

## Powys Pensions Board

---

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

---

Meeting Date  
**Friday, 12 January 2018**

---

Meeting Time  
**10.00 am**

---



County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

For further information please contact:  
Carol Johnson  
Democratic Services Officer  
Swyddog Gwasanaethau Democraidd  
Tel: 01597 826206  
Email; carol.johnson@powys.gov.uk

5 January, 2018

### AGENDA

<b>1.</b>	<b>APOLOGIES</b>
-----------	------------------

To receive apologies for absence.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
-----------	---------------------------------

To receive any declarations of interest.

<b>3.</b>	<b>MINUTES OF THE BOARD</b>
-----------	-----------------------------

To authorise the Chair to sign the minutes of the previous meeting of the Board, held on 20 October, 2017 as a correct record.

(Pages 5 - 10)

<b>4.</b>	<b>MATTERS ARISING</b>
-----------	------------------------

4.1. **Item 4a) - TPR Annual Return [verbal report]**

- 4.2. **Item 4c) - Board Work Programme**  
(Pages 11 - 16)
- 4.3. **Item 8 - MIFID 2 Opting up Update [verbal report]**
- 4.4. **Item 9 - TPR Code 14 Compliance re register of Board Members' Interests**  
(Pages 17 - 18)
- 4.5. **Item 12 - Legal status of Pooled Funds [verbal report]**

<b>5.</b>	<b>CHAIRMAN'S ANNOUNCEMENTS</b>
-----------	---------------------------------

<b>6.</b>	<b>MINUTES OF PENSIONS AND INVESTMENT COMMITTEE</b>
-----------	---

To receive the minutes of the Pensions and Investment Committee held on 17 November and the draft minutes of the meeting held on 15 December, 2017.  
(Pages 19 - 24)

<b>7.</b>	<b>BOARD MEMBER TRAINING [STANDING ITEM]</b>
-----------	--

To consider the training programme.  
(Pages 25 - 28)

<b>8.</b>	<b>SF3 RETURN</b>
-----------	-------------------

To receive the SF3 Returns for 2015-16 and 2016-17.  
(Pages 29 - 40)

<b>9.</b>	<b>REVIEW OF COMPLIANCE WITH THE PENSION REGULATOR [TPR] CODE 14</b>
-----------	--

<b>10.</b>	<b>BOARD KEY PERFORMANCE INDICATORS</b>
------------	---

To consider the draft Key Performance Indicators.  
(Pages 41 - 42)

<b>11.</b>	<b>REVIEW OF RISK REGISTER [STANDING ITEMS]</b>
------------	---

To receive a verbal report.

<b>12.</b>	<b>WALES PENSION PARTNERSHIP - INVESTMENT POOLING UPDATE [STANDING ITEM]</b>
------------	--

To receive a verbal report.

<b>13.</b>	<b>ESG AND INVESTMENT REGULATIONS GUIDANCE</b>
------------	--

To consider the report from the Chair.  
(Pages 43 - 64)

<b>14.</b>	<b>RECORDING BREACHES OF THE LAW</b>
------------	--------------------------------------

<b>15.</b>	<b>AUDIT REPORTS [STANDING ITEM]</b>
------------	--------------------------------------

To receive a verbal report.

<b>16.</b>	<b>ADMINISTRATION ACTIVITY REPORT [STANDING ITEM]</b>
------------	---

To consider the report.  
(To Follow)

<b>17.</b>	<b>CESSATION OF CONTRACTING OUT - UPDATE [STANDING ITEM]</b>
------------	--

To receive a verbal report.

<b>18.</b>	<b>INTERNAL DISPUTE RESOLUTION PROCEDURE [IDRP] UPDATE [STANDING ITEM]</b>
------------	--

To receive a verbal report.

<b>19.</b>	<b>SCHEME MEMBER COMMUNICATIONS</b>
------------	-------------------------------------

To receive a verbal report.

<b>20.</b>	<b>GDRP ACTION PLAN UPDATE</b>
------------	--------------------------------

To receive a verbal report.

<b>21.</b>	<b>BOARD SCHEME EMPLOYER REPRESENTATIVE [PCC]</b>
------------	---

To receive a verbal report.

<b>22.</b>	<b>FUTURE BOARD MEETINGS</b>
------------	------------------------------

To note the following dates:

7 June, 2018

6 September, 2018

23 November, 2018

**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT  
COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON  
FRIDAY, 20 OCTOBER 2017**

**PRESENT**

Gerard Moore (Chair)  
John Byrne and Mick Hutchison (Member Representatives)  
Geoff Petty (Employers Representatives)  
Joe Rollin (Secretary to the Board)  
Chris Hurst, Pension Administration Manager

<b>1.</b>	<b>APOLOGIES</b>
-----------	------------------

Apologies were received from Wayne Thomas, Employers Representative.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
-----------	---------------------------------

The Chair advised he was an Associate in The Chartered Institute of Public Finance and Accountancy [CIPFA] and declared an interest if reference was made to CIPFA when discussing the Board's training.

<b>3.</b>	<b>MINUTES OF THE BOARD</b>
-----------	-----------------------------

The minutes of the last meeting held on 14<sup>th</sup> July, 2017 were agreed as a correct record.

<b>4.</b>	<b>MATTERS ARISING</b>
-----------	------------------------

4.1. Item 5a - The Pension Regulator [TPR] Annual return 2017

The Board received the Pensions Regulator [TPR] Annual return 2016 – 2017 and the Secretary advised the report had been returned ahead of the required deadline. It was noted that the TPR had fined a Council last year for non-return of the report.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>That the Board note the timely submission of the Pensions Fund Scheme return 2016 - 2017 and its content.</b>	<b>As per report.</b>

4.2. Item 5b - Scheme Advisory Board [SAB] Board Survey

The Board received the completed survey submitted to the Scheme Advisory Board.

The Chair advised that four schemes which had completed the survey had advised that they do not have planned training programmes. It was noted that training was to be considered later on the Agenda.

4.3. Item 5d - Board Work Programme

The Board noted the Work Programme for the period to January 2020.

The following was noted:

- Section 13 Government Actuaries Department [GAD] report – GAD had been asked to develop a tool for making comparisons of the funding levels of schemes and their assumptions on such things as inflation, returns on investments etc. The Secretary advised that GAD’s report would probably be available toward the end of 2018.
- Administration Strategy Statement, Communications Strategy Statement and Governance Policy & Compliance Statement – the Board asked that it has an opportunity to see the draft statements prior to the final consideration by the Pensions & Investment Committee
- Pension Fund Annual Report & Accounts - the Board offered to consider the draft report and accounts, if the timings made this possible
- The Board’s training programme would be incorporated into the Work Programme
- Wales Pension Partnership – this should be a standing item on each Agenda rather than “until completion”.

#### 4.4. Item 5f - Scheme Member Information - a verbal report

The Board noted that this was discussed at a previous meeting and some examples had been emailed to the Board for consideration. As no comments had been received it was agreed that the information would be emailed again and members were asked to bring their thoughts to the next meeting.

<b>5.</b>	<b>EXERCISE OF VOTING RIGHTS</b>
-----------	----------------------------------

The Board noted the responses from Equity Managers regarding voting rights exercised. The Chair advised he would share a guide to voting for pooled funds with the Board.

<b>6.</b>	<b>CHAIRMAN'S ANNOUNCEMENTS</b>
-----------	---------------------------------

The Chair advised he had attended a Local Government Association training event for Chairs of Fire & Rescue Boards. The Pension Regulator [TPR] had attended and was putting pressure on the public sector pension funds to comply with regulations. TPR would be attending the Welsh Boards Chair meeting. The Chair advised he would ask the Regulator in what circumstances he would consider placing fines on Board members.

<b>7.</b>	<b>MINUTES OF PENSIONS AND INVESTMENT COMMITTEE</b>
-----------	---

The Board received the Pensions and Investment Committee’s minutes for 29 September, 2017.

The Chair advised that after the meeting he asked about an inconsistency that he had spotted in the annual pension fund accounts in relation to one of the Notes to the Accounts. The Secretary advised that the Financial Reporting and Policy Accountant had agreed to review the note in the Annual Report.

The Board noted the action plan agreed by the Committee in respect of the General Data Protection Regulations. It was noted that an English Pension Fund had been fined by the Information Commissioner as they had been subject to a cyber-attack.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>That regular updates are received in respect of the progress in meeting the General Data Protection Regulations' action plan.</b>	<b>To seek assurances that the requirements of the action plan are being met.</b>

**8. MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II [MIFID2]**

The Board noted the questionnaire sent to Asset Managers relating to the Markets in Financial Instruments Directive II – Opting Up. The Board noted the process required to ensure the Pensions Fund operated at the required level from 3 January 2018. The Secretary advised that one Asset Manager had already responded stating that the Fund met the required criteria to operate at this level. The Secretary agreed to keep Committee and Board Members aware of progress made on opting-up.

It was noted that due to the recent election the average period of service of Pension & Investment Committee members was two years. The Secretary advised that if this was seen to be a concern the option of co-opting individuals to the Committee had been considered.

**9. REVIEW OF COMPLIANCE WITH THE PENSION REGULATOR'S [TPR] CODE 14**

The Board received the Public Service Pension Schemes Self Assessment report.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>That an action/improvement plan be developed to address those areas identified as amber or red and that the plan be added to the Board's Work Programme.</b>	<b>To provide the Board with assurances that issues are addressed.</b>

**10. BOARD KEY PERFORMANCE INDICATORS**

The Board discussed whether there was a need to identify Key Performance Indicators [KPIs] and how these would fit into and add to the overall governance arrangements of the Pensions & Investment Committee, actuaries, Fund Managers etc.

<b>RESOLVED</b>	<b>Reason for decisions</b>
<b>That the principle of developing Key Performance Indicators [KPIs] for the Board was agreed</b>	<b>To assess the efficiency and effectiveness of the Board.</b>

<b>and that the Secretary and Chair develop draft KPIs for consideration at the next meeting.</b>	
---	--

**11. BOARD MEMBER TRAINING [STANDING ITEM]**

The Board considered topics for the training programme and how these could be delivered and whether solely for the Board or for the Board and Pension & Investment Committee.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>That the Secretary, in discussion with the Chair, develops a draft training programme for the Board and Board/Pensions and Investment Committee.</b>	<b>To develop the competencies of the Board and Board/pensions &amp; investment Committee members to enable them to undertake their roles.</b>

**12. REVIEW OF RISK REGISTER [STANDING ITEMS]**

12.1. Legal status of Pooled Funds

The Secretary advised that he was still waiting clarification on this issue and would report to the next meeting.

12.2. PEN004 - systems failure

The Board received the report regarding the entry PEN004 of the Risk Register which had been amended to include the specific risk of a systems failure occurring as a consequence of the failure of cyber security and the assurances from systems providers in relation to the management of cyber security.

The Board noted that the Fund’s pension administration system provider had identified three unresolved issues and was working to resolve these.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>That the Board note the report and that it receives an update at the next meeting regarding the Fund’s pension administration system provider’s resolution of the three unresolved issues.</b>	<b>To seek assurances that the systems are secure.</b>

**13. WALES PENSION PARTNERSHIP - INVESTMENT POOLING UPDATE [STANDING ITEM]**

The Secretary advised that the procurement process for appointing the operator had finished but had taken longer than originally planned. Officers would be making a recommendation regarding the preferred operator to the Joint Governance Committee. Once approved the eight Funds would be asked to consider and approve the appointment and this would be completed by the end of November/early December. A press release would then be issued.



Officers had already started work on drafting single policies for the Pool.

<b>14.   AUDIT REPORTS [STANDING ITEM]</b>
--

The Secretary advised that a report would be available for consideration at the next meeting.

