

## Pensions and Investment Committee

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Meeting Venue  
**Committee Room A - County Hall,  
Llandrindod Wells, Powys**

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Meeting date  
**Friday, 30 September 2016**

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Meeting time  
**10.00 am**

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For further information please contact  
**Stephen Boyd**  
01597 826374  
steve.boyd@powys.gov.uk



County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

26 September 2016

### AGENDA

<b>1.</b>	<b>APOLOGIES</b>	<b>PIC47- 2016</b>
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To receive apologies for absence.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	<b>PIC48- 2016</b>
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To receive any declarations of interest from Members relating to items to be considered on the agenda.

<b>3.</b>	<b>MINUTES</b>	<b>PIC49- 2016</b>
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To authorise the Chair to sign the minutes of the last meeting held on 11<sup>th</sup> July 2016 as a correct record.

(Pages 5 - 10)

<b>4.</b>	<b>REVIEW OF FUND EMPLOYER COVENANTS</b>	<b>PIC50- 2016</b>
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To consider the report of the Strategic Director Resources.

(Pages 11 - 14)

<b>5.</b>	<b>BULK TRANSFER PAYMENT - NWTRA</b>	<b>PIC51- 2016</b>
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To consider the report of the Strategic Director Resources.

(Pages 15 - 16)

<b>6.</b>	<b>BULK TRANSFER PAYMENTS - COLEG POWYS</b>	<b>PIC52- 2016</b>
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To consider the report of the Strategic Director Resources.

(Pages 17 - 18)

<b>7.</b>	<b>NEW ADMISSION BODY - CAMPING &amp; CARAVANNING CLUB</b>	<b>PIC53- 2016</b>
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To consider the report of the Strategic Director Resources.

(Pages 19 - 20)

<b>8.</b>	<b>NEW ADMISSION BODY - SOLO SERVICE GROUP</b>	<b>PIC54- 2016</b>
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To consider the report of the Strategic Director Resources.

(Pages 21 - 22)

<b>9.</b>	<b>PENSION FUND POOLING - UPDATE</b>	<b>PIC55- 2016</b>
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To consider the report of the Strategic Director Resources.

(Pages 23 - 24)

<b>10.</b>	<b>POWYS PENSION BOARD MINUTES</b>	<b>PIC56- 2016</b>
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To receive for information the minutes of the meeting of Powys Pensions Board held on 15<sup>th</sup> July 2016.

(Pages 25 - 28)

<b>11.</b>	<b>EXEMPT ITEMS</b>	<b>PIC57- 2016</b>
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The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following items. His view on the public interest test (having taken account of the provisions of Rule 11.8 of the Council's Access to Information Rules) was that to make this information public would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information).

These factors in his view outweigh the public interest in disclosing this information. Members are asked to consider these factors when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

<b>12.</b>	<b>STRATEGY HEALTH CHECK DISCOVERY STAGE</b>	<b>PIC58- 2016</b>
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To consider a report by Aon Hewitt.

(To Be Tabled)

<b>13.</b>	<b>FORWARD LOOKING BUSINESS PLAN</b>	<b>PIC59- 2016</b>
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To consider a report by Aon Hewitt.

(Pages 29 - 32)

<b>14.</b>	<b>QUARTERLY INVESTMENT REPORT</b>	<b>PIC60- 2016</b>
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To consider the quarterly investment report from Aon Hewitt.

(Pages 33 - 74)

<b>15.</b>	<b>MEDIUM TERM ASSET ALLOCATION</b>	<b>PIC61- 2016</b>
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To consider the 2<sup>nd</sup> quarter Medium Term Asset Allocation.

(Pages 75 - 94)

<b>16.</b>	<b>PENSION FUND TRANSACTION</b>	<b>PIC62- 2016</b>
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To consider a report by the Strategic Director – Resources.

(Pages 95 - 96)

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# PIC49- 2016

## MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON MONDAY, 11 JULY 2016

### PRESENT

County Councillor A G Thomas (Chair)

County Councillors PJ Ashton, E A Jones, W T Jones, G P Vaughan and  
Councillor Martin Weale

Strategic Director Resources, Pension Fund Manager, the Financial Reporting &  
Policy Accountant.

1.	<b>INVESTMENT INTERVIEWS</b>	<b>CONSULTANTS SELECTION</b>	<b>PIC25- 2016</b>
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The Committee interviewed for the position of the Powys Pension Fund investment consultant.

