

Powys Pensions Board

Meeting Venue
A229, County Hall - County Hall

Meeting Date
Wednesday, 3 April 2019

Meeting Time
10.00 am

For further information please contact
Carol Johnson
01597826206



County Hall
Llandrindod Wells
Powys
LD1 5LG

28 March, 2019

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.

3.	WELCOME NEW EMPLOYER REPRESENTATIVE
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4.	MINUTES OF THE BOARD
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To authorise the Chair to sign the minutes of the previous meeting of the Board held on 30 November, 2018 as a correct record.

(Pages 5 - 10)

5.	MATTERS ARISING
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To receive a verbal update from the Chair.

6.	CHAIR'S ANNOUNCEMENTS
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7.	MINUTES OF PENSIONS AND INVESTMENT COMMITTEE
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To receive the minutes of the Pensions and Investment Committee held on 13 December, 2018 and 28 January, 2019.

(Pages 11 - 18)

8.	REVIEW OF COMPLIANCE WITH TPR CODE 14
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To consider the action plan for addressing amber and red items identified.

(Pages 19 - 46)

9.	RECORDING BREACHES OF THE LAW
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To consider the draft Recording Breaches policy.

(Pages 47 - 60)

10.	REVIEW OF RISK REGISTER ITEMS
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To Review the Risk Register items and

a) Cyber Security – provide update on progress and Training

b) Document Imaging and Workflow Migration update

(Pages 61 - 68)

11.	NEW LEGISLATION AND GUIDANCE [STANDING ITEM]
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To consider the report.

(Pages 69 - 70)

12.	WALES PENSION PARTNERSHIP - INVESTMENT POOLING UPDATE [STANDING ITEM]
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13.	ADMINISTRATION ACTIVITY REPORT [STANDING ITEM]
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To consider the report.

(Pages 71 - 72)

14.	AUDIT REPORTS [STANDING ITEM]
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15.	CESSATION OF CONTRACTING OUT - UPDATE [STANDING ITEM]
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16.	BOARD MEMBER TRAINING PLAN AND BOARD MEMBER TRAINING NEEDS SELF-ASSESSMENT [STANDING ITEM]
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17.	CONFIDENTIAL ITEMS
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The Board needs to consider whether making the following items public would disclose information relating to the financial or business affairs of any particular person or organisation when considering excluding the public from this part of the meeting.

18.	INTERNAL DISPUTE RESOLUTION PROCEDURE [IDRP] UPDATE [STANDING ITEM]
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19.	DOCUMENT IMAGING AND WORKFLOW PROJECT UPDATE
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To consider the report.
(Pages 73 - 76)

20.	PENSION FUND CASH FLOW
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To consider the cash flow report.
(Pages 77 - 80)

21.	FUTURE BOARD MEETINGS
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To note future meeting dates:
6 June, 2019
5 September, 2019
8 November, 2019

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**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT HWB3 -
COUNTY HALL ON FRIDAY, 30 NOVEMBER 2018****PRESENT**

Gerard Moore, Chair
Wayne Thomas (Employers Representative)
Mick Hutchison (Member Representative)
John Byrne (Member Representative)
Chris Hurst (Secretary to the Board)

1. APOLOGIES

Apologies were received from Nigel Brinn, the newly appointed Employers representative.

2. DECLARATIONS OF INTEREST

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. The Board agreed that this did not represent a conflict.

3. MINUTES OF THE BOARD

The minutes of the last meeting held on 21 September, 2018 were agreed as a correct record.

4. MATTERS ARISING

The Pension Regulator [TPR] Code 14 Compliance would be considered under Item 7 on the Agenda.

5. CHAIR'S ANNOUNCEMENTS

The Chair advised that Nigel Brinn had succeeded Geoff Petty as the Employer Representative. The Board asked that their best wishes be forwarded to Geoff and his family for Christmas.

The Chair reminded Members that they could ask for items to be added to the Agenda.

6. MINUTES OF PENSIONS AND INVESTMENT COMMITTEE

The Board received the Pensions and Investment Committee's minutes for 19 October 2018.

The following were noted in respect of items [numbers in brackets, relate to those in the Committee's minutes]:

- Pension Fund Annual report 2017/18 [8]- The Chair reminded the Board that the report was an important document and provided valuable information about the Fund. The Board gained assurances regarding a

clean audit report and that the Annual Report had been published on the website prior to the required due date.

- Forward looking Business Plan [10] – it was noted that the Board’s Chair had committed to circulate press articles to the Committee on how other Funds were managing the actuarial valuation and diversification of funds.
- Q2 MTAA Review – high level issues [13] – the Pension Fund Manager agreed to check how the information regarding the impact of Brexit could be shared. The impact of Brexit would depend on the type of funds held.

The Chair advised that with the development of the Wales Pension Partnership the Pensions and Investment Committee would be expected to move away from micro management (such as monitoring investment performance by individual asset managers) to concentrating on the bigger issues such as asset allocation, Investment Strategy Statement and Funding Strategy Statements etc.

The Pension Fund Manager advised that the Pension Fund Actuary would be attending the next Pensions and Investment Committee and it was agreed that the Pension Board Members could be invited to attend this presentation. The Board considered that joint training was a positive step.

The Board recommended that any tri-annual valuation training should also be joint training.

7.	REVIEW OF COMPLIANCE WITH TPR CODE 14
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The Chair noted that the Powys Pension Fund was behind other Funds in reviewing compliance but noted the work in progress. The Board was advised that TPR had not selected the Powys Pension Fund as one of those which it would visit.

The Pension Fund Manager advised that it was for the Pensions and Investment Committee and the Pension Board to review compliance.

The Board agreed to look at the Compliance document on a phased basis over the next three meetings:

- February meeting: Governance Scheme, Administration and Managing Risk
- June meeting: Resolving issues and Reporting breaches

The Board would initially look at the “red and amber” items but would also challenge the areas assessed as “green”, so seeking assurance that the evidence supports this level. The Chair advised that he does review the assessments undertaken by other Funds and can share the learning from these other experiences.

8.	PENSION SECTION REDESIGN / STAFFING UPDATE
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The Board received details of the new Pension Section structure which had been in place since the beginning of November, 2018. It was noted that eight of the nine staff in the Section were in new positions and therefore the proposed structure had been developed to support the new staff and training would be

provided. The Pension Fund Manager advised that the Section would be fully resourced from 1 January, 2019.

The Board was assured that a structure was now in place that can cope with the ever increasing demands and complexities of pension administration.

9. RECORDING BREACHES OF THE LAW

The Board noted the one breach in respect of late notification of deferred benefits. Although a breach, it is not considered material.

There was also discussion around how leavers with less than two years of payments into the Pension Fund and entitled to a refund of contributions could be treated, as the 5 year stipulation in the regulations is approaching in April 2019. The Regulations changed in April 2014 and stated that payments must be made within five years. The Fund would be able to demonstrate that it had tried to contact leavers, but if no responses had been received, there was a risk that failure to pay refunds within the 5 years would be a recordable breach. It was noted that this was an issue across all Funds and was an issue that had been raised nationally.

The Board agreed that the breach was recordable rather than reportable and that the Pension Fund Manager should liaise with the Pension Board Chair (and if appropriate the Committee Chair) regarding this issue over the next few months.

10. REVIEW OF RISK REGISTER [STANDING ITEMS]

The Board reviewed the Risk Register. The Pension Fund Manager agreed to change the Risk Owner and Portfolio Holder details to state the post title and relevant Portfolio rather than the named individuals.