<b>15.   ADMINISTRATION ACTIVITY REPORT [STANDING ITEM]</b>
---

The Board received the financial activity and membership statistics for the period 1 April to 30 September 2017. The Board welcomed this information.

<b>16.   CESSATION OF CONTRACTING OUT - UPDATE [STANDING ITEM]</b>
--

The Board noted that the final project document would be available before the end of December 2017 and the project would be completed within 10 months. It was noted that 40 Local Government Pension Schemes had not started this work.

<b>17.   INTERNAL DISPUTE RESOLUTION PROCEDURE [IDRP] UPDATE [STANDING ITEM]</b>
--

There were no issues to report.

<b>18.   FUTURE BOARD MEETINGS</b>
------------------------------------

The Board noted the following meeting dates:  
12 January, 2018  
7 June, 2018  
6 September 2018  
23 November 2018

**Gerard Moore**  
**Chair**

This page is intentionally left blank

# 4.b

## Powys Pensions Board Work Programme 2016/19

Start	Subject	Summary Description	Target End
Each Board until completion	End of Contracting Out (GMP Reconciliation)	To receive and note regular updates on progress and to make recommendations as required	Spring 2018
Each Board	Risk Register	To monitor the risks identified and to make recommendations in relation to amendments required and new risks identified from time to time.	Ongoing
Each Board	Training and Development	To receive and make recommendations in relation to the training and development of Board members.	Ongoing
Each Board	Wales Pension Partnership	To receive and note regular updates on progress and to make recommendations as required.	Ongoing
Each Board	Breaches of the Law	To receive, monitor and recommend as required, recordable breaches of the law.	Ongoing
December 2016	Audit – Pensions Administration	To receive and review a report from the Council's Internal Audit Service on pension scheme administration	Final report awaited October 2017
January 2017	Pension Fund Cahflow	To receive and review a report in relation to the Fund's cashflow position at 30 <sup>th</sup> November 2016.	January 2017 – completed 06.01.2017
January 2017	Valuation Results	Receive results from Pension Fund actuary	January 2017 –

			completed 06.01.2017
January 2017	Unauthorised Payments	To review the processes and procedures used in relation to unauthorised payments.	January 2017 – completed 10.03.2017
January 2017	The Pensions Regulator Code of Practice 14	To review the Fund's procedures against the requirements of the Code.	January 2017 - ongoing
April 2017	Annual Board Report	To draft and agree the Board's annual report for inclusion in the Pension Fund Annual Report & Accounts.	30 <sup>th</sup> June 2017 - completed
June 2017	Audit – Pension Fund Investment (Follow-up to 2016 investment audit report)	To receive and review a report from the Council's Internal Audit Service on pension fund investment administration	June 2017 – final report awaited October 2017
Autumn 2017	Pension Fund Annual Report & Accounts	To receive the Fund's audited and approved Annual Report & Accounts	Autumn 2017 – on next Board agenda
Winter 2017	Governance Policy & Compliance Statement	To receive the Fund's reviewed Governance Policy & Compliance Statement	Winter 2017
Winter 2017	Section 13 GAD Report	To review the Section 13 GAD Report received in relation to the Fund (as at 31.03.16) and recommend as required	Winter 2017
December 2017	Audit – Pensions Administration (Follow-up to 2016 administration audit report)	To receive and review a report from the Council's Internal Audit Service in respect of pension scheme administration.	December 2017
January 2018	Pension Fund Cashflow	To receive and review a report from the Pension Fund accountant of the Fund's cashflow position as at 30 <sup>th</sup> November last.	January 2018

January 2018	Administration Risks	To review administration procedures, processes and risks against guidance issued by the Pensions Regulator.	April 2018
April 2018	Annual Board Report	To draft and agree the Board's annual report for inclusion in the Pension Fund's Annual Report & Accounts	30 <sup>th</sup> June 2018
May 2018	Annual Pension Fund Report & Accounts	To review annual report in draft form and use to help inform the drafting of the Annual Board Report	31 <sup>st</sup> May 2018
June 2018	Audit – Pension Fund Investment Administration	To receive and review an audit report from the Council's Internal Audit Service on fund investment administration.	June 2018
Autumn 2018	Review of Risk Register -PEN004	To review the cyber security assurances from all providers of systems to the Pension Fund.	Autumn 2018
Autumn 2018	Administration Strategy Statement	To receive the Fund's reviewed Administration Strategy Statement	Autumn 2018
Autumn 2018	Communications Strategy Statement	To receive the Fund's reviewed Communications Strategy Statement	Autumn 2018
Autumn 2018	Fund Employer Covenants	To receive a report on the review of Fund Employer Covenants	Autumn 2018
Autumn 2018	Pension Fund Annual Report & Accounts	To receive the Fund's audited and approved Annual Report & Accounts	Autumn 2018
Winter 2018	Section 13 GAD Report	To review the Section 13 GAD Report received in relation to the Fund (as at 31.03.17) and recommend as required.	Winter 2018

Winter 2018	Governance Policy & Compliance Statement	To receive the Fund's reviewed Governance Policy & Compliance Statement	Winter 2018
December 2018	Audit – Pension Scheme Administration	To receive and review an audit report from the Council's Internal Audit Service on pension scheme administration.	December 2018
January 2019	Pension Fund Cashflow	To receive and review a report from the Pension Fund accountant of the Fund's cashflow position as at 30 <sup>th</sup> November last.	January 2019
April 2019	Annual Board Report	To draft and agree the Board's annual report for inclusion in the Pension Fund's Annual Report & Accounts	30 <sup>th</sup> June 2019
June 2019	Audit – Pension Fund Investment Administration (Follow-up to the 2018 report)	To receive and review an audit report from the Council's Internal Audit Service in respect of pension fund investment administration.	
Autumn 2019	Communications Strategy Statement	To receive the Fund's reviewed Communications Strategy Statement	Autumn 2019
Autumn 2019	Pension Fund Annual Report & Accounts	To receive the Fund's audited and approved Annual Report & Accounts	Autumn 2019
Winter 2019	Section 13 GAD Report	To receive the Section 13 GAD Report received in relation to the Fund (as at 31.03.18) and recommend as required	Winter 2019
Winter 2019	Governance Policy & Compliance Statement	To receive the Fund's reviewed Governance Policy & Compliance Statement	Winter 2019
December 2019	Audit – Pension Scheme Administration	To receive and review an audit report from the Council's Internal Audit Service on	December 2019

	(Follow-up to the 2018 report)	pension svheme administration.	
January 2020	Valuation results	To receive valuation results from the Pension Fund actuary	January 2020

This page is intentionally left blank



4.d  
POWYS PENSION BOARD

**PUBLIC SERVICE PENSIONS ACT 2013  
TPR CODE OF PRACTICE 14**

**NOTIFICATION IN RESPECT OF:-**

- (1) PERSONAL INTEREST DISCLOSED AT OR AFTER APPOINTMENT**
- (2) PERSONAL INTEREST ORALLY DISCLOSED AT A MEETING OF THE PENSION BOARD**

<b>1.</b>	<b>NAME OF MEMBER:</b>	
-----------	------------------------	--

**2. DATE AND DETAILS OF MEETING AT WHICH ORAL DISCLOSURE OF PERSONAL INTEREST MADE:**

<b>DATE:</b>	
<b>MEETING:</b>	

**3. AGENDA ITEM NUMBER AND BUSINESS TO WHICH THE PERSONAL INTEREST RELATES :**

<b>AGENDA ITEM:</b>	
<b>BUSINESS CONSIDERED:</b>	

**4. DETAILS OF PERSONAL INTEREST**

**(Note: If this involves SENSITIVE information give details of the agreement of the Monitoring Officer allowing you to simply disclose the EXISTENCE of the interest)**

**5. PREJUDICIAL INTEREST**

**Complete sections (a), (b), (c) and (d) in the box below by deleting those sections and words in square brackets as appropriate.**

**The personal interest detailed in Section 4 above:-**

**[(a) Is NOT a prejudicial interest because the business concerned relates to [another relevant body of which I am also a member] [another public authority or body exercising functions of a public nature in which I hold a position of general control or management] [a body to which I have been elected, appointed or nominated] AND the business does not relate to the determination of any approval, consent, licence,**

permission or registration].

**[(b) Is NOT a prejudicial interest because (under the objective, public perception test in Paragraph 12 (1) of the Members' Code of Conduct) it WOULD NOT be regarded as so significant that it is likely to prejudice my judgement of the public interest].**

**[(c) IS ALSO A PREJUDICIAL INTEREST because (under the objective, public perception test in Paragraph 12 (1) of the Members' Code of Conduct) it WOULD BE regarded as so significant that it is likely to prejudice my judgement of the public interest].**

**6. IF YOU HAVE A PREJUDICIAL INTEREST IN RESPECT OF WHICH YOU HAVE THE BENEFIT OF A DISPENSATION YOU MUST ALSO COMPLETE THE BOX BELOW.**

<b>DATE OF MEETING OF THE BODY GRANTING THE DISPENSATION</b>	
<b>EXACT WORDING OF DISPENSATION</b>  [As an alternative you may simply attach the letter (or a copy) from the body granting the dispensation notifying you]	

**7. DATE AND SIGNATURE:**

<b>DATE:</b>	
<b>SIGNATURE:</b>	

**This written notification, fully completed, dated and signed must be given BEFORE or IMMEDIATELY AFTER the close of the meeting to the Committee Clerk.**

V:\WLEGAL\CLARENCE\STANDARDS\COUNTY COUNCILS – DECLARATION OF INTERESTS

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE  
HELD AT COMMITTEE ROOM A, COUNTY HALL, LLANDRDINDOD WELLS ON  
FRIDAY, 17 NOVEMBER 2017**

## PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones and JG Morris

<b>1.</b>	<b>APOLOGIES</b>
-----------	------------------

Apologies were received from County Councillors A Davies, D Meredith and T Van-Rees.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
-----------	---------------------------------

Members of the Committee declared interests as members of the Local Government Pension Scheme [LGPS]. These are personal interests only, but are not a prejudicial interest in accordance with Paragraph 12(b)(iv) of the Members' Code of Conduct 2016.

<b>3.</b>	<b>EXEMPT ITEM</b>
-----------	--------------------

**RESOLVED** to exclude the public for the following items of business 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>4.</b>	<b>10.00 - 10.15 WALES PENSION PARTNERSHIP OPERATOR PROCUREMENT RECOMMENDATION</b>
-----------	--

The Committee received the report from the Acting Strategic Director of Resources. The Pension Fund Manager reported that the Wales Pension Partnership's Joint Governance Committee had considered the appointment of an operator at its meeting on 7 November, 2017. The eight participating authorities are now required to approve the appointment. It was noted that the name of the preferred bidder [1] was confidential until the awards letter is sent on 1 December, 2017.

Once appointed the Operator will set up the FCA platform regulation process to ensure that the Pool is operational from 1 April 2018.

<b>RESOLVED</b>	<b>Reason for decision</b>
<p><b>That the Pension and Investment Committee approves the recommendations of the Joint Governance Committee of the Wales Pension Partnership to:</b></p> <p><b>(i) Appoint Bidder 1 as the preferred bidder for the Wales Pension Partnership (OJEU reference number 2017/S 050-092093), and</b></p> <p><b>(ii) subject to the completion of</b></p>	<p><b>To formally approve the recommendation arising from the OJEU procurement exercise for operator services undertaken by the Constituent Authorities.</b></p>

<p><b>the standstill period and the finalisation of the Operator Agreement, to appoint Bidder 1 as the Operator under the Operator Agreement.</b></p>	
---	--

<b>5. HEDGE FUND MANAGER SELECTION</b>
--

5.1. 10.15 a.m. - 10.30 a.m. Introduction to the Hedge Fund Manager Selection Day (Aon)

The Committee noted the process to be followed for the selection of the Hedge Fund Manager.

