

Pensions and Investment Committee

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

Meeting date
Friday, 8 March 2019

Meeting time
10.00 am

For further information please contact
Carol Johnson
01597 826206
carol.johnson@powys.gov.uk



County Hall
Llandrindod Wells
Powys
LD1 5LG

1 March, 2019

Mae croeso i chi siarad yn Gymraeg neu yn Saesneg yn y cyfarfod.
Rhowch wybod pa iaith rydych am ei defnyddio erbyn hanner dydd, ddau ddiwrnod
gwaith cyn y cyfarfod.
You are welcome to speak Welsh or English in the meeting.
Please inform us of which language you wish to use by noon, two working days
before the meeting.

AGENDA

1.	APOLOGIES
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To receive apologies for absence.

2.	DECLARATIONS OF INTEREST
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To receive any declarations of interest from Members relating to items to be considered on the Agenda.

3.	MINUTES
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To authorise the Chair to sign the minutes of the last meeting held on 28 January, 2019 as a correct record.

(Pages 5 - 8)

4.	PENSIONS BOARD MINUTES
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To receive a verbal report on the Powys Pensions Board meeting held on 5 March, 2019.

5.	AMENDMENT TO RISK REGISTER
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To consider the report.

(Pages 9 - 16)

6.	BREACHES POLICY
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To consider the report and revised policy.

(Pages 17 - 32)

7.	LGPS (MISCELLANEOUS AMENDMENT) REGULATIONS 2018
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To note the report.

(Pages 33 - 34)

8.	EXEMPT ITEM
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The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following items. His view on the public interest test (having taken account of the provisions of Rule 14.8 of the Council's Access to Information Rules) was that to make this information public would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information). These factors in his view outweigh the public interest in disclosing this information.

Members are asked to consider these factors when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

9.	BENCHMARKING REPORT
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To note the report.

(Pages 35 - 180)

10.	WALES PENSION PARTNERSHIP UPDATE
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To receive an update and consider the report.

(Pages 181 - 232)

11.	TRANSITION MANAGEMENT
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To consider the report.

(Pages 233 - 234)

12.	QUARTERLY MONITORING REPORT
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To consider the report.

(To Follow)

13.	MEDIUM TERM ASSET ALLOCATION [MTAA] REPORT
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To consider the report.
(To Follow)

14.	FORWARD LOOKING BUSINESS PLAN
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To note the report.
(Pages 235 - 236)

15.	RESPONSIBLE INVESTMENT
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To consider a report on responsible investment.
(To Follow)

16.	EQUITY PROTECTION
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To consider the report.
(To Follow)

17.	INVESTMENT STRATEGY STATEMENT [ISS]
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To consider the revisions to the ISS.
(Pages 237 - 254)

18.	TRAINING SCHEDULE
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To receive a verbal update.

19.	INSIGHT ABSOLUTE RETURN BOND
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To consider the report.
(Pages 255 - 258)

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**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS
ON MONDAY, 28 JANUARY 2019**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, D H Williams and A W Davies
Mr G Moore, Chair Powys Pensions Board

Strategic Director Resources, Head of Financial Services and Pension Fund Manager.
Aon representatives - Simon Mayne, George Feane and Kenneth Ettles [via Skype] for
Item 8.

1.	APOLOGIES
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Apologies for absence were received from County Councillors JG Morris and T J Van-Rees and Mr M Weale, co-opted member.

2.	DECLARATIONS OF INTEREST
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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.

3.	MINUTES
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The Chair was authorised to sign the minutes of the meeting held on 13 December, 2018 subject to the amendment that Mr Gerard Moore was the Chair of the Powys Pension Board rather the Powys Pension Fund [Item 1]. The Chair was authorised to sign the minutes of the Joint Audit and Pensions & Investment Committee meeting held on 6 September, 2018 as a correct record.

4.	POWYS PENSIONS BOARD FEEDBACK NOTES AND DRAFT MINUTES
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The Committee noted the report and minutes from the Powys Pension Board held on 30 November, 2018.

Mr Moore, Chair Powys Pension Board advised that the two recommendations had been superseded, as joint training between the Committee and Board had been agreed. He considered that the number of assurances was an indication of how well the Powys Fund is managed and the good links between the Board and Committee. He noted the recorded breach [paragraph 2.6] and highlighted a concern affecting the local Government Pension Schemes [LGPS] nationally in respect of historic refunds [paragraph 3.2], which may result in a reportable breach to The Pension Regulator [TPR]. The Pension Fund Manager advised that this issue had been discussed at the National Technical Group and guidance on how to manage such breaches was being developed. In respect of the number of concerns regarding the Wales Pension Partnership [WPP] the Powys Pension Board Chair reported that he had discussed these with the Chair of the Committee (who was also the Vice-chair of the WPP Joint Governance

Committee). The Committee Chair advised that the WPP Joint Governance Committee was to consider the concerns raised.

5.	EXEMPT ITEM
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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).

6.	WALES PENSION PARTNERSHIP [WPP] GLOBAL EQUITY TRANSITION UPDATE
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The Committee received the report regarding the Global Equity transition and noted that one part of the Fund had not yet been transferred and would be considered in the next item.

RESOLVED	Reason for decision
That the content of the report be noted.	For information.

7.	GLOBAL EQUITY UPDATE - AON
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The Pension Fund Manager advised that as referred to in the previous item, part of the active global equity allocation had not been transferred into the Wales PP Global Growth Fund due to the different trading dates. As a result, Aon had been asked to look at the different options for managing the transfer of the assets.

The Committee discussed the options presented by Aon. In response to questions regarding Infrastructure investment Aon advised that the WPP Joint Governance Committee had not confirmed a timetable for the investment into Infrastructure and therefore, if the Committee wanted to do so, this may be outside the WPP. Aon advised that it could provide training on such investments. It was noted that there was an aspiration within the Investment Strategy to invest 10% of funds into Infrastructure.