The Board raised the following comments [the numbers shown are the Risk Reference numbers]:

- PEN033 – the software supplier was under review as the current contract ends on 31 March 2019. The Board commented that this was a big risk and needs to be on the Board's next agenda
- PEN006 – the loss of funds as a result of fraud or misappropriation was a topical issue due to a recent court case elsewhere in the UK. The Board noted the Pensions and Investment Committee role in managing funds.

The Board questioned the meaning of "C" and "False" and the Pension Fund Manager advised he would email the Board an explanation.

The Board agreed that:

- **PEN033 – the software supplier - a written update be provided at the next meeting regarding progress.**
- **PEN006 –the statement regarding Current Controls should refer to the role of the Pensions and Investment Committee and the delegation procedures, whereby delegated decisions are reported back to the Committee.**

11. PENSION BOARD DECLARATION OF INTEREST FORM

The Board noted the declaration of interest form used by Northumberland Pension Board.

A discussion was then had on the best way to proceed with a review of similar forms in use by Powys for the Committee and Board Members.

12. GAD SECTION 13 UPDATE

The Board received the report in respect of the Government Actuary's Department (GAD) review of Local Government Pension Scheme [LGPS] funds in England and Wales. It was noted that no areas of concern had been highlighted in respect of the Powys Pension Fund. However, GAD had recommended that all funds review their funding strategy statement and this work was ongoing within Powys Pension Fund.

The Board gained assurances that no areas of concern had been highlighted in respect of the Powys Pension Fund in the GAD review.

13. CYBER SECURITY - VERBAL UPDATE

The Pension Fund Manager advised that TPR was looking into this issue. The Pension Administration had received assurances from the software companies that they exceeded the Scottish requirements and assurances had been sought from other providers.

The Board noted that the Pension Fund Manager would provide a paper for a future meeting and gained assurances that cyber security would be appropriately recorded on the Risk Register. Joint training with the Pension and Investment Committee would also be arranged in early 2019.

14. WALES PENSION PARTNERSHIP - INVESTMENT POOLING UPDATE [STANDING ITEM]
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The Pension Fund Manager advised that an Officer Working Group of the Wales Pension Partnership [WPP] was meeting today. Work is continuing on the transition of equities into the to Global Equity sub-funds. Work is also ongoing in respect of tranche 2 of sub-funds and it is expected that these sub-funds would be launched as soon as possible in 2019.

The Chair advised that some Boards had raised concerns on a range of issues regarding how the WPP was working, including communication, development of a business plan, decision making process, the lack of written reports to the WPP meetings, to Pension Committees and to Boards.

The Board supported the suggestion that the Pension Board Chairs should write to the WPP Joint Governance Committee highlighting all the concerns.

15. ADMINISTRATION ACTIVITY REPORT [STANDING ITEM]

The Board received the Activity report for the period 1 July – 30 September 2018. The Pension Fund Manager agreed that the 50/50 details should be shown separately.

16. TPR SURVEY

It was noted that although completion of the survey was voluntary TPR noted the completion by Funds. The Pension Fund Manager and Pension Board Chair would complete the survey and the final version would be emailed to the Board and copied to the Committee Chair.

17. AUDIT REPORTS [STANDING ITEM] - NOTHING TO REPORT

The Pension Fund Manager advised that an audit report had not been signed off by the Internal Auditors and it was expected that another would commence in 2019.

The Board agreed that although the previous audit report had not been signed off, it would highlight any issues of which the Board should be aware, so should be examined if possible.

18. INTERNAL DISPUTE RESOLUTION PROCEDURE [IDRP] UPDATE [STANDING ITEM] - NOTHING TO REPORT

There were no issues to report.

19. CESSATION OF CONTRACTING OUT - UPDATE [STANDING ITEM]

The Pension Board Manager advised that the reconciliation process had been completed. Queries had been sent to HMRC by the due date and it had advised that it would respond to all queries by 31 March, 2019.

20. POWYS TPR ANNUAL RETURN - VERBAL UPDATE

The Board received a copy of this statutory return.

The Board congratulated the officers on the timely completion of the return and noted the details of the very satisfactory data scores, which provides assurances regarding the quality of the data.

21. BOARD MEMBER TRAINING PLAN AND BOARD MEMBER TRAINING NEEDS SELF-ASSESSMENT [STANDING ITEM]

The Board received the Member knowledge and training needs self-assessment form. It was noted that this would be completed by the Pensions and Investment Committee members and the Board. When the needs of the Members were known joint training could be provided.

The TPR Trustee Toolkit was noted and it was considered that this could be completed jointly by the Board members. A suitable timescale would be identified to initiate this exercise.

22. CONFIDENTIAL ITEMS

RESOLVED that the public be excluded for the following items of business otherwise there would be disclosure to them of information relating to the financial or business affairs of any particular person or organisation.

23. PENSION FUND CASH FLOW

The Board received the Cash flow statement for the period April 2018 – October 2018.

The Chair advised that the transparency of investment costs was an issue raised by the Scheme Advisory Board. In addition to base fees the details of all other associated costs should be known and would reveal additional investment costs.

The Board agreed that cost transparency should be added to the training programme.

The Board sought assurances regarding the cash flow forecasts. It was agreed that the Financial Reporting & Policy Accountant would attend the next meeting.

The Board resolved that the Work Programme should be updated to take account of the issues agreed at the meeting.

24. PENSION BOARD INSURANCE DOCUMENTATION
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The Board received the Pension Board insurance document.

The Board agreed to read the document and forward any queries or concerns to the Pension Fund Manager.

Meeting dates for 2019 would be emailed to the Board.

The Board agreed that the appointment of Board members and succession planning would be considered at the next meeting.

25. FUTURE BOARD MEETINGS

The Board noted the meeting dates:

4 February, 2019

6 June 2019

5 September, 2019

8 November, 2019

**Gerard Moore
Chair**

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS,
POWYS ON THURSDAY, 13 DECEMBER 2018**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, J G Morris, T J Van-Rees, D H Williams and
A W Davies

Mr M Weale, Co-opted Member

Head of Financial Services, Pension Fund Manager and Financial Reporting & Policy
Accountant.

Aon representatives - Simon Mayne, George Feane, Becky Durran and Sam Osborne
and Lucinda Downing [via Skype] for Item 13 and Kenneth Ettles [via Skype] for Item
14.

1.	APOLOGIES
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Apologies were received from Mr Gerard Moore, Chair Powys Pension Fund.

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 19 October,
2018 as a correct record. The Committee noted that the Pension Fund Annual
Report 2017/18 had been published on the Fund's website -
www.powyspensionfund.org - by 1 December, 2018.

4.	PENSIONS BOARD MINUTES
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The Committee received the Board minutes for 21 September, 2018 having
previously received a verbal report from the Chair at the last Committee meeting.

5.	AON ACTUARIAL UPDATE
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The Committee received the Actuarial update. The Committee noted that at the
2016 valuation the funding ratio was 80% [Total Assets/Total Liabilities%]. The
Government Actuaries Department [GAD] had undertaken a Section 13 Review
of Local Government Pension Schemes Valuations. No issues had been
identified in respect of the Powys Pension Fund.

The Committee noted the changes to the fund as at 30 September, 2018 and
that asset returns were 16% better than expected. It was noted that a range of
other issues impact on the Fund's performance including:-

Cost management process – the outcome of the Scheme Advisory Board [SAB] and Treasury Cost Control reviews could have an impact on the costs of the scheme and would need to be built into the Council's budget.

Longevity – standardised mortality rate information indicated that the trend for 2011-2017 was down but flattening out.

The 2019 valuation will take place on 31 March 2019 and there were no certainties as to whether the current position would prevail at this time.