5.2. 10.30 a.m. - 11.10 a.m. Informed Portfolio Management (UK) Limited  
The Committee received a presentation and asked questions.

5.3. 11.20 a.m. - 12.00 p.m. GSA Capital (via teleconference)  
The Committee received a presentation and asked questions.

5.4. 12.10 p.m. - 12.50 p.m. Stone Milliner  
The Committee received a presentation and asked questions.

5.5. 1.30 p.m. - 2.10 p.m. Capital Fund Management  
The Committee received a presentation and asked questions.

5.6. 2.10 p.m. - 2.40 p.m. Recap of Manager Presentations  
The Committee considered the presentations received during the morning.

5.7. 2.45 p.m. - 3.30 p.m. Aon Delegated Hedge Fund Solution  
The Committee received a presentation and asked questions.

5.8. 3.30 p.m. - 4.00 p.m. Discussion and conclusion  
The Committee considered the presentations received during the day from the Hedge Fund managers and in respect of the Delegated Hedge Fund Solution. The Pension Fund Manager advised that the investment decisions would have no impact on benefits and that delegating responsibility to someone else was how the management of pension funds was developing with the formation of the Wales Pension Partnership.

<b>RESOLVED</b>	<b>Reason for decision</b>
<p><b>That the Committee appoint the following Hedge Fund Managers:</b></p> <ul style="list-style-type: none"> <li>• <b>Informed Portfolio Management (UK) Limited</b></li> <li>• <b>GSA Capital</b></li> <li>• <b>Stone Milliner</b></li> <li>• <b>Capital Fund Management.</b></li> </ul>	<p><b>Improved efficiency and increased diversification of the Pension Fund's hedge fund portfolio.</b></p>

**County Councillor P E Lewis (Chair)**

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE  
HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS,  
POWYS ON FRIDAY, 15 DECEMBER 2017**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors T J Van-Rees, JG Morris and A W Davies

Councillor Martin Weale and Mr Gerard Moore.

Richard Antrobus, Chris Archer, Becky Durran and Simon Mayne (Aon Hewitt)

Acting Director-Resources, Pension Fund Manager, Financial Reporting & Policy  
Accountant

<b>1.</b>	<b>APOLOGIES</b>
-----------	------------------

Apologies for absence were received from County Councillor EA Jones.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
-----------	---------------------------------

Members of the Committee declared interests as members of the Local Government Pensions Scheme. These are personal interests, not prejudicial interests in accordance with Paragraph 12(b) (iv) of the Members Code of Conduct 2016.

<b>3.</b>	<b>MINUTES</b>
-----------	----------------

The Chair was authorised to sign the minutes of the meetings held on 29 September and 17 November 2017 as correct records.

The Chair advised that he was changing the running order of the agenda and that he would take the minutes of the Pensions Board when the Chair of the Board arrived.

<b>4.</b>	<b>CAMPING &amp; CARAVANNING CLUB</b>
-----------	---------------------------------------

The Committee was advised that the last remaining active member of the Powys LGPS employed by Camping & Caravanning Club had left their employment and that therefore the Club was no longer a participating employer 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>5.</b>	<b>PERFORMANCE MANAGEMENT</b>
-----------	-------------------------------

The Fund had joined the National LGPS Framework for Investment Management Performance and Cost Monitoring and Reporting Services and officers were in the process of engaging suppliers on the Framework to procure the relevant services.

<b>RESOLVED</b>	<b>Reason for Decision</b>
<b>That Committee approve officers to proceed with the engagement of providers for performance measurement services.</b>	<b>To ensure the Fund receives performance measurement information on an on-going basis.</b>

## **6. PRESENTATION BY THE PENSION FUND ACTUARY**

Chris Archer and Becky Durrant from Aon Hewitt gave an update on the actuarial position. The Fund had gone from 80% funded as at 31 March 2016 to 91% funded as at 30 September 2017 having benefitted from a 24% return on investments in the period. Investment returns could not be expected to continue at this rate. The average employer contribution in 2017/18 was 24.3% of pay, made up of 18.6% primary rate employer's contribution and stepping contributions made by the County Council. The expected recovery period was 22 years.

Mr Gerard Moore and County Councillor Aled Davies arrived during the presentation.

## **7. PENSIONS BOARD MINUTES**

The Committee received the minutes of the last meeting of the Powys Pensions Board meeting held on 20<sup>th</sup> October.

The Pensions Board had asked to be given an input into statements issued by the Fund, when timing allowed.

The Chair of the Pensions Board advised that the reference in the minutes to a fine imposed by the Information Commissioner should refer to an English County Council rather than a Pension Fund.

The Pensions Manager advised that since the update report to the Pensions Board on the Markets in Financial Instruments Directive II (MIFID II) two further managers had responded to say that the Fund met the required criteria to operate at this level and another 4 had yet to respond. The Chair of the Board was pleased to note that the investment advisers had opted up.

The Chair of the Committee requested that the Acting Chief Executive and Acting Section 151 Officer be asked to confirm that the training programme was MIFID compliant.

## **8. EXEMPT ITEMS**

**RESOLVED to exclude the public for the following item of business 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).**

**9. QUARTERLY INVESTMENT UPDATE**

The Committee was advised that equities continued to rise in value and there had been a modest increase in the value of the Fund.

The Committee was also advised that Aon Hewitt had downgraded their view of Schroders as their investment style was not suited to the current market. The funds under their management had been moved into the passive equity fund prior to the establishment of the pooled fund.

Aon Hewitt advised that a period of market volatility was expected once quantitative easing was reigned in and interest rates began to rise, but equities remained good value.

**10. ASSET UPDATE AT 30TH NOVEMBER**

The value of the Fund as at 30 November stood at £621.765m.

**11. MTAA UPDATE**

The Fund had outperformed the benchmark by being overweight in equities and underweight in bonds.

**12. LONG TERM BUSINESS PLAN**

The Committee noted the long term business plan.

The Pension Fund Manager advised that the preferred bidder appointment for the Pooled Fund had been delayed. Pension fund managers were due to meet on 20 December to start the process of establishing the pooled fund. The Committee discussed their role once the pooled fund had been established. The Committee would no longer be involved in the appointment of investment managers and would instead concentrate on asset allocation.

**13. HEDGE FUND TRANSITION UPDATE**

The Committee received the update report on the hedge fund transition.

**14. PRIVATE EQUITY COMMITMENTS**

The Committee was advised that a decision did not have to be taken until the next meeting.

**15. STOCK LENDING**

The Committee was advised that the Fund benefitted from stock lending, receiving a proportion of the fees charged by the investment managers. This was how passive managers offset their expenses. Aon Hewitt had asked for this information to be provided annually.

<b>16. INFRASTRUCTURE</b>
---------------------------

The Committee received the report from Aon Hewitt. Infrastructure was an asset class the Pooled Fund would look to invest in.

<b>17. INSIGHT - FIXED INCOME TRAINING</b>
--

The Committee received training on fixed income.

**County Councillor P E Lewis  
Chair**



**Powys Pensions Board  
Training Plan 2018/19**

Based on a minimum of 6 training sessions per year, each lasting half a day for approximately 3 hours. In addition, Board members are encouraged to attend at least 2 LGPS focussed seminars/conferences per year.

This plan should be reviewed and revised annually to meet the changing needs of Board members and enable them to maintain their knowledge and understanding of the LGPS.

<b>Event Date &amp; Location</b>	<b>Session Content</b>
TBC	<ol style="list-style-type: none"> <li>1. The Law Relating to Pensions <ul style="list-style-type: none"> <li>• Occupational pensions legislation</li> <li>• Tax privileges</li> <li>• Pensions related legislation</li> <li>• Dispute resolution</li> <li>• Interface with State benefits</li> <li>• Employer obligations</li> <li>• TPR and Ombudsman</li> </ul> </li>   <li>2. Investments <ul style="list-style-type: none"> <li>• Capital markets</li> <li>• The major asset classes</li> <li>• Overseas investment</li> <li>• The balance between risk and reward</li> </ul> </li> </ol>
TBC	<ol style="list-style-type: none"> <li>1. Funding <ul style="list-style-type: none"> <li>• Funding of DB schemes</li> <li>• How liabilities are valued</li> <li>• Funding measures</li> <li>• Risks</li> <li>• The importance of data</li> <li>• Discretionary powers</li> <li>• Transfers and bulk transfers</li> <li>• Monitoring retirements</li> </ul> </li>   <li>2. Contributions <ul style="list-style-type: none"> <li>• Scheme funding and employer contributions</li> <li>• Admission agreements</li> <li>• Calculation of future service rates</li> <li>• Special employer contributions</li> </ul> </li> </ol>

	<ul style="list-style-type: none"> <li>• Scheme member contributions</li> </ul>
TBC	<ol style="list-style-type: none"> <li>1. Strategic Asset Allocation <ul style="list-style-type: none"> <li>• Process of determining strategic asset allocation</li> <li>• Characteristics of alternative asset classes</li> <li>• Use of specialised investment techniques</li> <li>• Reviewing asset allocation decisions</li> </ul> </li> <li>2. AVC Investment Choices <ul style="list-style-type: none"> <li>• Impact on scheme members of AVC provider investment decisions</li> <li>• Scheme member understanding</li> </ul> </li> </ol>
TBC	<ol style="list-style-type: none"> <li>1. Fund Management <ul style="list-style-type: none"> <li>• The structure of investment portfolios</li> <li>• Fund manager selection</li> <li>• Investment mandates</li> <li>• Performance measurement</li> <li>• Monitoring</li> <li>• Custody arrangements</li> <li>• Responsible ownership</li> <li>• Myners principles</li> <li>• Pooling</li> </ul> </li> <li>2. LGPS Regulations <ul style="list-style-type: none"> <li>• Duties, powers and discretions of the Pension Fund</li> <li>• Obligations and responsibilities of Scheme Employers</li> <li>• Classes of members</li> <li>• Scheme benefits</li> </ul> </li> </ol>
TBC	<ol style="list-style-type: none"> <li>1. Investment Strategy Statement (ISS) <ul style="list-style-type: none"> <li>• Preparation of ISS</li> <li>• Objectives and strategy</li> <li>• Legal and regulatory requirements</li> <li>• Monitoring and updating the ISS</li> </ul> </li> <li>2. Funding Strategy Statement (FSS) <ul style="list-style-type: none"> <li>• Preparation of FSS</li> <li>• The Fund's statutory and strategic funding objectives</li> <li>• The contents of the FSS</li> <li>• Monitoring the FSS</li> </ul> </li> </ol>
TBC	<ol style="list-style-type: none"> <li>1. Fund and Scheme Documentation <ul style="list-style-type: none"> <li>• Scheme guides and leaflets</li> <li>• Key Pension Fund documents</li> <li>• Minutes of Fund meetings</li> <li>• Internal and external audit reports</li> <li>• Fund Annual Report and Statement of Accounts</li> </ul> </li> </ol>

	<ul style="list-style-type: none"><li>• Agreements and contracts</li><li>• Policies</li><li>• Risk Register</li></ul> <p>2. Actuarial Valuations</p> <ul style="list-style-type: none"><li>• Frequency, methodology and objectives</li><li>• Data</li><li>• Rates and adjustments certificate</li></ul>
--	---

This page is intentionally left blank



Department for  
Communities and  
Local Government

**SF3 Local Government Pension Scheme Funds**  
**SF3 2015-16**

Please e-mail to : [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk)

Please enter your details after checking that you have selected the correct authority name

Please check the figures shown in the blue border and contact us if you disagree with the figures shown

FORMS SHOULD BE RETURNED TO THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT BY FRIDAY 19 AUGUST 2016

Please read all relevant guidance notes before completing the form.