RESOLVED	Reason for decision
That the WPP be approached for discussion around the timetable for potential Infrastructure investments within the Pool. Aon provide training to the Committee and Board on Infrastructure investment.	To enable the Committee to consider the issue further.

8.	EQUITY PROTECTION - AON
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The Pension Fund Manager advised that market volatility could lead to a downturn in the equity market and the Committee at its last meeting had considered options to protect funding levels via equity protection strategies. Kenneth Ettles, Aon joined the meeting via Skype.

The Committee considered the various options and protection levels including the amount of the fund which should be protected. The Section 151 Officer advised that there was a balance between the need to protect the Pension Fund, the affordability of the employer's contribution to the Fund and the impact of this on the Council's budget. In response to questions, Aon advised that In their experience, they had seen a spread of funds that have chosen to take out equity protection, those that are currently reviewing their options and those that had decided not to take out protections. It should be noted that these decisions are taken with regards to each individual Fund's requirements and that not all Funds are in the same position. Those that had implemented protection had protected between 50% - 75% of their equities. The key driver for this decision was what level of losses the Fund could bear. Aon advised that 75% of Funds that had taken out equity protection, had done so due to the potential changes in the market, with the remainder doing this for the triannual valuation.

The Committee noted that the medium term view was that equity markets were in a transitional phase with significant risk but that there were signs that this was coming to an end. Aon advised that equities remained a good investment for the long-term and it recommended that protection be provided for a 6 – 9 month period with the option of extending this further. In response to a question it was considered that protection was a dynamic approach to decrease the impact of volatility of markets. It was noted that ongoing protection could be part of the Investment Strategy Review.

RESOLVED	Reason for decision
<p>That in principle an equity protection strategy be agreed that</p> <ul style="list-style-type: none"> • protects against losses from 3% up to 23% on a zero premium basis (i.e. giving up some upside to pay for the protection) • over the period of two end dates of late December 2019 and 31 March 2020 and • that the protection is taken out on 50% of the Fund's equities <p>subject to further discussions with officers.</p>	<p>To ensure an Equity protection strategy is utilised to protect the Fund against market downturns.</p>

County Councillor P E Lewis (Chair)

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CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee
8th March 2019

REPORT BY: Head of Finance

SUBJECT: Amendment of Risk Register

REPORT FOR: Decision

1 Introduction

- 1.1 At the meeting of the Powys Pension Board held on 30th November 2018, the Board recommended that the Pension Fund's Risk Register be amended.

2 Board Recommendations

- 2.1 The Board recommended that the Risk Register be amended to include the following identified potential risk:
- Risks associated with the migration of Pensions Administration Workflow and Document Imaging solutions (to be monitored until completion of the project)

3 Risk Register Amendment

- 3.1 In the light of the Board's recommendations it is proposed that the Risk Register be amended by the inclusion of PEN033 (see amended Risk Register attached).

4 Recommendations

- 4.1 Committee is asked to approve the inclusion of PEN033 in the Risk Register until completion of the project.

Recommendation:	Reason for Recommendation:
<ul style="list-style-type: none"> • To approve the inclusion of PEN033 (risks associated with the Pension Fund's migration to new workflow and imaging system). 	As per report

Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Aled Davies
Relevant Local Member(s):	

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
	PEN001	01/11/2015		Pensions Administration	Failure to pay pensions and lump sums on time	Financial difficulty for the scheme member concerned, reputational risk to the Pension Fund, and additional cost to the employer where interest is payable as a result of late payment.	M	L	Low	Maintenance and update of Altair and Trent systems, sufficient staff resources and training. Quality assurance processes in place to check work done.	Pension Fund Manager	A Davies	Review of process as part of the ongoing review of pensions administration processes following the implementation of the 2014 Scheme.	M	L	Low	
	PEN002	01/11/2015		Finance	Failure to collect and account for pension contributions being paid over to the Fund on time by Fund employers.	Adverse audit opinion, potential delays to Fund employer FRS17/IAS19 reporting; and potential delay to production of annual report and accounts.	L	M	Low	Contributions received monitored on a monthly basis by Fund accounting staff.	Section 151 Officer	A Davies	Requirement that each end of scheme year, Fund employers certify that they have paid over contributions at the correct rates and on time.	L	M	Low	
	PEN003	01/11/2015		Finance	Insufficient Fund cashflow to meet liabilities as they fall due.	Immediate injections of cash from Fund employers would be required where Fund assets cannot be liquidated quickly. For now the Fund is cashflow positive but will not remain so for much longer, therefore requiring the use of investment income to subsidise the payment of pension benefits rather than being reinvested as now.	H	M	Medium	Funding strategy statement. Have this year (2015) commissioned Fund actuary to undertake a Fund cashflow forecast based on a) Fund maturity and b) impact of need for major employer (Powys CC) to reduce budget by a further £27M over next two years or so.	Section 151 Officer	A Davies	Following completion of the fund actuary's cashflow forecast, review strategic asset allocation to ensure that cashflow remains positive (on a targeted and monitored basis) whilst at the same time ensuring that the Fund is not forced to liquidate assets on an unplanned basis.	M	L	Low	
	PEN004	01/11/2015		Pensions Administration	Inability to deliver service as a result of loss of pensions administration system, or any other system used in the provision of service (eg. pensioner payroll). Failure of any system used by the service as a result of a breach of cyber security.	Failure to provide service	L	L	Low	Business Continuity Plan for the Pensions administration service. Assurances received from all systems providers in relation to their current resilience to the threat of a failure in cyber security.	C. Hurst	A Davies	Keep Business Continuity Plan under review. Periodic review by the Pension Board of provider assurances in respect of cyber security.	L	L	Low	
	PEN005	01/11/2015		Pension Fund	Inability to deliver service as a result of the loss of key personnel	Failure to provide service at all, or at an acceptable level	L	M	Low	Business Continuity Plan in place for the pensions administration service	Pension Fund Manager	A Davies	Keep Business Continuity Plan under review	L	M	Low	
	PEN006	01/11/2015		Pension Fund	Loss of funds through fraud or misappropriation	Financial loss to the Fund	L	M	Low	Internal and External Audit regularly test that appropriate controls are in place and are working effectively. Due diligence is carried out whenever a new investment manager is appointed.	Pension Fund Manager	A Davies	None	L	M	Low	
	PEN007	01/01/2015	FSS	Pension Fund	Significant rise in employer contribution rates for Fund employers with strong covenants, as consequence of increases in liabilities.	Employer contribution rates rise to unacceptable levels, putting upward pressure on Council Tax rates and the ability of Powys County Council to continue to deliver services to its communities.	L	M	Low	Employers have Discretionary Powers Policies that help to control liabilities. In reality, little can actually be done in mitigation due to the fact that liabilities are largely determined by bond yields that are outside of the Fund's control.	Pension Fund Manager	A Davies	Investigate further liability mitigations such as ill health strain insurance; developing guidance to assist employers to manage liability increases derived from their actions or inactions; and, work closely with the Fund actuary to determine appropriate valuation assumptions and deficit recovery strategies.	L	M	Low	