**RESOLVED unanimously to appoint Aon Hewitt as the investment consultant for the Powys Pension Fund for a period of 5 years.**

2.	<b>APOLOGIES</b>	<b>PIC26- 2016</b>
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Apologies for absence were received from County Councillor T Turner and from County Councillor GP Vaughan for the first item on the agenda.

3.	<b>DECLARATIONS OF INTEREST</b>	<b>PIC27- 2016</b>
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The Committee members present declared interests as members of the Local Government Pension Scheme.

4.	<b>MINUTES</b>	<b>PIC28- 2016</b>
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The Chair was authorised to sign the minutes of the meetings held on 11<sup>th</sup> February and 11<sup>th</sup> May 2016 as correct records.

The Pension Fund Manager confirmed that the staff side representative had resigned from the Committee and that he had written to the Trade Union side to request that they nominate a member to serve on the Committee.

5.	<b>AMENDMENT OF RISK REGISTER</b>	<b>PIC29- 2016</b>
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The Powys Pensions Board had recommended that two additional risks be included in the Risk Register:

- The insolvency of an investment manager (in the light of the Lehmann Bros. situation)

- Participation in the Government's LGPS asset pooling initiative.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<p>1. To approve the inclusion of PEN030 (risks associated with the possible insolvency of an investment manager investing Pension Fund assets.</p> <p>2. To approve the inclusion of PEN031 (risks associated with the Pension Fund's participation in the Wales Pool).</p>	As per report.

<b>6.</b>	<b>REVIEW OF ADMINISTRATION STRATEGY</b>	<b>PIC30- 2016</b>
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Committee considered the Administration Strategy Statement setting out details of the Pension Fund's administrative processes in relation to the Local Government Pension Scheme.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
To approve the Administration Strategy Statement.	Statutory requirement

<b>7.</b>	<b>EXEMPT ITEMS</b>	<b>PIC32- 2016</b>
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**RESOLVED to exclude the public for the following 5 items 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>8.</b>	<b>AON HEWITT QUARTERLY MONITORING REPORT</b>	<b>PIC33- 2016</b>
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Aon Hewitt presented the report for the period ending 31<sup>st</sup> March 2016 and tabled the update for the period ended 30<sup>th</sup> June 2016. The Committee was advised that much of the £25.4m increase in the value of the Fund between 31<sup>st</sup> March and 30<sup>th</sup> June was due to the fall in the value of Sterling.

Aon Hewitt explained the buy, sell and qualified rating system used in the executive summary. They explained that the classification for illiquid holdings was different because these were longer term commitments.

<b>9.</b>	<b>UPDATE ON THE MARKETS FROM AON HEWITT</b>	<b>PIC31- 2016</b>
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The Committee received an update from Aon Hewitt on the markets since the Brexit vote. Members were advised that the best performing sectors were very defensive utility stocks that paid dividends.

<b>10.</b>	<b>QUARTERLY MTAA REPORT</b>	<b>PIC34- 2016</b>
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The Committee received the quarterly Medium Term Asset Allocation report.

<b>11.</b>	<b>ANNUAL MTAA REPORT</b>	<b>PIC35- 2016</b>
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The Committee received the annual Medium Term Asset Allocation report.

<b>12.</b>	<b>INVESTMENT STRATEGY HEALTHCHECK</b>	<b>PIC36- 2016</b>
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Aon Hewitt outlined the process for carrying out a strategy health check in conjunction with the actuarial valuation of the Fund. In August Aon Hewitt would circulate a questionnaire to the Committee and officers to gather information on investment beliefs and work through these at development sessions in September and December.

County Councillor WT Jones left the meeting at 14.45 to go to another meeting.

<b>13.</b>	<b>CEM INVESTMENT COSTS REPORT</b>	<b>PIC37- 2016</b>
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The Committee received the CEM report commissioned by the eight Welsh LGPS Funds to collect and analyse data in respect of the investment costs and returns for each of the Funds to inform the process of developing a Welsh investment pool.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>To note the contents of the report.</b>	<b>As per report</b>

<b>14.</b>	<b>WALES POOL</b>	<b>PIC38- 2016</b>
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The Strategic Director Resources reported on the progress being made towards the creation of a joint Wales investment pool. The Government was considering the proposal and governance issues were now being discussed. It was likely that a Committee made up of the Chairs of the eight Welsh pension funds would be formed to oversee the Wales Pool.