6. HEDGE FUND UPDATE

The Committee noted the current position regarding the investment into the four Hedge Fund Managers. The Committee was advised that the required information had now been received from Stone Milliner Macro Fund and Man Alternative Risk Premis SP Fund and investments would be made at the next trading opportunities for each Fund. It was noted that each Fund Manager brought different skills to the investment portfolio.

RESOLVED	Reason for decision
To note the content of the report.	For information

7. WALES PENSION PARTNERSHIP [WPP] UPDATE

The Pension Fund Manager updated the Committee on the WPP. The transition to Global Equities was planned to be completed early in 2019. WPP was now working on the next set of Sub Funds and an update on progress would be provided to the Joint Governance Committee at the end of January 2019. The next set of Sub Funds would be made available once work had been completed.

It was noted that Carmarthenshire, the host authority, had now made an appointment which it was envisaged would allow for an improvement in communications with the Funds in the Partnership.

8. PENSIONS & INVESTMENT COMMITTEE MEMBER TRAINING

The Committee considered the report regarding Member training.

RESOLVED	Reason for decision
That the Committee complete an up to date training needs analysis form in order to assess training requirements.	To assess the training requirements of Committee Members, with a view to creating an individual training programme.

Members commented on the excellent value of the Local Government Association [LGA] training and that some members were disappointed by the recent training provided by LA Forum due to the last minute change to the Agenda. The Pension Fund Manager agreed to feed views back to the training providers.

9.	FORWARD LOOKING BUSINESS PLAN
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The Committee received the Forward Looking Business Plan and noted that information regarding cyber crime and security would be considered at a future meeting.

10.	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).

11.	PORTFOLIO EVALUATION - INTRODUCTION AND PRESENTATION
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The Committee received a presentation from Portfolio Evaluation Ltd. regarding the Investment Performance review as at 30 September, 2018.

County Councillor A Davies left the meeting.

12.	SECURITIES LENDING
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The Chair welcomed Aon to the meeting, who provided some information and training on securities lending.

The Committee noted that a more detailed report on this issue would be provided to the next Committee meeting.

13.	MARKETS AND BREXIT
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Aon provided the Committee with an overview of markets and the impact of various Brexit options.

In respect of markets the following issues were noted:

- US markets were flat
- Equity markets were less likely to fall
- Economic growth in US was strong and although the Chinese economy was slowing it was unlikely that it and other economies would go into recession, as inflation was under control.

Councillor T Van-Rees left the meeting.

The following item was taken next.

14.	EQUITY PROTECTION
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Aon advised that it was considered that equity markets had entered a transitional period which could result in an equity market downturn. As a result, officers had asked Aon to consider a range of equity protection strategies. Aon explained the various options available which could mitigate equity risk. The

Committee would need to agree clear objectives for its use of equity protection and consider the level of risk it considered the Fund could bear.

RESOLVED	Reason for decision
That in principle the Committee agrees to further consider equity protection.	To enable Aon and officers to undertake further work on equity protection options.

County Councillor A Davies returned to the meeting.

15. COST TRANSPARENCY

The Committee noted the report.

16. RESPONSIBLE INVESTMENT

The Committee members had completed a survey regarding Responsible Investment and received the summary of survey results.

RESOLVED	Reason for decision
That the Committee consider the results and next steps for consideration at the next meeting.	To enable the Committee to consider Responsible Investment issues further.

17. MEDIUM TERM ASSET ALLOCATION (MTAA) UPDATE – QUARTERLY UPDATE TO 30 SEPTEMBER 2018

The Committee noted the Quarter 3 Medium Term Asset Allocation [MTAA] report to 30 September, 2018.

18. QUARTERLY MONITORING REPORT Q3 2018
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The Committee noted the Quarterly Monitoring report.

County Councillor P E Lewis (Chair)

**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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PENSION REGULATOR CODE OF PRACTICE 14 - COMPLIANCE ANALYSIS

Powys Pension Fund

TEXT

		Action Required	Current Position
22	Scheme manager - each public service pension scheme has one or more persons responsible for managing or administering the scheme. Public service pension schemes can have different persons acting as scheme manager for different parts of the pension scheme. For the locally administered schemes, the scheme managers may be the local administering authorities or a person representing an authority or police force.		<i>The Administering Authority is designated scheme manager under the regulations.</i>
23	Pension board – the scheme manager (or each scheme manager) for a scheme has a pension board with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The pension board must also assist the scheme manager with such other matters as the scheme regulations may specify. It will be for scheme regulations and the scheme manager to determine precisely what the pension board’s role, responsibilities and duties entail.		<i>A Local Pension Board has been established and operates under a prescribed Terms of Reference. The Board was established on</i>
Governing your Scheme			
38	Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.		Training Log kep. Maintened by Secretary to the Board
39	However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.		Carry out an up to date skills and knowledge analysis. Ongoing Feb 2019
40	Pension board members must be conversant with their scheme rules , which are primarily found in the scheme regulations, and documented administration policies currently in force for their pension scheme. Being ‘conversant’ means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.		Analyse results of Training needa assessment
41	They must also have knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.		Analyse results of Training needa assessment

42	<p>In terms of documented administration policies, specific documents recording policy about administration will vary from scheme to scheme. However, the following are examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable. This list is not exhaustive and other documented policies may fall into this category:</p> <p>any scheme-approved policies relating to: conflicts of interest and the register of interests record-keeping internal dispute resolution reporting breaches the appointment of pension board members maintaining contributions to the scheme risk assessments/management and risk register policies for the scheme</p> <p>scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures</p> <p>the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members</p> <p>In terms of reference, structure and operational policies of the pension board and/or any sub-committee</p> <p>statements of policy about the exercise of discretionary functions, statements of policy about communications with members and scheme employers the pension administration strategy, or equivalent, and</p> <p>any admission body (or equivalent) policies.</p>		Available. Ongoing.
43	<p>For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.</p>		Available on website
44	<p>Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:</p> <p>the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme</p> <p>statements of assurance (for example, assurance reports from administrators)</p>		
45	<p>Where DC or DC AVC options are offered, pension board members should also be familiar with the requirements for the payment of member contributions to the providers, the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>		AVC Training has been carried out. New AVC Risk documentation introduced.
46	<p>Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.</p>		

47	The roles, responsibilities and duties of pension boards and their individual members will vary between pension schemes. Matters for which the pension board is responsible will be set out in scheme regulations. Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.		
48	Schemes should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.		Carry out Training needs questionnaire. Done Feb 2019
49	Pension board members must have a working knowledge of their scheme regulations and documented administration policies . They should understand their scheme regulations and policies in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.		
50	Pension board members must have knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.		
51	Pension board members should be able to identify and where relevant challenge any failure to comply with: the scheme regulations other legislation relating to the governance and administration of the scheme any requirements imposed by the regulator, or any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator.		
52	Pension board members' breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given. They should understand how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.		
53	Pension board members of funded pension schemes should ensure that they have the appropriate degree of knowledge and understanding of funding and investment matters relating to their scheme to enable them to effectively carry out their role. This includes having a working knowledge of provisions in their scheme regulations and administration policies that relate to funding and investment, as well as knowledge and understanding of relevant law relating to pensions.		Training Needs Self Assessment carried out feb 2019
54	All board members should attain appropriate knowledge so that they are able to understand the relevant law in relation to their scheme and role. The degree of knowledge and understanding required of pension board members may vary according to the role of the board member, as well as the expertise of the board member. For example, a board member who is also a pensions law expert (for instance, as a result of their day job) should have a greater level of knowledge than that considered appropriate for board members without this background.		Training Needs Self Assessment carried out feb 2019
55	Pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. Schemes should provide pension board members with the relevant training and support that they require. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.		Training Needs Self Assessment carried out feb 2019
56	Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post. Therefore, they should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration		Training Needs Self Assessment carried out feb 2019

57	Pension board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They should use a personalised training plan to document and address these promptly.		Training Needs Self Assessment carried out feb 2019
58	Learning programmes should be flexible , allowing pension board members to update particular areas of learning where required and to acquire new areas of knowledge in the event of any change. For example, pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		
59	The regulator will provide an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning. If schemes choose alternative learning programmes they should be confident that those programmes: cover the type and degree of knowledge and understanding required reflect the legal requirements, and are delivered within an appropriate timescale.		Group Training during 2019
60	Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole . This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.		
Conflicts of Interest and Representation			
62	In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied: that a person to be appointed as a member of the pension board does not have a conflict of interest and from time to time, that none of the members of the pension board has a conflict of interest.		
63	Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.		
64	Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.		