Ver 1.0

**These instructions highlight the features of this form and should be read in conjunction with the  
SF3 2015-16 Guidance Notes - Pension Funds accounts**

**Completing the form**

1. The form can be set up for each individual pension authority by selecting the appropriate authority name from the list. The example shows the local authority ZZZZ. Once a pension authority name is selected the spreadsheet will automatically complete the data used in validation.

2. There are two different type of input cells:

*\* White, Black Border - these are blank for new data - Please ensure all white cells are filled, including with 0, before submitting the form.*

*\* White, Blue Border - These cells contain formulae and are calculated from other cells. and there should be no need to overwrite these cells.*

3. Once the form is complete go to the Validation Sheet and check if any of the data requires any further explanation.

**Certifying the Form**

4. When the data have been checked and verified please email the complete file to [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk)

5. The department uses the information collected from this survey to provide a benchmark on the administration and fund management of the Local Government Pension Scheme. The data are also used in compiling the national accounts and to show the role of pension funds in the economy.

6. Analyses of Local Government Pension Scheme data collected in previous years can be found on the Communities and Local Government website at: <https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/local-government-pension-scheme>

7. We may use figures from individual forms to answer Parliamentary Questions, so please use the notes box on the form to give details of any unusual events or changes which affect your figures.

8. If you experience any problems using the form please email [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk)



Department for  
Communities and  
Local Government

## SF3 Local Government Pension Funds

**2015-16**

Please e-mail to : [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk)

Please enter your details after checking that you have selected the correct authority name.

**Forms should be returned to the Department for Communities and Local Government by Friday 19 August 2016**

Ver 1.0

Select your local authority's name from this list

North Yorkshire
Northamptonshire
Northumberland
Nottinghamshire
Oxfordshire
Powys UA

Check that this is your authority :

Check that this is your Code :

Local authority contact name :

Telephone number of local authority contact :

Fax number for local authority contact :

E-mail address of local authority contact :

<b>Powys UA</b>
<b>W7501</b>
<b>Daniel Paley</b>
<b>01597 826042</b>
<b>01597 826300</b>
<a href="mailto:daniel.paley@powys.gov.uk">daniel.paley@powys.gov.uk</a>

### Statement of Expenditure and Income 2015-16

#### Expenditure during 2015-16

	<b>£ 000</b>
1. Pension (or annuities): retired employees and dependants	20,139
2. Lump sums: on retirement (including deferred)	3,196
3. Optional lump sums, for retirements on or after 1 April 2015	0
4. Lump sums: on death	684
5. Other benefits	0
6. Transfer values i.e. Transfers out (including apportionments)	943
7. Pensions Act premiums (less recoveries from employees included in row 6)	2
8. Management expenses	3,723
9. Other expenditure	52
<b>10. Total expenditure (sum of rows 1 to 9)</b>	<b>28,739</b>

#### Income during 2015-16

	<b>£ 000</b>
11. Contributions (including those from other scheme employers): employees	4,775
12. Contributions (including those from other scheme employers): employers	18,251
13. Investment income	5,175
14. Transfer values i.e Transfers in (including apportionments)	1,038
15. Other income	48
<b>16. Total income (sum of rows 11 to 15)</b>	<b>29,287</b>

Please add any notes here:

**SF3 Local Government Pension Funds: 2015-16  
Memorandum Items**

**Powys UA**

Section A - Membership at 31 March 2016	Employer Group				Total
	Group 1	Group 2	Group 3	Group 4	
1. Total number of employers	13	0	0	6	19
2. Total number of contributing members (Do not include flexible retirees)	5,443	0	0	469	5,912
3. Number of pensioners: retired employees or dependants	3,954	0	0	216	4,170
4. Number of former members entitled to deferred benefits	6,184	0	0	150	6,334
5. Number of members to whom regulation 30(6) (Flexible retirement) applies	0	0	0	0	0
6. Total number of members (sum of rows 2 to 5)	15,581	0	0	835	16,416

Section B - Realisation of fund assets at 31 March 2016	Total £ '000
1. Profit on realisation of assets	3,035
2. Loss on realisation of assets	0
<b>3. Net profit on realisation of assets (B1 - B2)</b>	<b>3,035</b>

Section C - Employers' contributions during 2015-16	Rate (%)	£ '000
1. Primary contributions (please see guidance note)	15.30	11,792
2. Secondary contributions		6,459
2a. Of which: Section 16 (2)(b) contributions		495
<b>3. Total (C1 + C2) (Row 12 in Statement of Expenditure and Income 2015-16)</b>		<b>18,251</b>

Does "Contributions (including those from other scheme employers): employers" (row 12) equal Memo items Section C Total row 3? If a figure is displayed in the adjacent box, it is the difference between row 12 and Section C row 3. Please check your figures.

**Yes**

Section D - Investment income during 2015-16	Total £ '000
1. Income from property	0
2. Other investment income	4,269
3. Dividends receivable	0
4. Interest receivable	906
<b>5. Total (D1 + D2 + D3 + D4) (Row 13 in Statement of Expenditure and Income 2015-16)</b>	<b>5,175</b>

Does "Investment income" (row 13) equal Memo items Section D Total row 5? If a figure is displayed in the adjacent box, it is the difference between row 13 and Section D row 5. Please check your figures.

**Yes**

Section E - Market value of the fund	£ '000
1. At 1 April 2015	501,598
2. At 31 March 2016	501,778

Section F - Pensions (increase) payments reimbursed by employers during 2015-16	£ '000
1. Total expenditure	0

**SF3 Local Government Pension Funds: 2015-16**  
**Memorandum Items**

**Powys UA**

**Section G - Administration staff of the fund at 31 March 2016**

	Number of full time equivalents
1. Number of internal (i.e. non-contracted) full time equivalents employed in pension administration duties (excluding fund management)	8
2. Number of internal (i.e. non-contracted) full time equivalents employed in pension fund management	1

**Section H - Management expenses charged to the fund during 2015-16**  
*of which*

	£ '000
1(a) Investment management expenses	2,706
1(b) Administrative expenses	906
1(c) Governance and oversight costs	111
<b>2. Total Management expenses charged to the fund (1(a) + 1(b) + 1(c))</b>	<b>3,723</b>

Does "Management expenses" (row 8) equal Memo items Section H Total Line 2?  
 If a figure is displayed in the adjacent box, it is the difference between (row 8) and Section H Line 2. Please check your figures.

**Yes**

**Section I - Retirements in 2015-16**

	Number of retirements	
1. Redundancy (Regulation 30(7))	37	
2. Ill-health retirement (Regulation 35 of the 2013 regulations) (2a + 2b + 2c)	11	
2(a) Regulation 35(5) (Tier 1)	10	
<i>of which</i>	Male	Female
	7	3
2(a)(i) Average age of members in Tier 1	58	
2(b) Regulation 35(6) (Tier 2)	0	
<i>of which</i>	Male	Female
	0	0
2(b)(i) Average age of members in Tier 2	0	
2(c) Regulation 35(7) (Tier 3)	1	
<i>of which</i>	Male	Female
	0	1
2(c)(i) Average age of members in Tier 3	55	
2(d) How many Tier 3 payments were stopped under Regulation 37(3) and 37(7)(c)?	0	
2(e) How many Tier 3 payments were uplifted to Tier 2 under Regulation 37(7)(b) and 37(10)?	0	
2(f) How many awards made use of the age 45 protection in Transitional Regulation 12?	0	
3. Choice of early payment of pension (Regulation 30(5)) of the 2013 regulations	76	
4. Early payment of pension : ill health (Regulation 38) of the 2013 regulations	0	
<b>5. Sub Total (I1 + I2 + I3 + I4)</b>	<b>124</b>	
6. Normal retirements (Regulation 30(1))	47	
<b>7. Total (I5 + I6)</b>	<b>171</b>	

Please add any notes here:



**SF3 Local Government Pension Funds**  
2015-16  
Validation Checks

Ver 1.0

Local authority : Powys UA  
Local authority ecode : W7501  
Local authority contact name :  
Local authority contact number :  
Local authority contact email address :

This sheet automatically highlights any validation queries and provides space for your explanations

		Data		Change		Parameters			
		Previous data	2015-16	Actual	%	Actual	%	Please comment below where required	
		£'000s	£'000s	£'000s		£'000s			
<b>SF3 Expenditure &amp; Income</b>									
1	Total Expenditure : SF3 2015-16 (Line 10)	33,206	28,739	4,467	13%	0	20%	OK	
2	Total Income : SF3 2015-16 (Line 16)	25,095	29,287	4,192	17%	0	10%	Comment made	2015-16 includes distribution gains from Private Equity investments, £3M
<b>Memo items</b>									
<b>Section A - Membership at 31 March 2016</b>									
		Previous data	2015-16	Actual	%	Actual	%		
		Numbers	Numbers	Numbers		Numbers			
3	Total number of contributing members (Section A Line 2)	6,409	5,912	497	8%	1,000	5%	OK	
4	Number of pensioners (Section A Line 3)	4,043	4,170	127	3%	500	5%	OK	
5	Number of former members entitled to deferred benefits (Section A Line 4)	5,686	6,334	648	11%	1,000	5%	OK	
6	Number of flexible retirees (Section A Line 5)	3	0	3	100%	10	50%	OK	
<b>Section B - Realisation of fund assets at 31 March 2015</b>									
		Previous data	2015-16	Actual	%	Actual	%		
		£'000s	£'000s	£'000s		£'000s			
7	Net profit on realisation of assets (Section B Line 3)	3,885	3,035	850	22%	50,000	20%	OK	
<b>Section C - Employers' contributions during 2015-16</b>									
8	Total (Section C Line 3)	18,000	18,251	251	1%	10,000	10%	OK	
<b>Section D - Investment income during 2015-16</b>									
9	Total (Section D Line 5)	1,143	5,175	4,032	353%	1,000	20%	Comment made	2015-16 includes distribution gains from Private Equity investments, £3M
<b>Section E - Market value of the fund</b>									
10	At 31 March (Section E Line 2)	502,898	501,778	1,120	0%	200,000	10%	OK	
<b>Section F - Pensions (increase) payments reimbursed by employers during 2015-16</b>									
11	Total expenditure (Section F Line 1)	0	0	0	0%	0	20%	OK	
<b>Section G - Administration staff of the fund at 31 March 2016</b>									
12	Total	8	9	1	13%	10	0%	OK	
<b>Section H - Management expenses charged to the fund during 2015-16</b>									
13	Total Management expenses charged to the fund (Section H Line 2)	3,258	3,723	465	14%	1,000	20%	OK	
<b>Section I - Retirements in 2015-16</b>									
		Previous data	2015-16	Actual	%	Actual	%		
		Numbers	Numbers	Numbers		Numbers			
14	Sub-total (Section I Line 5)	187	124	63	34%	100	20%	OK	
15	Normal retirements (Section I Line 6)	43	47	4	9%	100	20%	OK	
16	Total retirements (Section I Line 7)	230	171	59	26%	100	20%	OK	
				Number of comments still required		0			

Please provide any further comments below

This page is intentionally left blank



Department for  
Communities and  
Local Government

## **SF3 Local Government Pension Scheme Funds** **SF3 2016-17**

Please e-mail to : [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk)

Please enter your details after checking that you have selected the correct authority name

Please check the figures shown in the blue border and contact us if you disagree with the figures shown

FORMS SHOULD BE RETURNED TO THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT BY FRIDAY 18 AUGUST 2017

Please read all relevant guidance notes before completing the form.