<b>15.</b>	<b>APPOINTMENT OF BLACKROCK</b>	<b>PIC39- 2016</b>
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The Committee was advised that following a joint procurement exercise in partnership with Aon Hewitt, the 8 Welsh LGPS Pension Funds selected BlackRock to manage a £2.8B pooled index investment mandate, covering developed and emerging market equities, fixed income and smart beta indices. Collective savings are expected to be up to £1.3M per annum with the saving on fees for the Powys Pension Fund savings estimated at between £150k and £200k per annum.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>To note the contents of the report.</b>	<b>As per report</b>

<b>16.</b>	<b>DISINVESTMENT FROM PERMAL</b>	<b>PIC40- 2016</b>
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The Committee was advised that disinvestment from Permal (formerly Fauchier Partners) was completed on 31<sup>st</sup> May 2016 and the proceeds were added to the Fund's hedge fund mandate with GSAM, pending completion of the review of the Fund's wider hedge fund portfolio.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>To note the contents of the report.</b>	<b>As per report</b>

<b>17.</b>	<b>AUDIT REPORT</b>	<b>PIC41- 2016</b>
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The Committee received the Internal Audit report into the management of the Pension Fund and noted the findings that internal controls were in place and operating effectively. Any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process. Risks against the achievement of objectives are well managed.

<b>18.</b>	<b>DRAFT LGPS AMENDMENT REGULATIONS 2016</b>	<b>PIC42- 2016</b>
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The Committee noted the draft response to the Department for Communities and Local Government's consultation on the Draft Local Government Pension Scheme (Amendment) Regulations 2016.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>To approve the response.</b>	<b>As per report</b>

<b>19.</b>	<b>MENCAP</b>	<b>PIC43- 2016</b>
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The Committee was advised that the last active member of the Local Government Pension Scheme employed by Mencap had retired and therefore. Mencap was no longer an employer participating in the Pension Fund.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>To note the contents of the report.</b>	<b>As per report</b>

<b>20.</b>	<b>BUDGET 2016</b>	<b>PIC44- 2016</b>
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The Committee received details of measures announced by the Chancellor of the Exchequer in the 2016 budget affecting pension schemes.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>To note the contents of the report.</b>	<b>As per report</b>



<b>21.</b>	<b>POWYS PENSION BOARD MINUTES</b>	<b>PIC45- 2016</b>
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The Committee received the minutes of the Powys Pension Board meeting held on 4th March 2016.

<b>22.</b>	<b>CORRESPONDENCE - LGA CIRCULAR 299</b>	<b>PIC46- 2016</b>
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The Committee received LGA Circular 299.

**County Councillor A G Thomas (Chair)**

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# PIC50- 2016

## CYNGOR SIR POWYS COUNTY COUNCIL.

### Pensions and Investment Committee 30<sup>th</sup> September 2016

**REPORT BY:** Strategic Director of Resources

**SUBJECT:** Review of Fund Employer Covenants

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**REPORT FOR:** Information

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## **1 Introduction**

1.1 In line with national guidelines, best practice, the need for LGPS Pension Funds to manage risk in relation to the funding covenant of each Fund employer and the continued entry of new employers into the Fund; a review of individual employer covenants has been completed. The last review was done in 2013. The Appendix to this report sets out the results of each assessment and the action (where relevant) required.

## **2 Background to Fund Employer Covenant Assessments**

2.1 Best practice guidance (issued by both the national LGPS Scheme Advisory Board and the Pensions Regulator) indicates that each Fund employer may be placed within a risk category having been assessed against the following criteria:

2.2 Low Risk:

- Local authorities
- Any body with a local authority acting as a guarantor
- Any body with significant funding from a local authority, central government or Welsh Government.

2.3 Medium Risk:

- Non low risk Scheduled bodies with no statutory underpin but with satisfactory evidence of financial security
- Admission body with small deficit or surplus of assets over liabilities.
- Admission body with sound financial position and significant reserves.

