted in the 2017/18 year. It is important to note that the Fund depends on timely submission of accurate data from all employers to ensure accurate calculations of benefits due. Three other examples of its importance are for the calculations of employer contributions, Guaranteed Minimum Pension (GMP) figures, and in due course, to provide data for Pension Dashboards. Whilst data quality for Powys is at a high level, nevertheless a Data Improvement Plan is maintained and monitored by the Board.

3.4 Reporting and Recording Breaches

The Board reviews any recorded breaches of the law as a quarterly standing item. The two areas of recorded breaches relate, firstly, to cases of non-payment of "frozen refunds", for which the Fund still awaits receipt of all necessary information to enable payments to be made, and secondly, the delayed notification to scheme members of deferred benefits, which is accepted as a lowish priority task.

The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of the law to TPR. During 2022/2023 none of these 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.

The Board may seek further assurances regarding the underlying processes and procedures which are pertinent to the identification of potential breaches, an example being the process for monitoring the timely payment of contributions by scheme employers to the Fund, which have moved almost entirely away from cheques to electronic payments.

3.5 Scheme Advisory Board (SAB)

- 3.5.1. In setting its Work Programme, the Board takes into account the focus and priorities of the SAB, whose minutes it receives. The SAB regularly issues guidance and recommends good practice to pension funds. The SAB also produces an Annual Report encompassing combined data across 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 second survey is expected in due course.

3.6 Review of Investment Issues

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

- 3.6.1 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, and will monitor progress on climate-related financial disclosures.
- 3.6.2. The Board continues to receive updates on progress by the Wales Pensions Partnership (WPP) on the pooling of assets. The Chairs of the eight Pension Committees make up the Joint Management Committee of WPP, which meets quarterly. Hence the demands on each Pension Committee Chair have significantly increased.
- 3.6.3 The eight Chairs of the Wales Pension Boards participate in half yearly engagement meetings with WPP's host authority, including with external providers.
- 3.6.4 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 £777m consisting of multiple and increasingly complex and diverse asset classes. Consequently there are significant training requirements for all Committee Members, which also include training on the understanding and monitoring of the Fund's liabilities.
- 3.6.5 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.

3.7 Scheme documents

- 3.7.1 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.

3.7.2 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.

3.8 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 A key 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 adopting new legislation, regulations and guidance. 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 deadlines include producing Annual Benefit Statements for active members, Pension Savings Statements, the submission of the Scheme Annual Return to the TPR, SP3 submission and publication of the Pension Fund Annual Report and Accounts. During the year, the Fund complied with all relevant deadlines.

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 and are encouraged to participate in at least two such seminars or conferences each year. Full training records are maintained.

5.3 Board members are invited to internal training events provided for Committee members which are often targeted to specific issues or asset classes, and can attend the excellent on-line investment training courses provided by WPP.

5.4 A communications log is maintained of all relevant guidance and regulatory updates and 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 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 2023/2024 will include the following activity areas:
- Pension Fund Annual Report and Accounts
 - administration, including improved Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
 - internal and external audit reports
 - audit and risk management, including the Risk Register
 - governance; including conflicts of interest, recording and, if appropriate, reporting breaches, and compliance with the regulations, TPR's Code of Practice 14 and its successor, the General Code of Practice.
 - preparation for implementing the DLUHC guidance on the Good Governance Project
 - investments, including on-going developments at WPP and implications for Administering Authorities
 - overview progress on responsible investments and the Stewardship Code
 - monitoring compliance with external deadlines
 - member communications
 - on-going reviews of cyber security, GDPR (data protection) 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
 - revised information regarding cash flow projections and monitoring
- 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 opened up opportunities to hold additional short but focussed on-line meetings to supplement the scheduled quarterly meetings, such as pillars of the Risk Register, 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 Fund's website at the following address: <https://www.powyspensionfund.org/about-the-scheme/about-the-pension-fund/local-pension-board/>

I am grateful to 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 & Investments Committee, the s151 Officer, and the Cabinet Manager for Legal, Scrutiny and Democratic Services and team, 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 by increased membership, increased legislation and the consequences of the pandemic.



Gerard Moore
Independent Chair
Powys County Council LGPS Local Pension Board

20 June 2023