Ver 1.0

**These instructions highlight the features of this form and should be read in conjunction with the  
SF3 2016-17 Guidance Notes - Pension Funds accounts**

### **Completing the form**

1. The form can be set up for each individual pension authority by selecting the appropriate authority name from the list. The example shows the local authority ZZZZ. Once a pension authority name is selected the spreadsheet will automatically complete the data used in validation.

2. There are two different type of input cells:

*\* White, Black Border - these are blank for new data - Please ensure all white cells are filled, including with 0, before submitting the form.*

*\* White, Blue Border - These cells contain formulae and are calculated from other cells. and there should be no need to overwrite these cells.*

3. Once the form is complete go to the Validation Sheet and check if any of the data requires any further explanation.

### **Certifying the Form**

4. When the data have been checked and verified please email the complete file to [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk)

5. The department uses the information collected from this survey to provide a benchmark on the administration and fund management of the Local Government Pension Scheme. The data are also used in compiling the national accounts and to show the role of pension funds in the economy.

6. Analyses of Local Government Pension Scheme data collected in previous years can be found on the Communities and Local Government website at: <https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/local-government-pension-scheme>

7. We may use figures from individual forms to answer Parliamentary Questions, so please use the notes box on the form to give details of any unusual events or changes which affect your figures.

8. If you experience any problems using the form please email [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk)



Department for  
Communities and  
Local Government

## SF3 Local Government Pension Funds

**2016-17**

Please e-mail to : [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk)

Please enter your details after checking that you have selected the correct authority name.

**Forms should be returned to the Department for Communities and Local Government by Friday 18 August 2017**

Ver 1.0

Select your local authority's name from this list

Nottinghamshire
Oxfordshire
Powys UA
Redbridge
Rhondda Cynon Taff UA
Richmond upon Thames

Check that this is your authority :

Check that this is your Code :

Local authority contact name :

Telephone number of local authority contact :

Fax number for local authority contact :

E-mail address of local authority contact :

<b>Powys UA</b>
<b>W7501</b>
<b>Stephen Offa</b>
<b>01597 826727</b>
<b>01597 826300</b>
<a href="mailto:stephen.offa@powys.gov.uk">stephen.offa@powys.gov.uk</a>

### Statement of Expenditure and Income 2016-17

#### Expenditure during 2016-17

	£ 000
1. Pension (or annuities): retired employees and dependants	20,359
2. Lump sums: on retirement (including deferred)	4,090
3. Optional lump sums, for retirements on or after 1 April 2016	0
4. Lump sums: on death	502
5. Other benefits	0
6. Transfer values i.e. Transfers out (including apportionments)	3,199
7. Pensions Act premiums (less recoveries from employees included in row 6)	13
8. Management expenses	3,691
9. Other expenditure	61
<b>10. Total expenditure (sum of rows 1 to 9)</b>	<b>31,915</b>

#### Income during 2016-17

	£ 000
11. Contributions (including those from other scheme employers): employees	4,718
12. Contributions (including those from other scheme employers): employers	18,798
13. Investment income	4,993
14. Transfer values i.e Transfers in (including apportionments)	1,055
15. Other income	427
<b>16. Total income (sum of rows 11 to 15)</b>	<b>29,991</b>

Please add any notes here:

**SF3 Local Government Pension Funds: 2016-17  
Memorandum Items**

#REF!

	Employer Group				Total
	Group 1	Group 2	Group 3	Group 4	
<b>Section A - Membership at 31 March 2017</b>					
1. Total number of employers	15	0	0	8	23
2. Total number of contributing members (Do not include flexible retirees)	5,243	0	0	420	5,663
3. Number of pensioners: retired employees or dependants	4,125	0	0	205	4,330
4. Number of former members entitled to deferred benefits	6,054	0	0	205	6,259
5. Number of members to whom regulation 30(6) (Flexible retirement) applies	87	0	0	9	96
6. Total number of members (sum of rows 2 to 5)	15,509	0	0	839	16,348

**Section B - Realisation of fund assets at 31 March 2017**

1. Profit on realisation of assets		Total £ '000	2,546
2. Loss on realisation of assets			0
<b>3. Net profit on realisation of assets (B1 - B2)</b>			<b>2,546</b>

**Section C - Employers' contributions during 2016-17**

	Rate (%)	£ '000
1. Primary contributions ( <i>please see guidance note</i> )	15.30	11,698
2. Secondary contributions		7,100
2a. Of which: Section 16 (2)(b) contributions		545
<b>3. Total (C1 + C2) (Row 12 in Statement of Expenditure and Income 2016-17)</b>		<b>18,798</b>

Does "Contributions (including those from other scheme employers): employers" (row 12) equal Memo items Section C Total row 3? If a figure is displayed in the adjacent box, it is the difference between row 12 and Section C row 3. Please check your figures.

Yes

**Section D - Investment income during 2016-17**

1. Income from property		Total £ '000	0
2. Other investment income			4,101
3. Dividends receivable			0
4. Interest receivable			892
<b>5. Total (D1 + D2 + D3 + D4) (Row 13 in Statement of Expenditure and Income 2016-17)</b>			<b>4,993</b>

Does "Investment income" (row 13) equal Memo items Section D Total row 5? If a figure is displayed in the adjacent box, it is the difference between row 13 and Section D row 5. Please check your figures.

Yes

**Section E - Market value of the fund**

1. At 1 April 2016	#REF!	£ '000	501,778
2. At 31 March 2017			598,142

**Section F - Pensions (increase) payments reimbursed by employers during 2016-17**

1. Total expenditure		£ '000	0
----------------------	--	--------	---

**SF3 Local Government Pension Funds: 2016-17  
Memorandum Items**

#REF!

**Section G - Administration staff of the fund at 31 March 2017**

	Number of full time equivalents
1. Number of internal (i.e. non-contracted) full time equivalents employed in pension administration duties (excluding fund management)	8

2. Number of internal (i.e. non-contracted) full time equivalents employed in pension fund management	1
---	---

**Section H - Management expenses charged to the fund during 2016-17**  
*of which*

	£ '000
1(a) Investment management expenses	2,152
1(b) Administrative expenses	1,413
1(c) Governance and oversight costs	126

<b>2. Total Management expenses charged to the fund (1(a) + 1(b) + 1(c))</b>	<b>3,691</b>
--	--------------

Does "Management expenses" (row 8) equal Memo items Section H Total Line 2?  
If a figure is displayed in the adjacent box, it is the difference between (row 8) and Section H Line 2. Please check your figures.

<b>Yes</b>
------------

**Section I - Retirements in 2016-17**

	Number of retirements
1. Redundancy (Regulation 30(7))	44

2. Ill-health retirement (Regulation 35 of the 2013 regulations) (2a + 2b + 2c)	7
---	---

2(a) Regulation 35(5) (Tier 1)	5
--------------------------------	---

<i>of which</i>	Male	Female
	1	4

2(a)(i) Average age of members in Tier 1	53
--	----

2(b) Regulation 35(6) (Tier 2)	2
--------------------------------	---

<i>of which</i>	Male	Female
	0	2

Warning: Either or both Male/Female figures entered in cells F105/H105 are zero - Please check

2(b)(i) Average age of members in Tier 2	42
--	----

2(c) Regulation 35(7) (Tier 3)	0
--------------------------------	---

<i>of which</i>	Male	Female
	0	0

Warning: Either or both Male/Female figures entered in cells F111/H111 are zero - Please check

2(c)(i) Average age of members in Tier 3	0
--	---

2(d) How many Tier 3 payments were stopped under Regulation 37(3) and 37(7)(c)?	0
---	---

2(e) How many Tier 3 payments were uplifted to Tier 2 under Regulation 37(7)(b) and 37(10)?	0
---	---

2(f) How many awards made use of the age 45 protection in Transitional Regulation 12?	0
---	---

3. Choice of early payment of pension (Regulation 30(5)) of the 2013 regulations	0
--	---

4. Early payment of pension : ill health (Regulation 38) of the 2013 regulations	0
--	---

<b>5. Sub Total (I1 + I2 + I3 + I4)</b>	<b>51</b>
---	-----------

6. Normal retirements (Regulation 30(1))	38
--	----

<b>7. Total (I5 + I6)</b>	<b>89</b>
---------------------------	-----------

Please add any notes here:

**SF3 Local Government Pension Funds**  
2016-17  
Validation Checks

Ver 1.0

Local authority : Powys UA  
Local authority ecode : W7501  
Local authority contact name :  
Local authority contact number :  
Local authority contact email address :

This sheet automatically highlights any validation queries and provides space for your explanation

	Data		Change		Parameters				Please comment below where required
	Previous data	2016-17	Actual	%	Actual	%			
<b>SF3 Expenditure &amp; Income</b>									
	£'000s	£'000s	£'000s	%	£'000s	%			
1	Total Expenditure : SF3 2016-17 (Line 10)	28,739	31,915	3,176	11%	0	20%	OK	
2	Total Income : SF3 2016-17 (Line 16)	29,287	29,991	704	2%	0	10%	OK	
<b>Memo items</b>									
	Previous data	2016-17	Actual	%	Actual	%			
	Numbers	Numbers	Numbers		Numbers				
<b>Section A - Membership at 31 March 2017</b>									
3	Total number of employers (Section A Line 1)	19	23	4	21%	50	10%	OK	
4	Total number of contributing members (Section A Line 2)	5,912	5,663	249	4%	750	5%	OK	
5	Number of pensioners (Section A Line 3)	4,170	4,330	160	4%	500	5%	OK	
6	Number of former members entitled to deferred benefits (Section A Line 4)	6,334	6,259	75	1%	2,000	5%	OK	
7	Number of flexible retirees (Section A Line 5)	0	96	96	100%	25	50%	Comment made	INCORRECT ON LAST REPORT. SHOULD HAVE BEEN 89
<b>Section B - Realisation of fund assets at 31 March 2017</b>									
	£'000s	£'000s	£'000s	%	£'000s	%			
8	Net profit on realisation of assets (Section B Line 3)	3,035	2,546	489	16%	100,000	20%	OK	
<b>Section C - Employers' contributions during 2016-17</b>									
9	Total (Section C Line 3)	18,251	18,798	547	3%	10,000	10%	OK	
<b>Section D - Investment income during 2016-17</b>									
10	Total (Section D Line 5)	5,175	4,993	182	4%	1,000	20%	OK	
<b>Section E - Market value of the fund</b>									
11	At 31 March (Section E Line 2)	501,778	598,142	96,364	19%	200,000	10%	OK	
<b>Section F - Pensions (increase) payments reimbursed by employers during 2016-17</b>									
12	Total expenditure (Section F Line 1)	0	0	0	0%	0	20%	OK	
<b>Section G - Administration staff of the fund at 31 March 2017</b>									
13	Total	9	9	0	0%	10	0%	OK	
<b>Section H - Management expenses charged to the fund during 2016-17</b>									
	Total Management expenses charged to the fund (Section H Line 2)	3,723	3,691	32	1%	1,000	20%	OK	
15	Check for 16/17 data: Investment management fund (H1a) should be greater than the sum of: Administrative expenses (H1b) and Governance and oversight costs (H1c)	2,152	1,539					OK	
<b>Section I - Retirements in 2016-17</b>									
	Previous data	2015-16	Actual	%	Actual	%			
	Numbers	Numbers	Numbers		Numbers				
16	Sub-total (Section I Line 6)	124	51	73	59%	100	20%	OK	
17	Normal retirements (Section I Line 6)	47	38	9	19%	100	20%	OK	
18	Total retirements (Section I Line 7)	171	89	82	48%	100	20%	OK	

Number of comments still required 0

Please provide any further comments below

This page is intentionally left blank



### Powys Pensions Board Key Performance Indicators

At the Pension Board on 20<sup>th</sup> October 2017 it was agreed that the Board should develop a set of Key Performance Indicators to enable the Board's work to be measured against best practice and monitored.