2.4 High Risk:

- Admission body with some of the following:
- No external funding guarantee or reserve
- Potentially limited lifespan or fixed contract term

- No active contributors and/or is closed to new members
  - Relies on voluntary or charitable sources of income
- 3 Having assessed each Fund employer against the above criteria, where required the Fund should consider the following to reduce risk exposure:
- 3.1 Low Risk:
- No further action required
- 3.2 Medium Risk:
- Where possible, seek a third party guarantor eg a local authority, central government or Welsh Government
  - Require the purchase and maintenance of an indemnity / bond to cover possible termination deficits
- 3.3 High Risk:
- Where possible, seek a third party guarantor eg a local authority, central government or Welsh Government
  - Require the purchase and maintenance of an indemnity / bond to cover possible termination deficits
  - Require contingent deficit recovery plans which should include contractually agreed asset allocations.
- 4 Committee is asked to note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the contents of the report.		Best practice	
<b>Person(s) To Action Decision:</b>			
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Councillor Wynne Jones
<b>Relevant Local Member(s):</b>	

## Appendix to Employer Covenant Risk Assessment

<b>Pension Fund Employer</b>	<b>LGPS Employer Type</b>	<b>Risk Assessment</b>	<b>Mitigations in place / required</b>
Powys County Council	Scheduled Body (local authority)	Low	None required
Brecon Beacons National Park Authority	Scheduled Body (national park authority)	Low	None required
Brecon Town Council	Resolution Body (preceptor)	Low	None required
BUPA Care Homes	Transferee Admission Body	Medium	Risk Sharing Agreement in place
Camping & Caravanning Club	Transferee Admission Body	High	Council guarantee and Risk Sharing Agreement in place
Careers Choices Dewis Gyrfa Ltd	Community Admission Body	Medium	None required due to WLGA funded
Kier Services Group (Schools Cleaning, Brecon & Llandrindod)	Transferee Admission Body	Medium	Pension Bond in place
Llandrindod Wells Town Council	Resolutioun Body (preceptor)	Low	None required
Llanidloes Burial Joint Committee	Resolution Body	Low	None required
Llanidloes Town Council	Resolution Body (preceptor)	Low	None required
Menter Maldwyn	Transferee Admission Body	High	Council guarantee – Risk Sharing Agreement currently being sought
Mirus (Wales) Ltd	Transferee Admission Body	High	Pension Bond in place
Newtown Town Council	Resolution Body (preceptor)	Low	None required
Powys Association of Voluntary Organisations	Community Admission Body	High	Risk Sharing Agreement in place
Powys Dance	Transferee Admission Body	High	Council guarantee and Risk Sharing Agreement in place
Solo Service Group (Schools Cleaning, Ystradgynlais)	Transferee Admission Body	Medium	Council guarantee and Risk Sharing Agreement in place

Theatr Brycheiniog	Community Admission Body	High	Risk Sharing Agreement being sought
Wealden Ltd (Freedom Leisure)	Transferee Admission Body	Medium	Council guarantee and Pension Bond in place
Welshpool Town Council	Resolution Body (preceptor)	Low	None required
Ystradfellte Community Council	Resolution Body (preceptor)	Low	None required
Ystradgynlais Town Council	Resolution Body (preceptor)	Low	None required

# PIC51- 2016

## CYNGOR SIR POWYS COUNTY COUNCIL

### Pensions and Investment Committee 30<sup>th</sup> September 2016

**REPORT BY:** Strategic Director of Resources

**SUBJECT:** Bulk Transfer Payment – NWTRA

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**REPORT FOR:** Information

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#### **1 Introduction**

1.1 Committee is asked to note that following agreement between the actuaries concerned, a bulk transfer payment of £1,315,686 was paid to the Gwynedd Pension Fund on 6<sup>th</sup> September in respect of 12 former Powys County Council staff who transferred to the North Wales Trunk Road Agency on 31<sup>st</sup> March 2012.

#### **2 Legislation**

2.1 Regulation 86(3) of the Local Government Pension Scheme (Administration) Regulations 2008 requires that where, as a result of a single event, 10 or more active members are transferred to another LGPS Fund, the transfer payment due is to be determined by agreement between the actuaries for each of the Funds concerned.