70	Some, if not all, of the 'Seven principles of public life' (formerly known as the 'Nolan principles') will already apply to people carrying out roles in public service pension schemes, for example through the Ministerial code, Civil Service code or other codes of conduct. These principles should be applied to all pension board members in the exercise of their functions as they require the highest standards of conduct. Schemes should incorporate the principles into any codes of conduct (and across their policies and processes) and other internal standards for pension boards.		
73	Scheme regulations will set out matters for which the pension board is responsible. Schemes should set out clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards in scheme documentation. This should cover , for example, whether they have responsibility for administering or monitoring the administration of the scheme; developing, delivering or overseeing compliance with requirements for governance and/or administration policies; and taking or scrutinising decisions relating to governance and/or administration. Regardless of their remit, potential conflicts of interest affecting pension board members need to be identified, monitored and managed effectively.		
74	Schemes should consider potential conflicts of interest in relation to the full scope of roles, responsibilities and duties of pension board members. It is recommended that all those involved in the management or administration of public service pension schemes take professional legal advice when considering issues to do with conflicts of interest.		
76	Schemes should ensure that there is an agreed and documented conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest. They should keep this under regular review. Policies and procedures should include examples of scenarios giving rise to conflicts of interest, how a conflict might arise specifically in relation to a pension board member and the process that pension board members and scheme managers should follow to address a situation where board members are subject to a potential or actual conflict of interest.		
77	Broadly, schemes should consider potential conflicts of interest in three stages: identifying monitoring, and managing.		
78	Schemes should cultivate a culture of openness and transparency. They should recognise the need for continual consideration of potential conflicts. Disclosure of interests which have the potential to become conflicts of interest should not be ignored. Pension board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest. They should know how to manage potential conflicts.		
79	Pension board members , and people who are proposed to be appointed to a pension board, must provide scheme managers with information that they reasonably require to be satisfied that pension board members and proposed members do not have a conflict of interest.		
80	Schemes should ensure that pension board members are appointed under procedures that require them to disclose any interests, including other responsibilities, which could become conflicts of interest and which may adversely affect their suitability for the role, before they are appointed.		

81	All terms of engagement, for example appointment letters, should include a clause requiring disclosure of all interests, including any other responsibilities, which have the potential to become conflicts of interest, as soon as they arise. All interests disclosed should be recorded. See the section of this code on 'Monitoring potential conflicts'.		
82	Schemes should take time to consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts of interest that may arise in the future. Pension board members should be notified as soon as practically possible and mitigations should be put in place to prevent these conflicts from materialising.		
83	As part of their risk assessment process, schemes should identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. Schemes should evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.		
84	A register of interests should provide a simple and effective means of recording and monitoring dual interests and responsibilities. Schemes should also capture decisions about how to manage potential conflicts of interest in their risk registers or elsewhere. The register of interests and other relevant documents should be circulated to the pension board for ongoing review and published, for example on a scheme's website.		
85	Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting, where necessary. This provides an opportunity for those present to declare any interests, including other responsibilities, which have the potential to become conflicts of interest , and to minute discussions about how they will be managed to prevent an actual conflict arising.		
86	Schemes should establish and operate procedures which ensure that pension boards are not compromised by potentially conflicted members. They should consider and determine the roles and responsibilities of pension boards and individual board members carefully to ensure that conflicts of interest do not arise, nor are perceived to have arisen.		
90	While scheme regulations must require pension boards to have an equal number of employer and member representatives, there is flexibility to design arrangements which best suit each scheme.		

91	<p>Arrangements should be designed with regard to the principles of proportionality, fairness and transparency, and with the aim of ensuring that a pension board has the right balance of skills, experience and representation (for example, of membership categories and categories of employers participating in the scheme). Those responsible for appointing members to a pension board should also consider the mix of skills and experience needed on the pension board in order for the board to operate effectively in light of its particular role, responsibilities and duties.</p>		
Publishing Information about Schemes			
92	<p>The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date.</p>		
93	<p>The information must include:</p> <ul style="list-style-type: none"> who the members of the pension board are representation on the board of members of the scheme(s), and the matters falling within the pension board’s responsibility. 		
94	<p>Scheme members will want to know that their scheme is being efficiently and effectively managed. Public service pension schemes should have a properly constituted, trained and competent pension board, which is responsible for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and requirements imposed by the regulator.</p>		
95	<p>Scheme managers must publish the information required about the pension board and keep that information up-to-date. This will ensure that scheme members can easily access information about who the pension board members are, how pension scheme members are represented on the pension board and the responsibilities of the board as a whole.</p>		

96	<p>When publishing information about the identity of pension board members, the representation of scheme members and matters for which the board is responsible, schemes should also publish useful related information about the pension board such as:</p> <p>the employment and job title (where relevant) and any other relevant position held by each board member</p> <p>the pension board appointment process</p> <p>who each pension board member represents</p> <p>the full terms of reference for the pension board, including details of how it will operate, and</p> <p>any specific roles and responsibilities of individual pension board members.</p>		
97	<p>Schemes should also consider publishing information about pension board business, for example board papers, agendas and minutes of meetings (redacted to the extent that they contain confidential information and/or data covered by the Data Protection Act 1998). They should consider any requests for additional information to be published, to encourage scheme member engagement and promote a culture of transparency.</p>		
98	<p>Scheme managers must ensure that information published about the pension board is kept up-to-date. Schemes should have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete.</p>		
<h2>Managing Risks</h2>			
104	<p>Good internal controls are an important characteristic of a well-run scheme and one of the main components of the scheme manager's role in securing the effective governance and administration of the scheme. Internal controls can help protect pension schemes from adverse risks, which could be detrimental to the scheme and members if they are not mitigated.</p>		Discussed at each Board meeting
105	<p>Scheme managers must establish and operate internal controls. These should address significant risks which are likely to have a material impact on the scheme. Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They should seek advice, as necessary.</p>		Discussed at each Board meeting