This paper is a draft with the status of a 'straw man' to facilitate discussion.

The initial KPIs identified are:

- KPI PB01 - The number and frequency of Board meetings held each year. Target of 4 meetings as per TPR guidance.
- KPI PB02 - The proportion of Board meetings that are quorate (quorate being a minimum of the Chair plus 1 employer representative and 1 scheme member representative). Target set at 100% to enable decisions/recommendations to be made.
- KPI PB03a & PB03b - The training that has been made available to Board members and their attendance at such events. Targets – at least 6 training sessions to be made available each year, with attendance of at least 80% (ensuring that at least 1 of each Employer and Scheme Member representatives are in attendance).
- KPI PB04 - The proportion of Board recommendations made to the Pensions & Investment Committee and Pension Fund Officers that are accepted and adopted. Target 100% ?
- KPI PB05 - The proportion of items completed on time contained within the Board's Work Programme. Target 100% ?

As an illustration, the table below sets out the Board performance against the above KPIs for the year ending 31<sup>st</sup> March 2017.

<b>KPI</b>	<b>Target</b>	<b>Achieved 2016/17</b>	<b>Notes</b>
PB01	At least 4	4	
PB02	100%	100%	
PB03a	6	6	
PB03b	80%	26.7%	
PB04	100%	100%	Risk Register, Comms Policy, Governance Policy, Myners Principles
PB05	100%	60%	2 items dealt with were after the agreed completion date



Paper from the Chair of the Pensions Board

## **LGPS (Investment and Management of Funds) Regulations 2016**

### **1. Objective**

For the Pension Board to consider what views it may have on the process for the Pensions and Investments Committee complying with the guidance on formulating its Investment Strategy Statement (ISS) generally, and in particular on Regulation 7 (2) (e):

*“How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.”*

and to consider other related issues.

### **2. Regulatory Background**

- 2.1 Under these Regulations, each Administering Authority must include in its Investment Strategy Statement a description as to how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.
- 2.2 The Department of Communities and Local Government (DCLG) has issued guidance regarding these Regulations “Local government pension scheme: guidance on preparing and maintaining an investment strategy statement”.
- 2.3 With regards to its guidance relating to Regulation 7 (2) (e), the following is stated:

*“The law is generally clear that schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.*

*Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision. Investments that deliver social impact as well as a financial return are often described as “social investments”. In some cases, the social impact is simply in addition to the financial return; for these investments the positive social impact will always be compatible with the prudent approach. In other cases, some part of the financial return may be forgone in order to generate the social impact. These*

*investments will also be compatible with the prudent approach providing administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund”.*

#### 2.4 Summary of requirements under Regulation 7 (2) (e)

*In formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority:-*

- *Must take proper advice*
- ***Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors***
- *Must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments*
- *Should explain their approach to social investments*

### **3. The Current Position with regards to the Investment Strategy Statement of the Powys Pension Fund**

#### 3.1 Process: the ISS was discussed as Item 11 by the Pensions and Investment Committee on 9 February 2017 and contained the following procedures for review:

*“1.3 Therefore, this ISS will be reviewed every three years after the investment strategy has been reviewed and is confirmed as fit for purpose. In addition the ISS will be reviewed following changes to the investment strategy.”*

#### 3.2 The minutes of the Committee are as follows:

- “1. That the Investment Strategy Statement be approved and*
- 2. That it be delegated to the S151 Officer to agree any minor amendments to the Investment Strategy Statement”*

#### 3.3 The relevant, and indeed current, policy of the Fund, as reflected in the Paper under Item 11, is as follows:

##### *9. Socially Responsible Investment*

*9.1 The County Council has delegated responsibility for the selection, retention and realisation of investments to the investment manager(s).*

*9.2 The County Council’s policy is to invest part of the Fund’s assets on a passive basis. The County Council does not consider it appropriate for a passive investment manager to take account of social, environmental or*

*ethical considerations in the selection, retention and realisation of investments.*

*9.3 The County Council's policy in respect of the actively managed portion of the Fund's assets is that the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the active investment managers. However the County Council expects that the active investment manager(s) in the exercise of their delegated duties will take the extent to which social, environmental or ethical issues may have a financial impact on the portfolio into account.*

#### **4. Aspects for Discussion by the Pensions Board**

- 4.1 The Board may wish to consider in advance what its views would be if, as permitted under Regulation 7 (2) (e) it was consulted on by the Committee regarding the impact of social, environmental and governance factors in the investment process, or indeed independently wished to express thoughts and recommendations to the Committee.
- 4.2 If so, it is important that firstly a solid understanding of the issues is obtained by all Board members prior to reaching any conclusions. This would have an immediate impact on the training programme of the Board. However, there are several readily accessible sources of good information, e.g. LAPFF publications and reports by individual asset managers.
- 4.3 The DCLG guidance under Regulation 7 (2) (e) is very carefully worded, but the Chair's understanding is that it was so written to respect the fact that Boards do contain representatives of scheme members, who may individually or collectively have a view on these dimensions.
- 4.4 When reflecting on Paragraph 9.2 of the Committee report (passive investing), the Board may be interested to learn from its passive provider what proportion of other LGPS clients take a similar agnostic view to Powys, and what proportion do expect ESG issues to be taken into consideration. The Chair is aware that benchmarks can easily be identified for passive portfolios which do take ESG factors into account.
- 4.5 When reflecting on Paragraph 9.3 of the Committee report (active investing), the Board may wish to consider the extent to which it could / should be appropriate for the Committee (or perhaps the Board on behalf of the Committee) to receive reports on the extent to which each asset manager takes ESG issues into account and the extent to which, if measurable, it impacts on investment performance. The DCLG guidance states that "*Poor governance can negatively impact shareholder value. Stewardship aims to*

*promote the long term success of companies in such a way that the ultimate providers of capital also prosper.”* The Chair is aware that a well-respected international professor of investment governance claims that investing in well governed companies and focusing on the long term should outperform by at least 1.5% per annum.

- 4.6 The Chair is aware of lobby groups who scrutinised the ISS’s of the LGPS sector with a view to identifying how few referred explicitly to the financial risks emanating from climate change. The Board notes that the Powys ISS does not address the issue of climate change risk on investment performance.

5. **Regulation 7(2)(f) - The exercise of rights (including voting rights) attaching to investments**

- 5.1.1. The DCLG guidance states that:

*“Administering authorities should become Signatories to the (Stewardship) Code and state how they implement the seven principles and guidance of the Code, which apply on a “comply or explain” basis.”*

- 5.1.2. The ISS shows the following:

*“11.2 The County Council is aware of the UK Stewardship code. Although it has not formally signed up to the Code it aims to abide by the principles of the code where appropriate.”*

- 5.1.3. The Board, acknowledging that the guidance reads “**should** become signatories” rather than “must”, may wish to comment on the Powys position.

6. **The Wales Pensions Partnership**

- 6.1 The Board recognises that work will have taken place within the Wales Pensions Partnership on the above issues, and equally recognises the fact that this might be leading to future changes in the ISS of Powys. Nevertheless, the Board will retain its role is assisting the Authority comply with legislation and manage its administration efficiently.

7. **Further Information**

- 7.1 The Board may wish to request sight on any proposals for an ESG policy on an All Wales basis.

- 7.2 The Board may wish to learn whether any of the eight Boards in Wales have had an involvement with ESG issues under Regulation 7 (2) (e), and if so, what was their role.
- 7.2 The Board may wish to identify how many of the eight Funds in Wales are now signatories to the UK Stewardship Code.

The Board is invited to offer its comments on this paper.

Gerard Moore

Independent Chair: Powys Pension Board

28 December 2017

This page is intentionally left blank



# INVESTMENT STRATEGY STATEMENT – March 2017

---

## 1. Introduction

- 1.1 Local Government Pension Scheme (LGPS) funds in England and Wales are required to publish an Investment Strategy Statement (ISS)<sup>1</sup> which must address the following:
- to ensure that asset allocation strategies are sufficiently diversified;
  - to include the authority's assessment of the suitability of asset classes;
  - to include the administering authority's approach to risk, the assessment of risks and how they are to be managed;
  - the authority's approach to the pooling of investments, including the use of collective investment vehicles and shared services;
  - the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
  - the administering authority's policy of the exercise of the rights (including voting rights) attaching to investments;
  - set out the maximum percentage of the total value of all investments that it will invest in in particular asset classes;
  - review the ISS periodically and at least every three years.
- 1.2 Further, LGPS funds in England and Wales are required under Guidance from the Secretary of State for the Department of Communities and Local Government (DCLG) to progress plans to pool the investment of assets, which will result in changes in the way that the Powys Pension Fund's (Funds) assets will be managed moving forward.
- 1.3 Therefore, this ISS will be reviewed every three years after the investment strategy has been reviewed and is confirmed as fit for purpose. In addition the ISS will be reviewed following changes to the investment strategy.
- 1.4 A copy of this ISS will be made available on request to any interested party.

<sup>1</sup> Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016 No.946)

## **INVESTMENT STRATEGY STATEMENT – March 2017**

---

### **2. Overall Responsibility**

- 2.1 The County Council is the designated statutory body responsible for administering the Fund on behalf of its constituent scheduled and admitted bodies.
- 2.2 Elected Members have a fiduciary duty to the Fund, Scheme members and local council taxpayers in relation to the delivery of the LGPS. Functions may be delegated to Officers but the Members retain overall responsibility for the management of the Fund and its investment strategy and individual decisions about investments. The County Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out monitoring and reviews of investment and performance. The County Council's Constitution delegates these functions to the Pensions & Investment Committee.
- 2.3 Under the regulations the Secretary of State has the power to intervene in the investment function of an administering authority if the administering authority does not have regard to the Regulations, guidance or if other concerns are raised. This may include changing the ISS and, in the extreme, the transfer of investment powers to the Secretary of State or another nominated person.
- 2.4 The Investment Regulations permit the appointment of one or more investment managers to manage the Fund on behalf of the administering authority, provided that the investment managers are suitably qualified by their ability and practical experience of financial matters to make investment decisions for them, and to their compliance with other specific requirements of the regulations.
- 2.5 Administering authorities are required to take proper advice to enable them to fulfil their obligations, "Proper advice" is defined in the regulations as "the advice of a person who is reasonably believed to be qualified by his ability and practical experience of financial matters".
- 2.6 The County Council has delegated the decision-making responsibilities to the Pensions and Investment Committee. The Section 151 Officer and external fund advisors offer advisory support. The Committee has co-opted two non-voting members, one staff representative nominated by the Trade Unions and one representative nominated by the Outside Bodies Employers.
- 2.7 There is also a Local Pension Board which provides oversight to ensure the Fund is effectively managed.
- 2.8 Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the Fund. The Members of the Pension and Investment Committee will ensure they receive training as and when deemed appropriate, to enable them to evaluate critically any advice they receive.
- 2.9 The County Council has in place arrangements for the provision of specialist advice relating to actuarial matters (including the triennial valuation) and investment matters (including asset allocation and manager appointments).