#### **3 Recommendation**

3.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the payment of £1,315,686 to the Gwynedd Pension Fund in respect of NWTRA transferees, on 6 <sup>th</sup> September.		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Councillor Wynne Jones
<b>Relevant Local Member(s):</b>	N/A





# PIC52- 2016

## CYNGOR SIR POWYS COUNTY COUNCIL

### Pensions and Investment Committee 30<sup>th</sup> September 2016

**REPORT BY:** Strategic Director of Resources

**SUBJECT:** Bulk Transfer Payments – Coleg Powys

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**REPORT FOR:** Information

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#### **1 Introduction**

- 1.1 Committee is asked to note that following agreement between the actuaries concerned, a final bulk transfer payment of £86,045 was paid to the Swansea Pension Fund on 13<sup>th</sup> September in respect of the former Coleg Powys staff who transferred to Neath Port Talbot College on 31<sup>st</sup> July 2013. This followed an earlier payment 'on account' of £10,000,000 having been made on 31<sup>st</sup> March 2016.

#### **2 Legislation**

- 2.1 Part 1 of Schedule 4 of the Local Government Pension Scheme (Administration) Regulations 2008 provides that in the circumstances of this transfer, the 'receiving' employer (in this case Neath Port Talbot College) may apply to the Secretary of State requesting that a Direction be issued to the effect that the receiving pension fund receive assets of an equivalent value to those held in the name of the transferring body (Coleg Powys), at the date of transfer. A letter of direction dated 20<sup>th</sup> December 2013 was received from the Secretary of State.

#### **3 Recommendation**

- 3.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the payment of £10,000,000 on 31 <sup>st</sup> March 2016 and £86,045 on 13 <sup>th</sup> September 2016 were made to the Swansea Pension Fund in respect of Coleg Powys transferees.		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within</b>	N/A

		<b>Budget:</b>	
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Councillor Wynne Jones
<b>Relevant Local Member(s):</b>	N/A

# PIC53- 2016

## CYNGOR SIR POWYS COUNTY COUNCIL

### Pensions and Investment Committee 30<sup>th</sup> September 2016

**REPORT BY:** Strategic Director of Resources

**SUBJECT:** New Admission Body – Camping & Caravanning Club

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**REPORT FOR:** Information

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#### **1 Introduction**

- 1.1 Committee are asked to note that the Camping & Caravanning Club has become a Pension Fund employer following the transfer of the service from Powys County Council.

#### **2 Legislation**

- 2.1 Paragraph 1(d)(i) of Part 3 of Schedule 2 to the Local Government Pension Scheme Regulations 2013 [SI. 2013 No. 2356] provides that a Pension Fund may enter into an admission agreement with a body who provides a service that was formerly provided by a Scheme employer, as a consequence of a transfer of undertakings. In addition, the requirements of the Welsh Authorities Staff Transfers (Pensions) Direction 2012 applies in this case. The admission agreement discharges those requirements.

#### **3 Actuarial Assessment**

- 3.1 The Pension Fund's Actuary has advised that initially, the Camping & Caravanning Club should pay an employer contribution rate of 20.4% of pensionable payroll. Two employees are covered by the admission agreement, which is closed.

#### **4 Recommendation**

- 4.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the admittance of the Camping & Caravanning Club to the Powys Pension Fund.		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		

<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Councillor Wynne Jones
<b>Relevant Local Member(s):</b>	N/A

# PIC54- 2016

## CYNGOR SIR POWYS COUNTY COUNCIL

### Pensions and Investment Committee 30<sup>th</sup> September 2016

**REPORT BY:** Strategic Director of Resources

**SUBJECT:** New Admission Body – Solo Service Group

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**REPORT FOR:** Information

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#### **1 Introduction**

- 1.1 Committee are asked to note that Solo Service Group has become a Pension Fund employer following the transfer of the Schools Cleaning Service (Ystradgynlais) from Powys County Council.

#### **2 Legislation**

- 2.1 Paragraph 1(d)(i) of Part 3 of Schedule 2 to the Local Government Pension Scheme Regulations 2013 [SI. 2013 No. 2356] provides that a Pension Fund may enter into an admission agreement with a body who provides a service that was formerly provided by a Scheme employer, as a consequence of a transfer of undertakings. In addition, the requirements of the Welsh Authorities Staff Transfers (Pensions) Direction 2012 applies in this case. The admission agreement discharges those requirements.

#### **3 Actuarial Assessment**

- 3.1 The Pension Fund's Actuary has advised that initially, the Camping & Caravanning Club should pay an employer contribution rate of 17.3% of pensionable payroll. Twenty-six employees are covered by the admission agreement, which is open.