106	Before implementing an internal controls framework, schemes should carry out a risk assessment. They should begin by: setting the objectives of the scheme determining the various functions and activities carried out in the running of the scheme, and identifying the main risks associated with those objectives, functions and activities.		Discussed at each Board meeting
107	An effective risk assessment process will help schemes to identify a wide range of internal and external risks, which are critical to the scheme and members. When identifying risks, schemes should refer to relevant sources of information, such as records of internal disputes and legislative breaches, the register of interests, internal and external audit reports and service contracts.		Discussed at each Board meeting
108	Once schemes have identified risks, they should record them in a risk register and review them regularly. Schemes should keep appropriate records to help scheme managers demonstrate steps they have taken to comply, if necessary, with legal requirements.		Discussed at each Board meeting
109	should consider both these areas when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high.		Discussed at each Board meeting
110	administering authority. Schemes should review their existing arrangements and procedures to determine whether they can prevent and detect errors in scheme operations and help mitigate pension scheme-related risks. For example, schemes could obtain assurance about their existing controls through direct testing or by obtaining reports on controls. Any such review should be appropriate to the outcome of the risk evaluation.		Discussed at each Board meeting
111	Schemes should consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. For example, the scheme manager(s) for a funded scheme should establish and operate internal controls that regularly assess the effectiveness of investment-related decision making. Scheme managers for all pension schemes should establish and operate internal controls that regularly assess the effectiveness of data management and record-keeping.		Discussed at each Board meeting
113	Risk assessment is a continual process and should take account of a changing environment and new and emerging risks, including significant changes in or affecting the scheme and employers who participate in the scheme.		Discussed at each Board meeting
114	For example, where relevant, schemes should put in place systems and processes for making an objective assessment of the strength of an employer's covenant (which should include analysis of their financial position, prospects and ability to pay the necessary employer contributions).		In Place - exercise to be undertaken again soon
115	An effective risk assessment process will provide a mechanism to detect weaknesses at an early stage. Schemes should periodically review the adequacy of internal controls in: mitigating risks supporting longer-term strategic aims, for example relating to investments identifying success (or otherwise) in achieving agreed objectives, and providing a framework against which compliance with the scheme regulations and legislation can be monitored.		

116	<p>Internal or external audits and/or quality assurance processes should ensure that adequate internal controls are in place and being operated effectively. Reviews should take place when substantial changes take place, such as changes to pension scheme personnel, implementation of new administration systems or processes, or where a control has been found to be inadequate.</p>		<p>Annually reviewed by Wales Audit Office. Internal Audit completed in 2016 - still awaiting final report for signing.</p>
119	<p>The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme. Providers should be required to demonstrate that they will have adequate internal controls in their tenders for delivering services. The requirements should be incorporated in the terms of engagement and contract between the scheme and service provider. Outsourced services may include, for example, the maintenance of records and data, calculation of benefits and investment management services. Where services are outsourced, scheme managers should be satisfied that internal controls associated with those services are adequate and effective.</p>		
120	<p>An increasing number of service providers are obtaining independent assurance reports to help demonstrate their ability to deliver quality administration services. Schemes should ask their service providers to demonstrate that they have adequate internal controls relating to the services they provide. It is vital that schemes ensure they receive sufficient assurance from service providers. For example, the information from providers should be sufficiently detailed and comprehensive and the service level agreements should cover all services that are outsourced. Schemes should also consider including provisions in contracts for outsourced services requiring compliance with appropriate standards. This should help to ensure effective administration.</p>		
Administration			
124	<p>Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and ultimately paying members incorrect benefits. For funded schemes, it may lead to schemes managing investment risks ineffectively. There is also the potential for the maladministration of members' contributions and failure to identify any misappropriation of assets. Schemes should be able to demonstrate to the regulator, where required, that they keep accurate, up-to-date and enduring records to be able to govern and administer their pension scheme efficiently.</p>		<p>Data Quality testing Undertaken in 2018.</p>
125	<p>Scheme managers must establish and operate adequate internal controls, which should include processes and systems to support record-keeping requirements and ensure that they are effective at all times.</p>		<p>Data Quality and Testing Policy in place</p>
126	<p>Scheme managers must ensure that member data across all membership categories specified in the Record Keeping Regulations is complete and accurate. Member data should be subject to regular data evaluation.</p>		<p>Data Quality and Testing Policy in place</p>

127	Scheme managers must keep specific member data, which will enable them to uniquely identify a scheme member and calculate benefits correctly. This is particularly important with the establishment of career average revalued earnings (CARE) schemes. Scheme managers must be able to provide members with accurate information regarding their pension benefits (accrued benefits to date and their future projected entitlements) in accordance with legislative requirements, as well as pay the right benefits to the right person (including all beneficiaries) at the right time.		
128	Schemes should require participating employers to provide them with timely and accurate data in order for the scheme manager to be able to fulfil their legal obligations. Schemes should seek to ensure that processes are established by employers which enable the transmission of complete and accurate data from the outset. Processes will vary from employer to employer, depending on factors such as employee turnover, pay periods, number of employees who are members and the timing and number of payroll processing systems.		
129	Schemes should seek to ensure that employers understand the main events which require information about members to be passed from the employer to the scheme and/or another employer, such as when an employee: joins or leaves the scheme changes their rate of contributions changes their name, address or salary changes their member status, and transfers employment between scheme employers.		Guidance and training provided at time of Admission into Fund
130	Schemes should ensure that appropriate procedures and timescales are in place for scheme employers to provide updated information when member data changes, for checking scheme data against employer data and for receiving information which may affect the profile of the scheme. If an employer fails to act according to the procedures set out above, meaning that they and/or scheme managers may not be complying with legal requirements, those under a statutory duty to report breaches of the law to the regulator under section 70 of the Pensions Act 2004 should assess whether there has been a relevant breach and take action as necessary.		Guidance and training provided at time of Admission into Fund
131	Schemes should be able to trace the flow of funds into and out of the scheme and reconcile these against expected contributions and scheme costs. In doing so, they will have clear oversight of the core scheme transactions and should be able to mitigate risks swiftly.		
132	Scheme managers must keep records of transactions made to and from the scheme and any amount due to the scheme which has been written off. They should be able to demonstrate that they do so.		
133	Scheme managers must keep records of pension board meetings including any decisions made. Schemes should also keep records of key discussions, which may include topics such as compliance with policies relating to administration of the scheme.		Available in Minutes
134	Scheme managers must also keep records relating to any decision taken by members of the pension board other than at a pension board meeting, or taken by a committee/sub-committee, which has not been ratified by the pension board. The records must include the date, time and place of the decision and the names of board members participating in that decision. This will ensure that there is a clear and transparent audit trail of the decisions made in relation to the scheme.		Available in Minutes

135	Schemes should retain records for as long as they are needed. It is likely that data will need to be held for long periods of time and schemes will need to retain some records for a member even after that individual has retired, ensuring that pension benefits can be properly administered over the lifetime of the member and their beneficiaries. Schemes should have in place adequate systems and processes to enable the retention of records for the necessary time periods.		Currently 15 years following GDPR review.
136	Schemes should have policies and processes that monitor data on an ongoing basis to ensure it is accurate and complete, regardless of the volume of scheme transactions. This should be in relation to all membership categories , including pensioner member data where queries may arise once the pension is being paid.		Monthly Data exchange and cleanse via iconnect
137	Schemes should adopt a proportionate and risk-based approach to monitoring, based on any known or historical issues that may have occurred in relation to the scheme's administration. This is particularly important for the effective administration of CARE pension schemes, which requires schemes to hold significantly more data than needed for final salary schemes.		
138	Schemes should continually review their data and carry out a data review exercise at least annually. This should include an assessment of the accuracy and completeness of the member information data held. Schemes should decide the frequency and nature of the review in light of factors such as the level of data quality, any issues identified and key scheme events.		Data Quality testing and Improvement Plan
139	Where the management of scheme data has been outsourced, it is vital that schemes understand and are satisfied that the controls in place will ensure the integrity of scheme member data. They should ensure that the administrator has assessed the risks that poor or deficient member records may present to the scheme and has taken the necessary steps to mitigate them, where applicable.		Data Quality testing and Improvement Plan
140	Where there has been a change of administrator or the administration system/platform, schemes should review and cleanse data records and satisfy themselves that all data are complete and accurate.		
141	Where schemes identify poor quality or missing data, they should put a data improvement plan in place to address these issues. The plan should have specific data improvement measures which schemes can monitor and a defined end date within a reasonable timeframe when the scheme will have complete and accurate data.		Data Quality testing and Improvement Plan
142	Schemes should ensure that member records are reconciled with information held by the employer, for example postal address or electronic address (email address) changes and new starters. Schemes should also ensure that the numbers of scheme members is as expected based on the number of leavers and joiners since the last reconciliation. Schemes should be able to determine those members who are approaching retirement, those who are active members and those who are deferred members.		Monthly/Annual Reconciliation
143	Schemes must ensure that processes that are created to manage scheme member data meet the requirements of the Data Protection Act 1998 and the data protection principles.		reviewed under GDPR May 2018
144	Schemes should understand: <ul style="list-style-type: none"> • their obligations as data controllers and who the data processors are in relation to the scheme • the difference between personal data and sensitive personal data (as defined in the Data Protection Act 1998) • how data are held and how they should respond to data requests from different parties • the systems which need to be in place to store, move and destroy data, and • how data protection affects member communications. 		reviewed under GDPR May 2018
146	Where applicable, schemes should be able to demonstrate that they keep records in accordance with these and any other relevant legal requirements. Schemes should read the relevant legislation and any guidance in conjunction with this code where applicable.		reviewed under GDPR May 2018