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							P	I	Risk Rating					P	I	Risk Rating	
	PEN008	01/01/2015	FSS	Pension Fund	Significant rises in employer contribution rates for Fund employers with weak covenants as a consequence of increases in liabilities.	Employer contribution rates rise to unsustainable levels that cause employers to become insolvent	L	H	Medium	Employers have Discretionary Powers Policies that help to control liabilities. In reality, little can actually be done in mitigation due to the fact that liabilities are largely determined by bond yields that are outside of the Fund's control.	Pension Fund Manager	A Davies	In process of developing risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty over the level of employer contribution rates.	L	M	Low	
	PEN009	01/01/2015	FSS	Pension Fund	Significant rises in employer contribution rates for employers with strong covenants as a result of poor/negative investment returns.	Employer contribution rates rise to unacceptable levels that result in Powys County Council being unable to provide appropriate services for its communities.	L	M	Low	Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. Quarterly investment performance reports presented to	Pension Fund Manager	A Davies	Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.	L	M	Low	
	PEN010	01/01/2015	FSS	Pension Fund	Significant rises in employer contribution rates for employers with weak covenants as a result of poor/negative investment returns.	Employer contribution rates rise to unsustainable levels that result in employers with weak covenants becoming insolvent.	L	H	Medium	Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. Quarterly investment performance reports presented to	Pension Fund Manager	A Davies	Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.	L	M	Low	
	PEN011	01/01/2015	FSS	Pension Fund	Failure to comply with LGPS and other statutory regulations.	Payment of incorrect pension benefits; provision of incorrect benefit estimates; failure to comply with governance standards; failure to meet HMRC tax requirements. Resulting in: loss of customer satisfaction / confidence; IDRPs and Ombudsman appeals; TPR fines for non-compliance.	H	L	Medium	Rigorous checking and authorisation procedures in respect of pension benefit calculations and payments; and, regular review of governance compliance policy. Staff training and development.	Pension Fund Manager	A Davies	Closer partnership working with employer payrolls to facilitate accurate data receipts; increased compliance oversight provided by newly established Pensions Board.	M	L	Low	
	PEN012	25/01/2016		Pensions Administration	Failure to hold scheme member's personal data securely.	Poor data quality; compromised data; fines	L	M	Low	Compliance with Powys County Council Data Protection and ICT policies.	Pension Fund Manager	A Davies	Data protection audit in conjunction with TPR data quality standards to be undertaken	L	M	Low	
	PEN013	01/04/2015	TPR	Pension Fund	Failure to maintain and hold up to date and accurate pension records.	Payment of incorrect pension benefits; late payment of benefits; assessment of incorrect liability values. Resulting in loss of customer confidence and satisfaction; IDRPs and Ombudsman appeals; and, incorrect assessment of employer contribution rates.	M	M	Medium	Pensions team work with employer payrolls to ensure data quality; data validation checks undertaken by team at each year end; validation checks carried out at each actuarial valuation (triennially) by the Fund actuary. Staff training and development.	Pension Fund Manager	A Davies	Additional data validation and quality checks to be implemented as required by the TPR code of practice.	L	M	Low	

Risk Register

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							P	I	Risk Rating					P	I	Risk Rating	
	PEN014	25/01/2016	CIPFA	Pension Fund	Lack of expertise of Pension Fund Officers and Service Director	Poor decision making in relation to principal functions of the Pension Fund , particularly in relation to investments.	L	H	Medium	Officers ensure that they receive appropriate training and are required to keep up to date with developments in pensions matters, as part of their periodic Individual Performance Reviews and by attending relevant conferences and seminars, by reading and through discussions with consultants and peers.	Pension Fund Manager	A Davies	Formalised Officer training via individual training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both Pensions & Investment Committee and the Pensions Board.	L	M	Low	
	PEN015	25/01/2016	CIPFA	Pension Fund	Over-reliance on key Officers	Whe senior Officers leave or are term sickness, large knowledge gaps remain.	M	H	Medium	In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance from consultants.	Pension Fund Manager	A Davies	Formalise succession planning by including in Officer individual training plans for less senior Officers.	M	L	Low	
	PEN016	25/01/2016		Pensions Administration	Failure to communicate effectively with stakeholders.	Scheme members unaware of their rights under the LGPS and make poor decisions in relation to pension rights. Employers unaware of the scheme regulations, the procedures and their responsibilities, resulting in poor or inappropriate decision-making and may adversely effect the flow of pensions data to the Pension Fund.	L	M	Low	the Pensions Support Manager is tasked with responsibilities in relation to scheme and Fund communications, as part of their Job Description. In addition, the Fund has a clear communications policy as well as a regularly updated website.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	
	PEN017	26/01/2016		Pensions Administration	Failure to provide the pensions service in accordance with principles of equality.	Some stakeholders may be unable to access the service fully or at all. In the worst case scenario, this could result in court action against the Fund.	M	M	Medium	The Fund maintains a Welsh Language register in respect of scheme members and employers.	Pension Fund Manager	A Davies	To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc.	L	M	Low	
	PEN018	01/01/2015	FSS	Pension Fund	Failure to collect payments due from ceasing employers with no active members.	Failure to collect cessation payments from ceasing employers results in relevant liabilities being funded by the Powys Pension Fund and the active employers.	L	M	Low	The Fund undertakes periodic reviews of the strength of employer covenants. For existing employers, the Fund requires that a guarantor, bond or 'risk sharing agreement' is in place. For all new employers, the Fund insists on either a guarantor or a bond being in place.	Pension Fund Manager	A Davies	No further action planned.	L	M	Low	