#### **4 Recommendation**

- 4.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the admittance of the Solo Service Group to the Powys Pension Fund.		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		

<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk
<b>Relevant Portfolio Member(s):</b>	Councillor Wynne Jones		
<b>Relevant Local Member(s):</b>	N/A		

# PIC55- 2016

## CYNGOR SIR POWYS COUNTY COUNCIL

### Pensions and Investment Committee 30<sup>th</sup> September 2016

**REPORT BY:** Strategic Director of Resources

**SUBJECT:** Pension Fund Pooling - Update

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**REPORT FOR:** Information

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#### 1. Summary

This report provides Committee with an update on investment pooling developments in Wales since the publication of the briefing note that was made available to Committee Members at the end of June.

#### 2. Progress Update

2.1 Over the summer work has continued in partnership with the pool's advisers, Hyman's Robertson and Eversheds. At present, the work is focused on three main areas:

##### 2.2 Governance

- a) Setting out the Terms of Reference for the proposed Joint Governance Committee for the pool;
- b) Drafting of a Memorandum of Understanding to be agreed and signed by each of the participating Fund authorities to enable further pool development to progress on a formal legal footing;
- c) Drafting of an Inter Authority Agreement to be agreed and signed by each of the participating Fund authorities to provide the formal legal foundation of the pool and the rules surrounding participation within it etc.

##### 2.3 Procurement of FCA Approved Pool 'Operator'

- a) OJEU prescribed Public Information Notice issued 18<sup>th</sup> August;
- b) Engagement days with potential bidders (12) held 22<sup>nd</sup> / 23<sup>rd</sup> September for exchange of information etc;
- c) Drafting of procurement specification underway and ongoing.

##### 2.4 Communications

- a) Publishing updates to LGPS members and participating employers;
- b) Progress update and proposed future actions to be reported to DCLG and HMT shortly.

### 3. Recommendations

Committee are asked to note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the progress made in investment pooling in Wales since the last update.		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk
<b>Relevant Portfolio Member(s):</b>		Councillor Wynne Jones	
<b>Relevant Local Member(s):</b>		N/A	



# PIC56- 2016

## POWYS PENSIONS BOARD

Held at County Hall, Llandrindod Wells

on 15<sup>th</sup> July 2016

PRESENT:

Gerard Moore (Chair)

John Byrne and Mick Hutchison (Member Representatives)

Geoff Petty and Wayne Thomas (Employers Representatives)

Joe Rollin (Secretary to the Board)

Richard Antrobus (Aon Hewitt) for item 5.

		Action
1.	<b>Apologies</b>  None.	
2.	<b>Declarations of Interest</b>  None.	
3.	<b>Minutes</b>  The minutes of the last meeting held on 4 <sup>th</sup> March 2016 were agreed as a correct record.	
4.	<b>Confidential Matters</b>  <b>Resolved to exclude the public for item 11 below on the grounds that there would be disclosure to them of exempt information of a commercially sensitive nature.</b>	
5.	<b>Presentation by Aon Hewitt on Investment Manager Performance Targets</b>  Richard Antrobus from Aon Hewitt explained the changes made to the quarterly reports following suggestions made by the Board with the introduction of a buy, sell and qualified rating system in the executive summary. He explained that the classification for illiquid holdings was different because these were longer term commitments.  He also advised that WM would no longer be providing benchmarking data. PIRC had taken on key staff from WM and were offering the service. They currently acted as administrators for the Local Government Pension Fund Forum.	