Maintaining Contributions

147	<p>Employer contributions must be paid to the scheme in accordance with any requirements in the scheme regulations. Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable.</p>		Breaches Log and Policy in place
148	<p>at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically (the 'prescribed period'), or earlier if required by scheme regulations. References to 'days' means all days. References to 'working days' do not include Saturdays, Sundays or Bank Holidays.</p>		
149	<p>failure is likely to be of material significance to the regulator in the exercise of any of its functions, they must give notice of the failure to the regulator and the member within a reasonable period after the end of the prescribed period. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law. For more information about reporting breaches of the law, see this section of the code.</p>		
150	<p>As part of the requirement to establish and operate adequate internal controls, scheme managers should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator. A 'payment failure' is where contribution payments are not paid to the scheme by the due date(s), or within the prescribed period and a 'materially significant payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.</p>		Breaches Log and Policy in place
151	<p>Schemes should monitor pension contributions, resolve payment issues and report payment failures, as appropriate, so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.</p>		
152	<p>Adequate procedures and processes are likely to involve:</p> <ul style="list-style-type: none"> developing a record to monitor the payment of contributions monitoring the payment of contributions managing overdue contributions, and reporting materially significant payment failures. 		
153	<p>These procedures and processes should help scheme managers to meet their statutory duty to report materially significant payment failures to the regulator, as well as ensuring the effective management of scheme contributions and payment of the right pension.</p>		Breaches Log and Policy in place
155	<p>Public service pension schemes which meet these exemptions should nonetheless develop a record for monitoring the payment of contributions to the scheme (a contribution monitoring record, which must reflect any requirements in scheme regulations where relevant). Schemes should prepare the contributions monitoring record in consultation with employees.</p>		
156	<p>A contributions monitoring record will enable schemes to check whether contributions have been paid on time and in full, and, if they have not, provide a trigger for escalation for schemes to investigate the payment failure and consideration of whether scheme managers need to report to the regulator and, where relevant, members.</p>		

157	<p>A contributions monitoring record should include the following information:</p> <ul style="list-style-type: none"> • contribution rates • the date(s) on or before which employer contributions are to be paid to the scheme • the date by when, or period within which, the employee contributions are to be paid to the scheme • the rate or amount of interest payable where the payment of contributions is late. 		
158	The date when employer contributions must be paid is the date on or before which they are due under the scheme in accordance with the scheme regulations (or other scheme documentation). Schemes should assess the timing of payments against the date specified.		
161	Schemes should monitor contributions on an ongoing basis for all the membership categories within the scheme. Schemes should regularly check payments due against the contributions monitoring record.		
162	Schemes should apply a risk-based and proportionate approach to help identify employers and situations which present a higher risk of payment failures occurring and which are likely to be of material significance and require the scheme manager to intervene.		
163	Schemes should be aware of what is to be paid in accordance with the contributions monitoring record or other scheme documentation, which may be used by the pension scheme. Schemes should also have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all.		
165	Schemes should have adequate internal controls in place to monitor the sharing of payment information between the employer, pension scheme and member. Where the necessary payment information is not automatically available or provided by employers, schemes should request the additional information they need. Schemes may not need to obtain payment information as a matter of course, only where it is required for effective monitoring.		
166	Scheme managers must record and retain information on transactions, including any employer and employee contributions received and payments of pensions and benefits, which will support them in their administration and monitoring responsibilities.		
167	Where the administration of scheme contributions is outsourced to a service provider, schemes should ensure that there is a process in place to obtain regular information on the payment of contributions to the scheme and a clear procedure in place to enable them to identify and resolve payment failures which may occur.		
168	<p>When schemes identify or are notified of a problem, they should assess whether a payment failure has occurred before taking steps to resolve and, if necessary, report it. During their assessment, schemes should take into account:</p> <ul style="list-style-type: none"> • legitimate agreed payments made directly by an employer for scheme purposes, ie where the scheme has agreed that a contributions payment can be made late due to exceptional circumstances • legitimate agreed payment arrangements made between an employee and employer, ie where the employer has agreed that a contribution payment can be made late due to exceptional circumstances • contributions paid directly to a pension provider, scheme administrator or investment manager • any AVCs included with an employer's overall payment. 		

169	<p>Where schemes identify a payment failure, they should follow a process to resolve issues quickly. This should normally involve the following steps:</p> <p>a. Investigate any apparent employer failure to pay contributions in accordance with the contributions monitoring record or legal requirements.</p> <p>b. Contact the employer promptly to alert them to the payment failure and to seek to resolve the overdue payment.</p> <p>c. Discuss it further with the employer as soon as practicable to find out the cause and circumstances of the payment failure.</p> <p>d. Ask the employer to resolve the payment failure and take steps to avoid a recurrence in the future.</p>		
170	<p>information will help to provide evidence of schemes' effective monitoring processes and could help to demonstrate that the scheme manager has met the legal requirement to establish and operate adequate internal controls. It will also form part of the decision of whether or not to report a payment failure to the regulator and, where relevant, members.</p>		
171	<p>The regulator recognises that a monitoring process based on information provided by employers may not be able to confirm deliberate underpayment or non-payment, or fraudulent behaviour by an employer. Schemes should review current processes or develop a new process which is able to detect situations where fraud may be more likely to occur and where additional checks may be appropriate.</p>		
Providing information to Members			
188	<p>Scheme regulations must require scheme managers to provide an annual benefit information statement to each active member of a DB scheme established under the 2013 Act or new public body scheme. The statement must include a description of the benefits earned by a member in respect of their pensionable service.</p>		Procedures in place
189	<p>The first statement must be provided no later than 17 months after the scheme regulations establishing the scheme come into force. Subsequent statements must be provided at least annually after that date.</p>		Procedures in place
190	<p>Statements must also comply with HM Treasury directions in terms of any other information which must be included and the manner in which they must be provided to members.</p>		Annual Review exercise on All Wales basis
191	<p>Managers of a scheme must also provide a benefit statement following a request by an active, deferred or pension credit member of a DB scheme if the information has not been provided to that member in the previous 12 months before that request.</p>		Procedures in place
192	<p>These benefit statements must include information about the amount of benefits by reference to a particular date and how they are calculated. The full details depend on the type of member making the request.</p>		Compliant
193	<p>The information must be given as soon as practicable but no more than two months after the date the request is made.</p>		Procedures in place