## **INVESTMENT STRATEGY STATEMENT – March 2017**

---

- 2.10 The County Council has appointed independent specialists to provide actuarial and investment advice and is prepared to pay sufficient fees to attract a broad range of both kinds of providers when tendering.
- 2.11 The County Council will use suitable means to assess the advice received from its advisers in terms of its contribution to the decision making process.
- 2.12 Appropriate performance data will be included in the annual report and statement of accounts for the Fund and in the annual members' newsletter.
- 2.13 Investment Committee
- 2.13.1 Powys County Council delegates responsibility for the administering authority role to the Pensions & Investment Committee (The Committee). This includes investing the Fund's assets. The Committee is supported by the Fund Administrator and investment advisors.
- 2.13.2 The Committee is responsible in respect of investment matters:
- a. To determine the overall strategy relating to the investment of the Fund's assets and to meeting the Fund's liabilities.
  - b. To keep under review the performance of the Fund and the Fund's managers.
  - c. To approve the appointment of advisers and fund managers (unless the assets are invested in pooled arrangements in which case the latter may be delegated).
  - d. To publicise the stewardship role to all Scheduled and Admitted Bodies of the Powys Pension Fund and to all contributors and beneficiaries in accordance with the Fund's Communication Strategy.
  - e. The Pensions and Investment Committee regularly monitors the investment performance of the Fund in both absolute terms and against the specific benchmarks set. A review of overall or asset class specific benchmarks will be undertaken if the Pensions and Investment Committee considers it appropriate.
- 2.14 Investment Managers
- 2.14.1 Each investment manager, or subsequent manager of the Fund's investments, will be responsible for:
- a. Discretionary management of their portfolio, in accordance with the terms of their management agreement, having regard to the need for diversification of investments so far as appropriate and the suitability of investments.
  - b. Providing the Committee with quarterly statements of the assets together with a quarterly report on their actions and future intentions, and any changes to the processes applied to their portfolio.
  - c. Providing the designated provider with the information necessary to calculate performance statistics.

## INVESTMENT STRATEGY STATEMENT – March 2017

---

- d. Investment manager(s) are permitted to use authorised financial instruments in appropriate circumstances following prior discussion and approval. Approval will not be withheld without clear justification.
- e. The investment manager(s) are required to produce a quarterly investment report and to attend Pension and Investment Committee meetings as appropriate.
- f. The County Council requires the investment manager(s) to provide details of the commission payments they receive on asset transactions (including soft commissions if applicable) and how they assess their overall trading efficiency. By discussing these matters with the investment manager(s), the County Council seeks to gain a full understanding of the transaction-related costs that the Fund incurs, and to understand the options open to the County Council in relation to those costs.

### 2.15 Investment Consultant

2.15.1 The Investment Consultant will be responsible for providing prompt, consistent and competent advice and support through one or two named representatives, in respect of investment matters when so requested by the Committee. Advice and support is likely to be sought in regard of:

- a. Review of the Investment Strategy Statement.
- b. Presentation and interpretation of investment performance measurement results.
- c. The Potential impact of:
  - any changes in the investment managers' organisations that could affect the interests of the Fund;
  - any changes in the investment environment that could present either opportunities or problems for the Fund.
- d. Investment manager selection, retention and termination (until such time as the investment pool takes over such responsibilities);
- e. Benchmark adjustments;
- f. The appropriate content of investment management and other related Agreements;
- g. Appropriate investment structures for the Fund in the light of the Fund's liability profile. This will involve working with the Fund's Actuary and, in time, discussion with the investment pool.
- h. Ad-hoc project work as required.
- g. The independent investment adviser who attends each Pensions and Investment Committee meeting is required to produce a separate report on investment performance quarterly.

## **INVESTMENT STRATEGY STATEMENT – March 2017**

---

### 2.16 Pensions Board

2.16.1 The role of the board is to assist the Powys County Council pension fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed.

2.16.2 The board members work with the Council in its role as an administering authority and with the pension fund's officers to ensure that your pension scheme is being run properly.

2.16.3 To comply with requirements imposed by regulations which are enforced by the Pensions Regulator, the members of the local pension board are required to maintain their knowledge and understanding of the LGPS and pensions in general, so receive appropriate training.

### **3. Investment Objectives**

3.1 The long term investment objectives of the Fund are to:

- maximise investment returns over the long term within an acceptable level of risk;
- ensure that sufficient assets are readily available to meet liabilities as they fall due;
- aim for long-term stability in the employers' contribution rates;
- achieve and maintain funding levels at, or close to, 100% of the Fund's liabilities.

3.2 Risk is mainly concerned with the possibility of a deficiency in the Fund or a substantial increase, or volatility, in future employer contribution rates.

3.3 Whilst stability of the employers' rate has a high priority, absolute cost to the employer is also important. This implies that:

- the cost of administering the Fund will be constrained by the adoption of best management practice;
- employers will adopt appropriate policies in those areas where they have discretion and where costs of their actions fall on the Fund;
- the Fund will, as far as is practicable, and through the Fund's Actuary, avoid cross subsidisation between the Fund's individual employers;
- the Fund's overall investment policy will be aimed at superior investment returns relative to the growth of liabilities. This implies that the Fund will take a controlled active risk relative to its liability profile.

## INVESTMENT STRATEGY STATEMENT – March 2017

---

### 4. The Balance Between Different Types of Investments

- 4.1 The County Council seeks to achieve its investment objectives through investing in a suitable mixture of real and monetary assets. A mixture across the asset classes should provide the level of returns required by the Fund to meet its liabilities at an acceptable level of risk and at an acceptable level of cost.
- 4.2 The current strategic asset allocation is 70% return seeking and 30% risk reducing (matching assets). This strategy was determined with the aid of our Investment Advisors in order to ensure the balance between expected return and risk is appropriate and the expected return is sufficient. In addition the split between potential asset classes has been set to ensure there isn't excessive exposure to any particular asset class or specific risk such as equities or credit risk.
- 4.3 To ensure that asset allocation is sufficiently diversified the Fund's investment strategy has been set using modelling techniques that cover all mainstream asset classes including those most likely to be available through the pooling arrangements available to the Welsh Funds. In addition
- 4.4 The current strategic benchmark is as follows:

<b>Asset Class</b>	<b>%</b>	<b>Maximum %</b>	<b>Benchmark Index</b>
<b>Equities*</b>	<b>47</b>	<b>55</b>	
Active	19		MSCI All Countries World (NDR)
Passive	28		FTSE Developed World
<b>Bonds</b>	<b>30</b>	<b>35</b>	
Corporate Bonds	6		iBoxx Sterling Non-Gilts All Maturities
Index-Linked Gilts	15		FTSE UK Index-Linked over 5 years
Gilts	3		FTSE UK Gilts All Stock
Absolute Return Bonds	6		3 Month GBP LIBOR
<b>Property</b>	<b>10</b>	<b>15</b>	IPD Index
<b>Private Equity</b>	<b>5</b>	<b>10</b>	MSCI AC World ex UK
<b>Hedge Funds</b>	<b>8</b>	<b>15</b>	3 Month LIBOR
<b>Total</b>	<b>100</b>		

\*50% of currency risk from overseas equities is hedged back to Sterling

- 4.5 There is also an agreement to invest 10% of assets allocated to equities in infrastructure when suitable opportunities for investment are available.
- 4.6 In reaching its decisions on asset allocation the County Council will:
- take proper advice from specialist, independent advisers and give consideration to the desirability of receiving advice based on an asset / liability study.
  - consider the volatility of returns which it is prepared to accept.
  - determine the split between matching and returning seeking assets before it gives consideration to any other asset class.
  - have due regard to the diversification and suitability of investments.

## **INVESTMENT STRATEGY STATEMENT – March 2017**

---

### **5. Approach to risk, the assessment of risks and how they are managed**

- 5.1 The Committee recognises that risk is inherent in any investment activity and it seeks to manage the level of risk that it takes in an appropriate manner.
- 5.2 The main risk arising from the investment strategy will be a fall in the value of the investments relative to the value of the liabilities, potentially leading to higher contributions being required from the County Council and other employers within the Fund.
- 5.3 Other risks include but are not limited to risks such as not having enough liquidity to meet cash requirements and third parties defaulting on contracts.
- 5.4 The operational risk to the Fund is minimised by:
- the use of a regulated, external, third party, professional custodian for custody of assets.
  - having formal contractual arrangements with investment managers.
  - having access to the internal audit service of Powys County Council.
  - the activities of the investment manager(s) being governed by detailed Investment Management Agreements. Investment managers are expected to have regards to these principles and legislative requirements, in particular the LGPS (Management and Investment of Funds) Regulations 2016 (SI 2016 No.946).
  - having formal agreements in place with admitted bodies.
- 5.5 The investment risks to the Fund are managed by:
- diversification of types of investment.
  - diversification of investment manager(s).
  - the setting of a Fund-specific benchmark informed by asset-liability modelling of liabilities.
  - the appointment of independent professional advisors.
  - the appointed expert investment manager(s) being given clear performance benchmarks and maximum accountability for performance against those benchmarks over appropriate time-scales.
  - investment manager(s) being required to implement appropriate risk management measures and to operate in such a manner that will ensure the likelihood of not achieving the performance target is kept within defined acceptable limits.
- 5.6 In order to reduce the risk of assets increasing beyond agreed ranges there is also a Medium Term Asset Allocation (MTAA) project. This project utilises all of the Fund's assets excluding Private Equity. The MTAA service has the target of increasing the return achieved by these assets by 0.5% p.a. by deliberately allocating assets away from the strategic allocation to take advantage of market over/under valuations during the medium term. This service has run from 2009. The Pensions & Investment



## INVESTMENT STRATEGY STATEMENT – March 2017

Committee has recently decided to extend the project period, with regular reviews as they see fit. The MTAA service has an artificial benchmark of 49.5% equity / 32% bond / 18.5% alternatives. It operates within tolerance bands so the difference between the actual allocation and the strategic allocation will not deviate beyond these set limits. For further information on the MTAA project, please see Appendix B.

### 6. The expected return on investments

- 6.1 The wider strategy has been set to target 5.8% pa over the long term with a volatility of 10.8% pa. This is based on assumptions at 30 September 2016 and will be subject to change depending on changes in market conditions.
- 6.2 The investment manager(s) have been given specific performance targets measured against the index return in the relevant asset class. The County Council recognises that these targets will not be met in all periods under consideration, but expects that they will be met in the vast majority of periods under consideration.
- 6.3 The performance targets for the investment manager(s) are shown in the table below:

Investment Manager	Mandate	Benchmark	Objective
Carnegie	Global Equity	MSCI AC World (NDR)	To outperform the benchmark by 3-5% p.a. (gross of fees) over a typical market cycle
Hosking	Global Equity	MSCI AC World (NDR)	To outperform the benchmark by 3-5% p.a. (gross of fees) over a typical market cycle
MFS	Global Equity	MSCI AC World (NDR)	To outperform the benchmark by 2% p.a. (gross of fees) over a typical market cycle
Schroders	Global Equity	MSCI AC World (NDR)	To outperform the benchmark by 3-4% p.a. (gross of fees) over a typical market cycle
BlackRock	Balanced	Composite benchmark	To track the benchmark
Aviva Investors	UK Property	IPD/PPFI All Balanced Funds Medium Index	To outperform the benchmark by 1% p.a. over rolling 3 year periods.
Hermes Fund Managers	UK Property	IPD Other Balanced Funds Index	To outperform the benchmark by 0.5% p.a. on a rolling three year basis
Schroders	UK Property	IPD UK All Balanced Funds Index	To outperform the benchmark by 0.5% p.a. on a rolling three year basis
CB Richard Ellis	European Property	UK Retails Price Index (The IPD UK Pooled Property Index will also be used for comparison purposes)	Provide investors with a return of 8-10% p.a., net of fees and expenses.
Insight Asset Management	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Maturities Index	To outperform the benchmark by 0.75% p.a., net of fees



## INVESTMENT STRATEGY STATEMENT – March 2017

Insight Asset Management	Absolute Return Bonds	3 month GBP LIBOR	To outperform the benchmark by 2% gross of fees
Standard Life Investment	Private Equity (European)	MSCI World	To outperform the benchmark by 5% pa over a rolling three year period.
HarbourVest Partners	Private Equity (US)	MSCI World	No stated objective, just to produce returns which place HarbourVest in the top quartile in the industry
Goldman Sachs	Hedge Fund of Funds	3 month USD LIBOR	To outperform the benchmark by 4 – 9% p.a. net of fees
GAM	Hedge Fund of Funds	3 month GBP LIBOR	To achieve an absolute return of 8-13% p.a. over the long term.