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							P	I	Risk Rating					P	I	Risk Rating	
	PEN019	25/01/2016	SAB	Pension Fund	Lack of expertise of members of Pensions & Investment Committee	Poor decision making in relation to all aspects of the Fund, particularly those in relation to investment.	M	H	Medium	On 16th July 2015 the Fund adopted the CIPFA Knowledge and Skills Framework to inform its training plans for members of Pensions & Investment Committee (and the	Pension Fund Manager	A Davies	Rollout of individual training plans for all members over the coming year (2016/17). After each County Council election, specific training events are put on for new members elected to Pensions & Investment Committee.	L	H	Medium	
	PEN020	01/01/2015	FSS	Pension Fund	Pension Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	Increased employer contribution rates.	L	M	Low	Only anticipate long-term returns on a relatively prudent basis to reduce the risk of under-performance. Also monitors and analyses progress every three years for each employer. In addition, the Fund receives quarterly funding updates to help monitor the position.	Pension Fund Manager	A Davies	No further action planned.	L	M	Low	
	PEN021	01/01/2015	FSS	Pension Fund	Inappropriate long-term investment strategy.	Failure to meet funding objectives.	L	H	Medium	Use of a Fund specific benchmark, as recommended by the Fund's investment consultant	Pension Fund Manager	A Davies	Nothing further planned	L	H	Medium	
	PEN022	01/01/2015	FSS	Pension Fund	Active investment manager under-performance relative to the benchmark.	Failure to meet funding objectives.	L	M	Low	Short-term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark	Pension Fund Manager	A Davies	Nothing further planned	L	M	Low	
	PEN023	01/01/2015	FSS	Pension Fund	To permit deficits to be eliminated over a recovery period rather than immediately, introduces the risk that action to restore solvency is insufficient between successive measurements.	Increased employer deficit recovery payments.	L	M	Low	It is the practice to discuss every such situation with the Pension Fund actuary, for each individual employer. Moreover deficit recovery periods are generally restricted to no more than 25 years, or 40 years in very exceptional circumstances.	Pension Fund Manager	A Davies	No further action planned.	L	M	Low	
	PEN024	01/01/2015	FSS	Pension Fund	Permitting contribution rate changes to be introduced by annual steps rather than immediately, introduces a risk that action to restore solvency is insufficient between successive measurements.	Increased employer contribution rates.	L	M	Low	Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted to three years, or 6 years, in very exceptional circumstances.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	

Risk Register

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							P	I	Risk Rating					P	I	Risk Rating	
	PEN025	01/01/2016	FSS	Pension Fund	Pensioners living longer and, changing retirement patterns.	Increased employer contribution rates.	L	M	Low	Mortality assumptions are set with some allowance for future increases in life expectancy. The Fund actuary investigates these matters at each valuation or more frequently where appropriate. If significant demographic changes were to occur between valuations, the Pension Fund will advise employers accordingly and notify them of the likely impact on their contribution rates, reviewing bond values, as required.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	
	PEN026	01/01/2016	FSS	Pension Fund	Deteriorating patterns of ill health or other early retirements.	Increase in employer contribution rates and deficit recovery payments.	L	M	Low	Employers are required to pay the capital costs of early retirements (pension strain), upfront for all cases. Ill health retirements and costs are monitored against Fund allowances.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	
	PEN027	01/01/2015	FSS	Pension Fund	Fall in the returns on Government bonds.	Increase to the value placed on Fund liabilities.	M	M	Medium	Allowing for a risk-based approach should limit the impact of short-term changes in returns on Government bonds. Some investment in bonds also helps to mitigate this risk. Monitoring (quarterly) helps to give an early warning of significant	Pension Fund Manager	A Davies	No further action proposed.	M	M	Medium	
	PEN028	01/01/2015	FSS	Pension Fund	Pay and price inflation significantly more than anticipated.	Increased employer contribution rates and deficit recovery payments.	M	M	Medium	Employers 'pay' for their own salary awards and are reminded of the geared effect on salary-linked pension liabilities. Particularly where bias towards longer serving employees may be considered.	Pension Fund Manager	A Davies	No further action proposed.	M	M	Medium	
	PEN029	26/01/2016	SAB	Pensions Administration	Failure to reconcile all relevant active, deferred and pensioner member GMP records against the data held by DWP in respect of the cessation of contracting out.	Increase in Fund liabilities; increased employer contribution rates and deficit recovery payments; and, payment of incorrect pension benefits.	M	M	Medium	Reconciliation Complete. Work on Rectification due to be complete by April 2019	Pension Fund Manager	A Davies	Appoint external partners to a) identify scale of work required; b) bank 'quick wins'; complete reconciliations by April 2019.	M	L	Low	