196	<p>Under the Disclosure Regulations 2013, managers of a scheme must provide other information to members and others in certain circumstances (for example, on request). The Regulations set out the information which must be given, the timescales for providing such information and the methods that may be used. Not all information must be provided in respect of all public service pension schemes (there are some exemptions for specified public service schemes or according to the type of benefit offered), but information which scheme managers may need to provide includes:</p> <ul style="list-style-type: none"> • basic scheme information • information about the scheme that has materially altered • information about the constitution of the scheme • annual report (this requirement will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers) information about funding principles, actuarial valuations and payment schedules (these requirements will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers) • information about transfer credits • information about lifestyling (this requirement will not apply in respect of DB benefits in public service pension schemes) • information about accessing benefits, and • information about benefits in payment. 		Compliant
197	<p>The detail of the information that must be provided to scheme members and others and any exemptions are set out in the Disclosure Regulations 2013. Managers must provide the required information, along with confirmation that members may request further information and the postal and email addresses to which a person should send those requests and enquiries.</p>		
198	<p>Managers of a scheme must ensure that scheme members and others are given information in accordance with the Disclosure Regulations 2013, unless they are an 'excluded person' (as defined above).</p>		

199	<p>The Disclosure Regulations 2013 make provision for scheme members and others to receive information that is relevant to their pension rights and entitlements under the scheme. The categories of people who are entitled to receive information vary according to the different types of information, and there are exemptions where information has already been provided in a specified period. The detail of who is entitled to any particular type of information is set out in the Disclosure Regulations 2013 but may include any of the following ('a relevant person'):</p> <ul style="list-style-type: none"> • active members • deferred members • pensioner members • prospective members • spouses or civil partners of members or prospective members • other beneficiaries, and • recognised trade unions. 		
200	<p>Managers must disclose certain basic information about the scheme and the benefits it provides to a prospective member (if practicable to do so) or a new member. Where the manager has received jobholder information for the member or prospective member they must provide the information within a month of the jobholder information being received. Where they have not received jobholder information, they must provide the information within two months of the date the person became an active member of the scheme.</p>		procedures in place. Compliant.
201	<p>Managers must also provide information on request to a relevant person within two months of the request being made, except where the same information was provided to the same person or trade union in the 12 month before the request.</p>		Compliant. Procedures in place in workflow system.

203	<p>Generally, schemes may choose how they provide information to scheme members, including by post, electronically (by email or by making it available on a website) or by any other means permitted by the law. For benefit statements issued under the 2013 Act, HM Treasury directions may specify how the information must be provided. Where schemes wish to provide information required under the Disclosure Regulations 2013 by electronic means there are important steps and safeguards that must first be met. These include:</p> <ul style="list-style-type: none"> • scheme members and beneficiaries being provided with the option to opt out of receiving information electronically by giving written notice to the scheme • managers being satisfied that the electronic communications have been designed: <ul style="list-style-type: none"> – so that the person will be able to access and either store or print the relevant information and – taking into account the requirements of disabled people • ensuring that members and beneficiaries who were members or beneficiaries of the public service pension scheme on 1 December 2010 (where the scheme had not provided information electronically prior to that date) has been sent a written notice (other than via email or website), informing them that: <ul style="list-style-type: none"> – it is proposed to provide information electronically in the future and – scheme members and beneficiaries may opt out of receiving information electronically by sending written notice. 		Exercise carried out and majority of scheme documentation delivered electronically, except to those who have opted out of e-communications
204	<p>Where schemes make information or a document available on a website for the first time, they must give notice (other than via a website) to the recipient. They must ensure that the notice includes:</p> <ul style="list-style-type: none"> • a statement advising that the information is available on the website • the website address • details of where on the website the information or document can be read, and • an explanation of how the information or document may be read on the website. 		Compliant

205	<p>When any subsequent information is made available on a website, managers of a scheme must give a notice (other than via a website) to recipients informing them that the information is available on the website. This notice will not be required where:</p> <ul style="list-style-type: none"> • at least two documents have been given to the recipient by hand or sent to the recipient's last known postal address • each of those letters asks the recipient to give their electronic (email) address to the scheme and informs the recipient of their right to request (in writing) that information or documents are not to be provided electronically • a third letter has been given to the recipient by hand or sent to the recipient's last known postal address and includes a statement that further information will be available to read on the website and that no further notifications will be sent to the recipient and • the managers of the scheme do not know the recipient's email address and have not received a written request that information or documents are not to be provided to the recipient electronically. 		Exercise carried out and majority of scheme documentation delivered electronically, except to those who have opted out of e-communications
206	<p>In some cases, the Disclosure Regulations 2013 specify that information must be made available by one of the following methods:</p> <ul style="list-style-type: none"> • available to view free of charge, at a place that is reasonable having regard to the request • published on a website (in which case the procedure to be followed before making information available on a website does not apply, except that the person or trade union must be notified of certain details) • given for a charge that does not exceed the expense incurred in preparing, posting and packing the information, or • publicly available elsewhere. 		Compliant
207	<p>Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. It is important that members are able to understand their pension arrangements and make informed decisions where required.</p>		Ongoing Exercise
208	<p>Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date.</p>		Numbers of "Gone Away" members identified. Address tracing exercise to be undertaken mid 2019
209	<p>Where a person has made a request for information, schemes should acknowledge receipt if they are unable to provide the information at that stage. Schemes may encounter situations where the time period for providing information takes longer than expected. In these circumstances, schemes should notify the person and let them know when they are likely to receive the information. Scheme managers and managers (where different) must provide information in accordance with the time periods specified in the 2013 Act and Disclosure Regulations 2013.</p>		Compliant
210	<p>To promote transparency, schemes should make information readily available at all times to ensure that prospective and existing members are able to access information when they require it.</p>		Website, Intranet

216	Dispute resolution arrangements may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. The specified person's decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters.		Pensions Decision - Pensions Administration Manager. Employer decision - HR Manager
217	Scheme managers and specified persons (if used as part of a scheme's procedure) must take the decision required on the matters in dispute within a reasonable period of receiving the application. They must notify the applicant of the decision within a reasonable period of having taken it.		IDRP information made available to Specified Person
218	Internal dispute resolution procedures must state the manner in which an application for the resolution of a pension dispute is to be made, the particulars which must be included in such an application and the manner in which any decisions required in relation to such an application are to be reached and given. The procedure must specify a reasonable period within which applications must be made by certain people.		Detail in Letter.
219	Scheme managers must provide information about the scheme's dispute resolution procedure as well as information about The Pensions Advisory Service (TPAS) and the Pensions Ombudsman to certain people at certain stages.		Included in letters
220	Scheme members expect their pension scheme to be managed effectively. Where a person with an interest in the scheme is not satisfied with any matter relating to the scheme (for example a decision which affects them), they have the right to ask for that matter to be reviewed.		Included in letters
222	Schemes can operate a two-stage procedure with a 'specified person' undertaking the first-stage decision. Alternatively, they may adopt a single-stage procedure if they consider that is more appropriate for their scheme.		Two-stage adopted
223	With the exception of certain matters outlined below, the law does not prescribe the detail of the dispute resolution procedure. Schemes should decide on this and ensure it is fit for purpose.		Noted.
224	Schemes may choose to specify time limits within which the following people must apply for a dispute to be resolved: <ul style="list-style-type: none"> • scheme members • widows, widowers, surviving civil partners or surviving dependants of deceased scheme members • surviving non-dependant beneficiaries of deceased scheme members, and • prospective scheme members. 		Within 6 months of being notified of decision