6.4 The investment manager(s) benchmarks are based on market indices. The indices used were considered in consultation with the investment adviser and the investment manager(s) and carefully chosen with regard to their strategic suitability. The limits on the levels of divergence from these indices set out in the investment mandates were chosen with regard to the investment manager(s) overall performance objectives.

### 7. The realisation of investments

7.1 General investment principles require that issues of liquidity and marketability be considered in making any investment decision. The Fund is currently paying out more than it receives in contributions meaning the assets need to cover any shortfall. Where possible assets are held in income producing investments. This helps increase cash available to meet outgoings. Also the majority of assets are invested in funds with good liquidity which can be used to meet any outstanding cashflow requirements.

7.2 The vast majority of the Fund's assets are readily marketable. However some investments, such as property and private equity, are less easy to realise in a timely manner. This relative illiquidity is not considered to have any significant adverse consequences for the fund.

7.3 The County Council would inform the investment manager(s) of any projected need to withdraw funds in order to enable the investment manager(s) to plan an orderly realisation of assets if this proves necessary.

### 8. Pooling

8.1 The County Council will aim for all assets to be managed under pooled arrangements through the Welsh Funds investment pool.

8.2 Investment opportunities outside the pooling arrangements will be considered if they are not already or likely to be available through the Welsh Funds investment pool, and there are suitable resources to invest in and monitor the investment. These can include contracts related to financial futures or insurance. Appropriate advice will be

## **INVESTMENT STRATEGY STATEMENT – March 2017**

---

sought on alternative asset classes when setting the strategy and as opportunities arise.

- 8.2 Suitable asset classes include those available through the pooling arrangements as well as any asset class where the Pensions and Investment Committee have resource to understand and monitor the investment. This may include illiquid investments and other asset classes that offer improved risk and return expectations.

### **9. Socially Responsible Investment**

- 9.1 The County Council has delegated responsibility for the selection, retention and realisation of investments to the investment manager(s).
- 9.2 The County Council's policy is to invest part of the Fund's assets on a passive basis. The County Council does not consider it appropriate for a passive investment manager to take account of social, environmental or ethical considerations in the selection, retention and realisation of investments.
- 9.3 The County Council's policy in respect of the actively managed portion of the Fund's assets is that the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the active investment managers. However the County Council expects that the active investment manager(s) in the exercise of their delegated duties will take the extent to which social, environmental or ethical issues may have a financial impact on the portfolio into account.

### **10. The exercise of the rights attaching to investments**

- 10.1 The County Council supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its Investment manager(s) who exercise its voting rights. Votes are cast by proxy. Investment manager(s) provide reports when any voting rights are exercised. Only direct investments in traded equity shares carry such voting rights.

### **11. Corporate Governance**

- 11.1 The County Council supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its investment manager(s) who exercise its voting rights. Votes are cast by proxy. Each investment manager is required to report its actions on a quarterly basis.
- 11.2 The County Council is aware of the UK Stewardship code. Although it has not formally signed up to the Code it aims to abide by the principles of the code where appropriate.
- 11.3 The principles of the UK Stewardship code are included in Appendix A for information.
- 11.4 In addition to the above the Fund is a member of the Local Authority Pension Fund Forum which helps ensure governance is in line with current best practice.

## **INVESTMENT STRATEGY STATEMENT – March 2017**

---

### **12. Stock lending**

- 12.1 The Fund, custodian or investment managers do not engage in stock lending on behalf of the Fund.

### **13. Monitoring and Implementing of Investment Policy**

- 13.1 The Committee will meet on a quarterly basis with the Investment Advisors to review and discuss the operation of each investment manager's portfolio, including past and future policy decisions. The performance of the investment manager(s) will be monitored by the Committee on a quarterly basis at the Investment Committee meetings.
- 13.2 The Committee, in conjunction with the Investment Consultant, will review the allocation of assets between the passive and specialist portfolios, property and other asset classes.
- 13.3 The appointments of the investment manager(s) will be subject to review at the meeting held to consider the performance results from the designated provider. The review will be based on the monitoring of the Investment manager(s) processes as well as their performance.
- 13.4 The investment manager(s) appointments, whilst subject to annual monitoring, would generally be reviewed over rolling 3 year periods, in line with their performance benchmarks.
- 13.5 If an investment manager(s) performance prompts concerns then the Committee may ask the manager(s) to come to a meeting for a special review meeting.

## Appendix A

### Principles for Institutional Investment Decision Making

#### Compliance with CIPFA Principles for Investment Decision Making in LGPS

##### Principle 1 – Effective Decision Making

*Administering authorities should ensure that:*

- *Decisions are taken by persons or organizations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation, and*
- *Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.*

Powys County Council is the Administering Authority with overall responsibility for Powys Pension Fund (PPF), which it delegates to its Pensions & Investment Committee and the Section 151 Officer. This Committee consists of 6 voting members; 1 non-voting member representing Pension Fund employers (elected by those Pension Fund employers); and, 1 non-voting member representing pension scheme members (nominated by the recognised trade unions).

The governance arrangements of the County Council (including the Constitution, Financial Regulations and Contract Standing Orders) apply to the management of the Pension Fund. In addition the, the administering authority is assisted by the Powys Pensions Board which was established under the Public Service Pensions Act 2013.

Members of the Pensions & Investment Committee are required to undertake training and demonstrate competency in accordance with the Knowledge & Skills Framework Policy. The Committee receives what it considers to be proper advice from Fund officers and, in addition, has appointed an external consultant to provide advice on its investment strategy.

The Investment Advisor and Actuary have contracts which are regularly reviewed. The Investment Advisor was tendered in 2016-17, actuarial services are scheduled for 2017/18.

##### Principle 2 – Clear Objectives

*Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.*

The Fund's objectives are set out in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS). Both documents are available on the Fund's website. The aims of the Fund in relation to the FSS are set out in 2.2 of that document. To view the Funds Investment objectives view 3 Investment Objective in the ISS.

The approach to risk, the assessment of risks and how they are managed are stated in section 5 of the ISS.

## **INVESTMENT STRATEGY STATEMENT – March 2017**

---

The Fund, in accordance with regulatory requirements, has an objective of keeping the employers' contribution rate as level as possible while maintaining its solvency. The investment manager(s) have been given specific performance targets measured. These are displayed in section 6 of the ISS.

The Fund is effectively Government-backed but the Fund impact on stakeholders receives appropriate attention. The Fund monitors each of the participating LGPS employers and admitted bodies.

### **Principle 3 – Risk and Liabilities**

*In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.*

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members.) Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme. Responsibility for the Fund's risk management strategy rests with the Pensions & Investment Committee.

The Triennial Valuation exercise looks in detail at each participating employer's liability and is used to inform the setting of employers' contribution rates, as well as informing the investment strategy and objectives of the Fund.

The strength of the covenant of participating employers is also considered as part of the exercise establishing contribution rates.

A risk register is monitored monthly and maintained. Pensions and Investment Committee review the Risk Register every 12 months.

Regular internal audit on the adequacy and effectiveness of risk management and internal control is undertaken and outcomes reported to the Pensions & Investment Committee and Pension Board.

The Annual Report and Accounts of the Powys Pension Fund are subject to a separate external audit and an independent audit opinion is given.

Within the FSS, point 6 Key Risks and Controls, summarises the risks and controls under the following headings, investment, solvency, liability, regulatory, employer.

### **Principle 4 – Performance Assessment**

*Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.*

Advisors provide buy – qualified – sell – quarterly ratings on current managers to the Committee.

## **INVESTMENT STRATEGY STATEMENT – March 2017**

---

Investment Managers are measured against their targets shown in the ISS. The Funds advisors report formally on a quarterly basis to the Pensions and Investment Committee their ratings of the incumbent managers. Significant developments between meetings are also communicated by the advisors.

Investment Managers are invited to attend the Pensions and Investment Committee at behest of the Committee.

The Fund maintains a Governance Statement which is available from the Funds website.

Pensions & Investment Committee attendance and training is monitored and reviewed on a quarterly basis.

Advisers are selected competitively, based on performance, price and other factors.

All active and deferred scheme members receive the 'Your Pension' publication along with their Annual Benefit Statements which includes information on the Funds activity and a summary of the accounts; all retired members receive an annual newsletter with information on Fund developments and a summary of the accounts.

The Fund produces a detailed annual report covering all aspects of its performance which is published on the website.

### **Principle 5 – Responsible Ownership**

*Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.*

The Fund's Socially Responsible Investment intention is laid out in section 9 of the ISS. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which considers responsible investment on a collaborative basis.

### **Principle 6 – Transparency and Reporting**

*Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate.*

Details of the Fund's Communications Policy and all other key reports – ISS, Annual Report, FSS and Governance Policy Statement are all published on the Fund's website. A newsletter is also published periodically. There is employer and employee representation on the Committee ensuring transparency.

The Fund actively manages risks. Pensions & Investment Committee reviews the risk register on a regular basis.

Pensions & Investment Committee meetings are open to the public. Agendas, papers and minutes are available on Powys County Councils website.

## INVESTMENT STRATEGY STATEMENT – March 2017

---

<u>Principle</u>	<u>Compliance</u>
Effective Decision Making	The Fund considers that its practices are compliant with the CIPFA principles
Clear objectives	The Fund considers that its practices are compliant with the CIPFA principles
Risk and Liabilities	The Fund considers that its practices are compliant with the CIPFA principles
Performance Assessment	The Fund considers that its practices are compliant with the CIPFA principles
Responsible Ownership	The Fund considers that its practices are compliant with the CIPFA principles
Transparency and Reporting	The Fund considers that its practices are compliant with the CIPFA principles

### Principles of the UK Stewardship Code

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. Monitor their investee companies.
4. Establish clear guidelines on when and how they will escalate their stewardship activities.
5. Be willing to act collectively with other investors where appropriate.
6. Have a clear policy on voting and disclosure of voting activity.
7. Report periodically on their stewardship and voting activities.



## **Appendix B**

### **Background to Medium Term Asset Allocation**

#### **Philosophy**

The Committee recognises that it is possible to take advantage of excessive over/under valuations of markets in order to target additional returns. The Committee in conjunction with the Investment Consultant seeks to identify opportunities to allocate investments away from the strategic benchmark that are designed to add additional return relative to the benchmark return over the medium term (around 1 to 3 years).

#### **Process**

A thorough fundamental analysis of economics and financial markets is carried out to identify and incorporate general investor expectations into views of the different markets. In particular, attention is paid to establishing consensus views and profit is taken from positions which differ from the consensus. A range of appropriate timing indicators are utilised in order to achieve the best entry and exit levels to and from asset classes.

In terms of the practical application, once an opportunity has been identified the Fund's Investment Consultant will notify the Pensions & Investment Committee. The Committee decides whether to pursue the opportunity and if so will work with the Investment Consultant to complete any necessary asset transitions. The Investment Consultant liaises with the investment manager(s) and follows each transaction as it happens to make sure each trade goes through smoothly.

#### **Risk management**

Considerable lengths are taken to assess what correlations are likely to be in the future so as to ensure asset allocation views are truly diversified. The style of the MTAA project is to have a limited number of meaningful positions rather than either a small number of large positions or a large number of small positions. The overall objective is to achieve an additional return of 0.5% p.a. of assets involved in the MTAA project. The Investment Consultant will provide regular reporting to the Pensions & Investment Committee.