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
	PEN030	04/03/2016	LPB	Pension Fund	Insolvency of an investment manager investing Pension Fund assets.	A reduction in the capital value of the Fund; a loss of liquidity as creditors agree on distribution of assets; the costs of legal representation; and, reputational damage.	M	C	High	Diversification of investment managers; adherence to the limits for individual investment mandates as set out in the LGPS investment regulations; regular meetings with investment managers undertaken by the Fund's investment consultant; Statement on Standards for Attestation Engagements No. 16 internal controls are monitored on an annual basis; due diligence by investment consultants to ensure that custodians are used by each investment manager; equity investment mandates are invested in pooled funds; and, only well respected and researched investment managers are selected in the first place.	Section 151 Officer	A Davies	Increased investment manager diversification may be further facilitated by pooling via the Wales Pool that is currently under development. As agreed by P & I Committee on 9th February 2017, when entering into new contractual arrangements with investment managers, contract documentation is to be referred to the Fund's legal advisers for review and appropriate due diligence.	L	C	Medium	
	PEN031	04/03/2016	LPB	Pension Fund	Pooling of Pension Fund assets with other LGPS Pension Funds.	Investment of Fund Officer and Committee time and other resource with unknown outcomes; front loaded costs before potential savings are realised; potential loss of local accountabilities; and, the loss of the primacy of the Fund and its strategic needs.	M	M	Medium	Due diligence on all pooling proposals; full transparency of all pool proposals and costs; full participation of the Pension Fund in all pooling development.	Pension Fund Manager	A Davies	Pooling vehicle to be structured so that each participating Fund has full representation in the pool; the pool structure enables full strategic decisions to be retained by each individual Fund; and, economies of scale (based on experience to date) indicate that savings will be made by the Fund that will exceed initial costs.	L	M	Low	
	PEN032	10/03/2017	LPB	Pension Fund	An admitted body ceasing to exist with insufficient funding or level of a bond available to meet all its Fund liabilities.	Unfunded pension liabilities being orphaned without sufficient funding/guarantees in place, resulting on increased liabilities falling on other Fund employers.	M	L	Low	To seek funding guarantees wherever possible, from other Scheme employers or outside bodies. To require, in all cases, a bond or other form of security to protect the Fund in the case of unexpected cessation and insolvency. Ensuring that admitted bodies are fully aware of their obligations and responsibilities to the Pension Fund and the benefits of their employees.	Pension Fund Manager	A Davies	Regular review of admitted body covenants and financial health.	M	L	Low	
	PEN033	30/11/2018	LPB	Pension Fund	Transfer of Workflow and Imaging System	Unable to deliver the Administration Service of the LGPS	H	H	High	Due diligence on migration exercise	Pension Fund Manager	A Davies	Constant monitoring until project completed	H	H	HIGH	

CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee
8th March 2019****REPORT BY: Head of Finance****SUBJECT: New Policy – Reporting of Breaches**

REPORT FOR: Decision

1 Introduction

- 1.1 At the Committee meeting of 19th October 2018, a draft policy on the reporting of breaches of the law was presented for Committee's consideration and comment. These comments have now been reviewed and incorporated into this final version of the policy, which is now presented for review and approval.
- 1.2 This report supports the attached policy and provides the detail of the requirements for all individuals with a role in the Local Government Pension Scheme (LGPS) (including members of the Committee, members of the Local Pension Board and officers), that they have a duty to report breaches of law when they have reasonable cause to believe that a breach of the law has occurred.
- 1.3 The Pensions Regulator's Code of Practice, which became official guidance for the LGPS on 1st April 2015, includes practical guidance and expected standards and best practices in relation to reporting breaches of the law. This policy and procedure has been designed to comply with the guidance and ensure that the Powys Pension Fund follows best practice in this area.

2 Background

- 2.1 All individuals with a role in the administration of the LGPS have a duty to report breaches of the law, when there is a reasonable belief that:
- A legal duty relevant to the administration of the scheme has not been, or is not being, complied with; and
 - The failure to comply is likely to be of a material significance to the Regulator
- 2.2 This includes Officers of the Administering Authority (Powys County Council), members of the Pensions and Investment Committee, members of the local Powys Pension Board, scheme employers, professional advisers to the scheme (Fund Actuary) as well as any

other person involved in an advisory role to the administering authority (in relation to the scheme).

- 2.3 An individual can be subject to a civil penalty if they fail to comply with this requirement without a reasonable excuse. The duty to report breaches take precedent over any other responsibilities that an individual may have with regards to the scheme.
- 2.4 This policy has been written in order to provide compliance with The Pension Regulator's Code of Practice and ensure the Powys Pension Fund follows best practices in the recording and reporting of breaches.
- 2.5 Breaches of the Law can occur in relation to a wide variety of tasks associated with the administration of the scheme such as:
- Record Keeping
 - Internal procedures and controls
 - Calculation and payment of benefits
 - Payment of contributions
 - Member Communications
 - Making investments or investment related decisions
- 2.6 Procedures should be in place to ensure reporters are able to meet their reporting duty. Practical guidance in relation to this is included in The Pension Regulator's Code of Practice and this policy has been written to reflect that guidance.
- 2.7 The attached Breaches Policy provides detail on how individuals can identify, assess, record and report a breach of law relating to the Fund.

