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PENSIONS AND INVESTMENT COMMITTEE

Friday, 4th October, 2019

The use of Welsh by participants is welcomed. If you wish to use Welsh please inform us by noon, two working days before the meeting

S U P P L E M E N T A R Y P A C K

1.	PENSIONS BOARD MINUTES
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To receive a report from the Pension Board Chair **[now attached]** and to receive for information the minutes of the Powys Pensions Board meeting held on 10 July, 2019 and the draft minutes of the meeting held on 11 September, 2019.

(Pages 1 - 4)

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POWYS PENSIONS AND INVESTMENTS COMMITTEE 4 OCTOBER 2019

FEEDBACK FROM PENSION BOARD MEETING 11 SEPTEMBER 2019

Purpose of the Report

In addition to the formal, more detailed minutes of the Board, elsewhere on this agenda, this report provides an executive summary of the meeting of the Powys Pension Board on 11 September 2019 to enable the Pensions and Investments Committee (the Committee) to learn of and consider any recommendations from, assurances gained and concerns of the Powys Local Pension Board, and any other relevant information. This is consistent with the two primary roles of Local Pension Boards, namely:

- to assist the scheme manager to secure compliance with scheme regulations, other legislation and the requirements of the Pensions Regulator (TPR), and
- to ensure the effective and efficient governance and administration of the Scheme.

Recommendation

The Pensions and Investments Committee is requested to accept the proposals from the Local Pension Board held on 11 September 2019.

Outcomes from Powys Pension Board Meeting on 11 September 2019

1. Recommendations

1.1 That the Committee give consideration to:

- a) **increasing the membership of the Board (currently at the minimum allowed of two scheme member representatives and two scheme employer representatives) by one from each cohort, to then consist of three scheme member representatives and three scheme employer representatives. This would therefore provide six Board members with voting rights, in addition to the non-voting Independent Chair.**
- b) **that the appointment duration of each appointment should be staggered to ensure the continuity of knowledge and experience.**

Justification: this will increase the resilience of the Board, and it is possible that guidance towards a common minimum of six Board members could be forthcoming in due course. It is anticipated that the additional costs involved would be minimal, and managed from within the pension fund budget.

1.2 The Board recommends that a risk should be added to the risk register in respect of on-going compliance with MIFID II.

Justification: the financial implications of being assessed as non-compliant are so materially significant that this risk needs to be kept under constant review, so that an appropriate and training plan is identified and speedily implemented should there be a change in key personnel.

1.3 The Board recommends to and seek assurances that the Pension and Investment Committee considers all relevant issues including climate change risk when developing both its Responsible Investment Policy and its Investment Strategy Statement. The Committee will note that Item 16 on this agenda is the relevant document for discussion on this subject.

Justification: the involvement of the Board is covered in the MHCLG Guidance to section 7 (2) (e) of the LGPS (Investment and Management of Funds) Regulations 2016. In addition, Climate Change risks to investments are high on the priorities of the Pensions Regulator, and furthermore, imminent guidance is expected from the SAB on responsible investment generally.

2. Assurances Gained by the Board

- 2.1 That the two breaches of the law examined by the Board were not considered “of material significance to the Regulator” and were correctly deemed as recordable only.
- 2.2 That the Annual Benefits Statements had been completed and made available within the required timescales and statutory requirements had thus been met, continuing the perfect record of the Powys Pension Fund in this regard.
- 2.3 That all aspects covered by the updating report on new legislation and guidance would be implemented and followed appropriately and in a timely manner by the Administering Authority. The Board, as required under Code of Practice 14, became conversant with these changes.
- 2.4 The Board noted that there were no on-going or new disputes under the Independent Disputes Resolution Procedure (IDRP).
- 2.5 The Board undertook a review of compliance with various sections of Pension Regulator’s (TPR) Code of Practice 14. Using a Red, Amber, Green (RAG) approach, there were no red categories. There had been good progress achieving more green categories. In view of the forthcoming need to review the Investment Strategy Statement (ISS) the Board recommended that paragraph 115 (reviewing the adequacy of internal controls) be moved up from green to amber. Re paragraph 114 – the Board gained assurance that an exercise on

strength of employers' covenants would be undertaken as part of the current valuation. Compliance with paragraphs 76 and 77 represented a cause for concern which is expressed in paragraph 3.1.

- 2.6 The Board gained assurances from learning of the proposals for investment monitoring of the performance of investments via WPP.
- 2.7 Other than the specific points raised in paragraph 1.2 and 3.2, the Board was generally re-assured when reviewing the other components of the Risk Register.

3. Concerns Expressed by the Board

- 3.1 The Board considered paragraphs 76 & 77 of the TPR's Code of Practice 14, in the context of the wider Good Governance report to the SAB. The Good Governance report is covered on this agenda in Item 9 (paragraphs 2.3.to 2.5). The Board noted the potential conflict of interest of Pension & Investment Committee Members, where they had to act in the interest of the Pension Fund and also had roles as Councillors who need to manage the Council's budget. This is particularly relevant at this time as work on the Triennial Valuation is on-going. The Pension Fund Manager advised that further work would be done for the next Board meeting (a verbal update may be given at Committee).
- 3.2 Regarding Risk PEN030 (insolvency of an investment manager investing pension fund assets), the Pension Fund Manager agreed that he would establish the procedure for appointment of asset managers at the Wales Pension Partnership level to ascertain whether there was evidence to justify reducing the inherent risk (red) to a residual risk of amber (medium), as currently shown.

4. Update on Concerns Previously Expressed by the Board

- 4.1 The Board has now received the much-delayed internal audit report and has been assured that the next such report would be available in a more timely manner.

5. Other Items for Information

- 5.1 The Board agreed that it would submit a collective response to the imminent survey of Local Pension Boards by the Scheme Advisory Board. A response would be drafted by the Chair and Pension Fund Manager and circulated to the Board for comment.
- 5.2 The Chair updated the Board on the Triennial valuation process, explaining the role of the Board in this exercise.

5.3 In a closed part of the meeting, the Board was shown the same cyber security training documents previously presented to the Committee, and would continue to focus on this topic, which is a high priority on the agenda of TPR. The Board was made aware of proposed changes in procedures.

5.4 Should Members of the Committee require further information on any item, more detail is available in the formal minutes of the Board, included elsewhere in this agenda.

5.5 The Board next meets on 8 November. However, increasingly, Board members send and receive communications between meetings. As part of its obligations for having appropriate knowledge and skills, the Board studies such information, and where necessary consults on these issues. Any such interim deliberations are appropriately recorded at the following meeting.

Gerard Moore

Independent Chair: Powys Pension Board