	<p>The Board asked about the strategic allocations and was advised that the Medium Term Asset Allocation set out how allocations affected performance. Aon Hewitt advised the Committee when positions got out of line. The Board considered that it would be helpful if asset allocation was included in the executive summary and for the quarterly report to show how much performance was attributable to manager performance and how much to asset allocation.</p> <p>The Board asked about management fees and transaction costs. Aon Hewitt had a unit looking at due diligence and fees. In order to meet the requirements of best practice and transparency the Board</p> <p><b>Recommended that the Pensions and Investment Committee receive details of total expense ratios on a manager by manager basis every quarter.</b></p> <p>The Board also considered that the Committee needed to be aware of the extent to which performance was due to fluctuations in currency as opposed to manager performance.</p> <p>The Secretary was asked about indemnity for Board members against fines by the Pensions Regulator. James Goudie QC had given a legal opinion that the Board was not a committee of the Council and therefore not covered by the Council's insurance. The Board asked the Secretary to speak to the Council's insurers and to forward a copy of the legal opinion to the Board. The Board also asked for this to be a standing item on the agenda until resolved.</p>	<p><b>Secretary to arrange with Aon Hewitt</b></p> <p><b>Secretary</b></p>
<p><b>6.</b></p>	<p><b>Board Report 2015/16</b></p> <p>The Board received and agreed the annual report for 2015/16.</p>	
<p><b>7.</b></p>	<p><b>Board Work Programme</b></p> <p>The Chair advised he was waiting for imminent guidance from the Pensions Regulator which would inform what areas the Board should be looking at as its priority areas for 2016/17.</p> <p>Other items for inclusion in the work programme were:</p> <ul style="list-style-type: none"> <li>• Administration of the Fund eg receipt of contributions from employers.</li> <li>• Internal Audit reports – Secretary to speak to Internal Audit to see if there any reports due this year.</li> <li>• Pension Fund Accounts – item for next agenda</li> <li>• Key Performance Indicators</li> <li>• Risk Register – red items</li> <li>• List of Recordable Incidents – standing item on the agenda.</li> </ul>	<p><b>Secretary</b></p>

	<ul style="list-style-type: none"> <li>• GMP reconciliation</li> <li>• Creation of a Welsh Pool and the role of Pension Boards.</li> </ul> <p>On this last point the Secretary advised that the Welsh Authorities' submission was under consideration by the UK government. It was likely that the Welsh Pool would be administered by a joint committee of the Chairs of the eight Welsh pension funds but there was no indication at this stage of what role there would be for Pension Boards.</p> <p>In relation to the exercise undertaken by the Government Actuary's Department under s.13 of the Public Service Pensions Act 2013 as a 'dry-run' for next year's real exercise, the Secretary advised that the purpose of the exercise had been to identify any undue risks associated with actuarial assumptions adopted for the Fund. The Powys Fund had been rated green in every category against an Red/Amber/Green risk assessment.</p>	
<b>8.</b>	<p><b>Draft Pensions and Investment Committee Minutes</b></p> <p>The minutes for the meeting held on 11<sup>th</sup> July had not yet been drafted.</p>	
<b>9.</b>	<p><b>Investment Consultant Appointment</b></p> <p>The Secretary advised that Aon Hewitt had been appointed as investment consultants to the Powys Fund for a further 5 years.</p> <p>The Chair reported that he had met the Council's Section 151 Officer and had discussed with him the possibility of the Board and Committee holding an occasional joint meeting. One prior to the 2017 elections could perhaps be timely. He had also suggested the Board could undertake reviews on behalf of the Committee following the local government elections in 2017 when there was a risk that experienced committee members may not return. The S151 Officer would emphasize to group leaders the importance of continuity on the committee following the elections.</p> <p>The Board received a paper confirming that none of the six consultants appointed to the National LGPS Framework received a commission from investment managers in relation to their roles as consultants to LGPS Funds.</p>	
<b>10.</b>	<p><b>Risk Register</b></p> <p>The Board asked that reference to legal agreements with investment managers be included as a control measure. The Board agreed to look at a recent agreement in respect of the custody of assets.</p>	<b>Secretary – item for next meeting</b>

<b>11.</b>	<p><b>Audit Reports</b></p> <p>The Board received the Internal Audit report into the management of the Pension Fund and noted the findings that “internal controls were in place and operating effectively. Any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process. Risks against the achievement of objectives are well managed.”</p> <p>The Board noted that the report had referred to training and the Secretary advised that there was some succession planning to mitigate the risk of key personnel leaving.</p>	
<b>12.</b>	<p><b>Cessation of Contracting Out</b></p> <p>The Secretary gave an update. The comparison of DWP data had been completed and now the mismatches were being analysed to see which needed to be investigated and which could be accepted. The Council had engaged the services of a specialist pension system data analyst firm to work with the Pensions team on this and it was anticipated that this would take around 6 months.</p> <p>Phase 3 would be the rectification of individual cases. Only a very small number of mismatches affected the sums due to individuals to any great extent. Any costs arising would fall to the Council as employer or as appropriate to other employers in the Fund.</p>	
<b>13.</b>	<p><b>Board Member Training</b></p> <p>Item for next agenda.</p>	
<b>14.</b>	<p><b>Next Meeting</b></p> <p>14<sup>th</sup> October 2016.</p>	

Gerard Moore  
Chair

# PIC59- 2016

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