3 Conclusion

- 3.1 Following approval of the Breaches policy, it will be made available to all participating employers within the fund and published on the Fund's website.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none"> • To approve the reporting of Breaches Policy 		Good Governance	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:	Immediately		
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

Relevant Portfolio Member(s):	Cllr Aled Davies
Relevant Local Member(s):	N/A

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Powys

**CRONFA BENSIWN
POWYS
PENSION FUND**

Reporting Breaches Policy

Draft February 2019

1. Introduction

- 1.1 This document sets out the procedures to be followed in relation to reporting breaches of the law to The Pensions Regulator, by individuals involved with the administration service of the Powys Pension Fund, which is the Local Government Pension Scheme managed and administered by Powys County Council.
- 1.2 This policy has been written in order to provide compliance with The Pension Regulator's Code of Practice and ensures that the Powys Pension Fund follows best practices in the recording and reporting of breaches.
- 1.3 Breaches of the Law can occur in relation to a wide variety of tasks associated with the administration of the scheme such as:
 - Record Keeping
 - Internal procedures and controls
 - Calculation and payment of benefits
 - Payment of contributions
 - Member Communications
 - Making investments or investment related decisions
- 1.4 This policy and procedure document applies, in the main, to:
 - All members of the Powys Pension Board;
 - All Officers involved in the management of the Powys Pension Fund, including members of the Pensions Administration and Finance teams, the Head of Finance and the Section 151 Officer to the Council;
 - Any professional advisers to the Fund including; the Fund Actuary, auditors, legal advisers and fund managers and;
 - Officers of Employers participating within the Powys Pension Fund who are responsible for matters relating to the Local Government Pension Scheme
- 1.5 The document must be reviewed and published following any material change relevant to the policy.

2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 Not all breaches need to be reported to the Pensions Regulator, only those where there is likely to be a material significance, but all breaches should be recorded and retained for future reference.

2.3 The Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- (a) a trustee or manager of an occupational or personal pension scheme;
- (b) a member of the pension board of a public service pension scheme;
- (c) a person who is otherwise involved in the administration of an occupational or personal pension scheme;
- (d) the employer in relation to an occupational pension scheme;
- (e) a professional adviser in relation to such a scheme;
- (f) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

Where the person has reasonable cause to believe that;

- (a) a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions, he must give a written report of the matter to the Regulator as soon as reasonably practicable.

2.4 The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.5 The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice, including in the following areas:

- implementing adequate procedures
- judging whether a breach must be reported
- submitting a report to The Pensions Regulator
- whistleblowing protection and confidentiality

2.6 Procedural Application for the Powys Pension Fund

2.7 This procedure has been developed to reflect the guidance contained within The Pension Regulator’s Code of Practice and this document sets out how the Powys Pension Board will strive to achieve best practice through use of a formal recording and reporting breaches procedure.

3. Reporting of Breaches Procedure

3.1 Anyone who has a responsibility to report breaches of the law during the course of their association with the Scheme, should be alert to the potential for breaches to occur and to have properly established procedures in place to enable them to evaluate any potential breaches and the need to report them.

The scheme manager keeps a ‘register of breaches of the law’ in which all breaches must be recorded, regardless of whether or not they are or ever have been reported to the Pensions Regulator. This register is available to all responsible persons and is a standing item on the agenda for meetings of the Pension Board.

3.2 Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator’s Code of Practice:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

- In particular, individuals should refer to the section on ‘Reporting breaches of the law’.

3.3 Determining whether the breach is likely to be of material significance

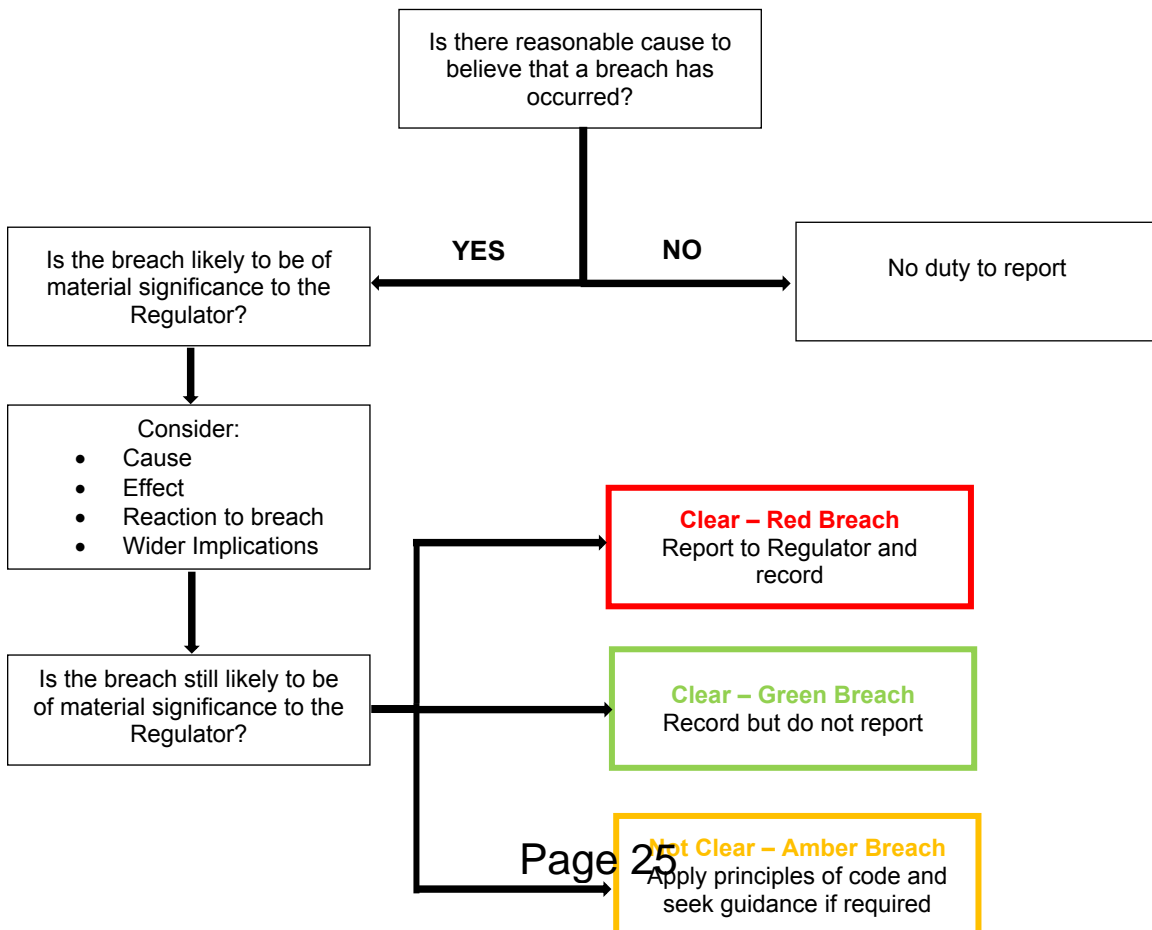
In order to decide whether a breach is likely to be of material significance, the following should be considered:

- Cause of the breach (what made it happen);
- Effect of the breach (the consequence(s) of the breach);
- Reaction to the breach; and
- Wider implications of the breach.

Further guidance can be found in Appendix A.

3.4 In order to help assess the material significance of a breach, the Traffic Light system detailed in Appendix B should be followed and the process appropriately documented to support the case.

3.5 The process for deciding whether a breach has taken place and whether it is materially significant (and reportable), can be demonstrated using the decision tree below:



3.6 Dealing with complex cases

Complex cases should be referred to the Pension Fund Manager for consideration and guidance. Information may also be available from the Scheme Advisory Board or the LGPC Secretariat at <http://www.lgpsregs.org>. If timescales allow, professional advice can be taken and the case will be discussed at the next Pension Board meeting.

3.7 Timescales for reporting

The Pensions Act and the Pension Regulator's Code of Practice require that if breach is to be reported, then the report must be made in writing as soon as is reasonably practical. Any delays in reporting the breach may increase any risks associated with it.

3.8 Reporting very serious breaches

In cases of serious potential breaches which have extreme consequences, the more urgently the reporter should make the necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which may alert those who are implicated. In very serious cases, reporters should use the quickest means possible to alert the pensions regulator of the breach.

3.9 Recording Breaches

Powys Pension Fund will maintain a log of all breaches, whether they are reportable to the Pensions Regulator or not. This Breaches log will be maintained and discussed at each pension Board meeting. It will also be presented annually to the Pensions and Investment Committee, or more frequently, should it be required.

3.10 Requirements in the reporting of Breaches

All reports of material breaches must be made in writing to the Pensions Regulator as soon as is reasonably practicable. They should be sent, preferably to the Pensions Regulator via its online system, 'Exchange' at www.tpr.gov.uk/exchange, but can be sent by post to The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW, or electronically to customersupport@thepensionsregulator.gov.uk or by fax to 0870 2411144.

The report should be dated and include as a minimum the following details:

- Full name of the scheme;

- Description of the breach or breaches;
- Any relevant dates;
- Name of the Scheme employer and/or Scheme Manager (where known);
- Name, position and contact details of the person reporting the breach;
- The role of the person reporting the breach in relation to the Scheme.

Further information should be supplied wherever possible including for example:

- The reason the breach is thought to be of material significance;
- The address of the Scheme;
- The contact details of the Scheme Manager
- Whether the concern has been reported before.

If the matter of concern is considered to be particularly serious, the Pensions regulator can be contacted by phone on 0870 6063636, prior to the submission of a written report.

3.11 Failure to report a breach of the law

Failure by any person to comply with their obligation to report breaches of the law to the Pension Regulator is a 'civil offence' unless a 'reasonable excuse' can be given.

To decide if a reporter has a reasonable excuse for not reporting a breach, or reporting a breach later than would be expected, The Pensions Regulator may consider the following:

- The legislation, case law and codes of practice issued by the Pensions Regulator;
- The role of the reporter in relation to the Scheme;
- The training provided to the reporter and the level of knowledge that the reporter could reasonably be expected to have;
- The procedures put in place to identify and evaluate breaches and whether those procedures have been followed;
- The seriousness of the breach and whether or not the breach should have been reported immediately;
- Any reasons given for a delay in the report;
- Any other relevant considerations relating to the case in question.

If the Pensions Regulator considers issuing a civil penalty a warning notice will be sent to the affected party or parties identifying the alleged breach. In addition, the Pensions Regulator may consider it appropriate to make a complaint to the reporters professional or other governing body.

4. Contacts

- 4.1 If you require any further information about reporting breaches or this procedure, please contact:

Chris Hurst – Pension Fund Manager
Email: chris.hurst@powys.gov.uk
Telephone: 01597 827640

Megan Price – Pensions Administration Manager
Email: megan.price@powys.gov.uk
Telephone: 01597 827642

Determining whether a breach is likely to be of material significance

What is of material significance can be considered from four aspects:

1. Cause – dishonesty, poor governance or administration, poor advice, acting (or failing to act) in deliberate contravention of the law;
2. Effect – if the matter appears to be the effect of non-compliance with the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations, poor administration, inaccurate payments or theft;
3. Reaction to the breach – if no prompt and effective action has been taken to deal with the breach and to identify and tackle the causes so as to minimise the risk of recurrence;
4. Wider implications – if the breach suggests wider undetected problems.

To be able to consider these aspects, all people who have a legal requirement to report breaches of the law, as set out in section 3 of the main document, will need to ensure that they have sufficient knowledge and understanding of the pension law and regulations that govern the LGPS.

In forming a view as to whether or not the breach is of material significance, reporters will need to consider other breaches of which they are aware, but be careful to ensure that any such breaches have not already been addressed and resolved.

The aim of the Pensions Regulator is to protect the benefits of pension scheme members, reduce calls upon the Pension Protection Fund and to promote good administration of work based pension schemes. Therefore, the following are important elements that the Pensions Regulator may consider to be of material significance:

- The right money is paid into the Scheme at the right time;
- Assets are appropriately safeguarded;
- Payments out of the Scheme are legitimate, accurate and paid at the right time to the right person(s);
- The Scheme Manager is complying with the legal requirements of Scheme funding;
- The Scheme Manager is properly considering their investment policies and investing in accordance with them;
- The Scheme is being administered properly in accordance with Scheme regulations;

- Appropriate records are maintained and are accurate;
- Scheme members receive accurate, clear and impartial information without delay.

The Pensions Regulator will not normally regard a breach as material if the Scheme Manager has taken prompt and effective action to investigate and resolve a breach and put in place the necessary procedure to ensure that such a breach will not reoccur.

However, the Pensions Regulator will be concerned where the Scheme Manager has failed to act promptly and effectively to identify, resolve and remedy the causes for the breach. If the proper corrective action has not been taken, the Pensions Regulator is likely to deem the impact as material.

The wider implications of a breach are the concern of the Pensions Regulator where the fact that the breach has occurred in the first place, will make it more likely that future breaches will arise because the Scheme Manager lacks the appropriate skills and knowledge needed to fulfil the requirements of their role.

A traffic light framework, as supplied by the Pensions Regulator, has been set up as a reference tool for reporters considering whether breaches of the law have a material significance and so should be reported to the Pensions Regulator. This framework document should be used by all reporters and continually updated as breaches are identified. It provides possible investigation outcomes and requires the reporter to consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach being considered. This document will be made available to all persons responsible for reporting breaches of the law as part of Pension Board meetings.

A breach will be in the red category and therefore must always be reported to the Pensions Regulator, because one or more of the following apply:

- It was caused by dishonesty, poor scheme governance, poor advice or by deliberate contravention of the law;
- Its effect is considered to be significant;
- Inadequate steps have been taken to put matters right;
- It has wider implications.

A breach will be in the green category, and will not need to be reported to the Pensions Regulator but should be recorded, because one or more of the following apply:

- It was not caused by dishonesty, poor scheme governance, poor advice or by deliberate contravention of the law;
- Its effect is NOT significant;
- Proper steps are being taken to put matters right;
- It does NOT have wider implications.

A breach will be in the amber category when it is not obviously either red or green. The decision whether or not to report will require a balanced judgement based on the cause, effect, reaction and wider implication of the case under consideration. Other previous reported or unreported cases may be relevant when coming to a decision whether to report or not and consideration needs to be given to the adequate oversight and controls adopted by the scheme manager.

Traffic Light framework for deciding on whether to report or not

Clear – Red Breach
Report to Regulator and record

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance:

These **must** be reported to The Pensions Regulator

Not Clear – Amber Breach
Apply principles of code and seek guidance if required

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported

Clear – Green Breach
Record but do not report

Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported

All breaches should be **recorded**, even if they are not materially significant and reportable to The Pensions Regulator.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together.

The Pensions regulator has provided some useful examples of this framework at the following link:

<http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx>

CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee
8th March 2019****REPORT BY: Head of Finance****SUBJECT: LGPS (Miscellaneous Amendment) regulations 2018**

REPORT FOR: Information

1. Introduction

On 4 October 2018, the Ministry of Housing, Communities and Local Government (MHCLG) opened a consultation on proposed amendments to the LGPS. The consultation closed on 29 November 2018. A copy of all the consultation papers (including the Government response published in December 2018) can be found under the scheme consultations page of www.lgpsregs.org. On 18 December 2018, the LGPS (Miscellaneous Amendment) 2018 Regulations were laid before parliament.

2. Detail

2.1 The regulations come into force on 10 January 2019 but the provisions listed in regulation 1(2)(a), 1(2)(b)(i) and 1(2)(b)(ii) have effect from 17 April 2018, 5 December 2005 and 13 March 2014 respectively. The regulations amend the LGPS 2013 Regulations and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, by:

- introducing a general power for the Secretary of State to issue statutory guidance
- making a technical amendment to allow early access to benefits between the age of 55 and NRD (as defined by the LGPS Regulations 19953), for deferred members who left before 1 April 1998
- addressing the Walker v Innospec judgment by replicating the pensions of a surviving civil partner's pension and a surviving spouse of a same sex marriage, to those paid to a widow.

3. Actions required by the Administering Authority

3.1 There are actions that LGPS administering authorities must take as a result of these changes. A summary of the required actions is provided below;

- note and make any necessary changes to procedures / documentation to reflect that from 17 April 2018 deferred members who left the Scheme before 1 April 1998:
 - must now make a written election for early payment to the administering authority, instead of their former employer.
 - no longer have to have left all local government employment in order to receive early payment of their benefits under regulation D11(2)(d) of the LGPS Regulations 19953 i.e. election for early payment
- revisit calculations of pensions paid to surviving civil partners and same sex spouses and pay any additional amounts due. Await statutory guidance with regard to any further adjustments that may be due. MHCLG have confirmed they will issue statutory guidance to assist administering authorities in this exercise.

4. **Disclosure Requirements**

4.1 LGPS administering authorities will need to communicate the changes to scheme members, as required under regulation 8 and Part 1 of Schedule 2 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Communication of the changes should take place as soon as possible, and in any event, within three months of the date of change (i.e. by 10 April 2019).

4.2 The Powys Pension Fund is currently working on the appropriate communications and will issue it as soon as possible and ahead of the 10th April deadline.

Recommendation:		Reason for Recommendation:	
• To note the content of the report		Statutory requirement	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:	Immediately		
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

Relevant Portfolio Member(s):	Cllr Aled Davies
Relevant Local Member(s):	N/A

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