225	If schemes decide to specify time limits, they should publish and make those time limits readily available to ensure that those with an interest in the scheme are aware that they must submit an application within a prescribed time limit.		Within 6 months of being notified of decision
226	<p>Scheme managers must ensure their scheme's procedure specifies a reasonable period within which applications by the following people must be made:</p> <ul style="list-style-type: none"> • a person who has ceased to be within the categories in paragraph 224 above • a person who claims that they were a person within the categories in paragraph 224 above and has ceased to be such a person, and the dispute relates to whether they are such a person. 		Noted.
227	A reasonable period would be six months beginning immediately after the date on which the person ceased to be, or claims they ceased to be, a person with an interest in the scheme. However, schemes have the flexibility to exercise their judgement and take an application outside a specified time period, if appropriate.		6 months applied
228	Managers and specified persons (where applicable) must decide the matter in dispute within a reasonable period of receiving the application. A reasonable period is within four months of receiving the application. In the case of a two-stage dispute resolution procedure, the reasonable period applies to each stage separately. Where a dispute is referred to scheme managers for a second-stage decision, the reasonable period begins when the managers receive the referral. However, there may be cases where it will be possible to process an application sooner than the reasonable time given. Where this is the case, there should not be a delay in taking the decision.		Matter to be acted upon quickly but within 4 months
229	There may be exceptional circumstances of a particular dispute which may prevent the process being completed within the reasonable time period stated above. For instance, where the dispute involves unusually complex and labour-intensive calculations or research, or delays occur that are outside the control of the scheme manager (or specified person), or because they need to obtain independent evidence.		Noted.
230	The regulator recognises that the circumstances of each dispute are different and decision times may vary. Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary.		Procedure is documented and evidenced
231	Applicants must be notified of the decision made by a scheme manager and specified person (where applicable) within a reasonable time period after the decision has been made ¹²³ . Schemes should usually notify applicants of the decision no later than 15 working days after the decision has been made. However, there may be cases where it is possible to notify an applicant sooner than the reasonable time given. Where this is the case, there should not be a delay in notifying them of the decision.		Procedures in place to notify
232	Applicants must be notified of the decision made by a scheme manager and specified person (where applicable) within a reasonable time period after the decision has been made ¹²³ . Schemes should usually notify applicants of the decision no later than 15 working days after the decision has been made. However, there may be cases where it is possible to notify an applicant sooner than the reasonable time given. Where this is the case, there should not be a delay in notifying them of the decision.		Procedures in place to notify

233	Scheme regulations or other documents recording policy about the administration of the scheme should specify internal dispute resolution arrangements. Schemes should focus on educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented.		Included in correspondence.
234	Schemes should ensure that the effectiveness of the arrangements is assessed regularly and be satisfied that those following the process are complying with the requirements set, which includes effective decision making. This is particularly important where the arrangements require employers participating in the pension scheme to carry out duties as part of the process, for example where schemes have implemented the two-stage procedure and employers are acting as the specified person for the first stage		Guidance provided to Employers and individuals where appropriate
235	Schemes should confirm and communicate their arrangements to members, for example, in the joining booklet. Schemes should make their arrangements accessible to potential applicants, for example by publishing them on a scheme website.		Information readily available
236	<p>Scheme managers must provide the following information about the procedure and processes the scheme has in place for the internal resolution of disputes to certain people in certain circumstances¹²⁴:</p> <ul style="list-style-type: none"> • prospective members, if it is practicable to do so • any scheme members who have not already been given the information • certain relevant people who request the information and who have not been given that information in the previous 12 months, and • members or prospective members when schemes receive jobholder information, or when a jobholder becomes an active member, in connection with automatic enrolment. 		Information available.
237	Scheme managers must also provide the postal or email address and job title of the person to contact in order to make use of the internal dispute arrangements.		Included in correspondence
238	<p>In addition, scheme managers must provide information about TPAS and the Pensions Ombudsman at certain stages¹²⁵. Upon receiving an application for the resolution of a pension dispute, scheme managers (or the specified person) must make the applicant aware as soon as reasonably practicable that TPAS is available to assist members and beneficiaries of the scheme and provide contact details for TPAS. When notifying the applicant of the decision, scheme managers must also inform the applicant that the Pensions Ombudsman is available to investigate and determine complaints or disputes of fact or law relating to a public service pension scheme and provide the Pension Ombudsman's contact details.</p>		Included in correspondence

239	<p>Schemes can decide what information they need from applicants to reach a decision on a disputed matter and how applications should be submitted. Schemes should ensure they make the following information available to applicants:</p> <ul style="list-style-type: none"> • the procedure and processes to apply for a dispute to be resolved • the information that an applicant must include • the process by which any decisions are reached, and • an acknowledgement once an application has been received. 		Information available.
240	<p>When reviewing an application, scheme managers and specified persons (where relevant) should ensure that they have all the appropriate information to make an informed decision. They should request further information if required. Scheme managers and specified persons should be satisfied that the times taken to reach a decision and notify the applicant are appropriate to the situation and that they have taken the necessary action to meet the reasonable time periods. Scheme managers should be able to demonstrate this to the regulator if required.</p>		Noted.
Reporting Breaches of the Law			
244	<p>Schemes should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and this guidance. Schemes should provide training for scheme managers and pension board members. All others under the statutory duty to report should ensure they have a sufficient level of knowledge and understanding to fulfil that duty. This means having sufficient familiarity with the legal requirements and procedures and processes for reporting.</p>		
245	<p>Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters. It is important that procedures allow reporters to decide within an appropriate timescale whether they must report a breach. Reporters should not rely on waiting for others to report.</p>		

246	<p>Procedures should include the following features:</p> <ul style="list-style-type: none"> • a process for obtaining clarification of the law around the suspected breach where needed • a process for clarifying the facts around the suspected breach where they are not known • a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board • a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the regulator • an established procedure for dealing with difficult cases • a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable • a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue), and • a process for identifying promptly any breaches that are so serious they must always be reported. 		
247	<p>Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and, for funded pension schemes, making investment or investment-related decisions.</p>		
248	<p>Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.</p>		
249	<p>Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.</p>		
250	<p>Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with the pension board or scheme manager or with others who are in a position to confirm what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the regulator without delay.</p>		

251	If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.		
252	In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.		
253	<p>In deciding whether a breach is likely to be of ‘material significance’ to the regulator. It would be advisable for those with a statutory duty to report to consider the:</p> <ul style="list-style-type: none"> • cause of the breach • effect of the breach • reaction to the breach, and • wider implications of the breach. 		
254	When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the regulator.		
255	<p>The breach is likely to be of material significance to the regulator where it was caused by:</p> <ul style="list-style-type: none"> • dishonesty • poor governance or administration • slow or inappropriate decision making practices • incomplete or inaccurate advice, or • acting (or failing to act) in deliberate contravention of the law. 		
256	When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.		

257	<p>A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.</p>		
258	<p>Reporters need to consider the effects of any breach, but with the regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the regulator:</p> <ul style="list-style-type: none"> • pension board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements • pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements • adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time • accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement • appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time • pension board members misappropriating any assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded, and • any other breach which may result in the scheme being poorly governed, managed or administered. 		
259	<p>Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.</p>		
260	<p>Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.</p>		
261	<p>Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.</p>		

262	Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.		
263	Reports must be submitted in writing and can be sent by post or electronically, including by email or by fax. Wherever possible reporters should use the standard format available via the Exchange online service on the regulator's website.		
264	<p>The report should be dated and include as a minimum:</p> <ul style="list-style-type: none"> • full name of the scheme • description of the breach or breaches • any relevant dates • name of the employer or scheme manager (where known) • name, position and contact details of the reporter, and • role of the reporter in relation to the scheme. 		
265	<p>Additional information that would help the regulator includes:</p> <ul style="list-style-type: none"> • the reason the breach is thought to be of material significance to the regulator • the address of the scheme • the contact details of the scheme manager (if different to the scheme address) • the pension scheme's registry number (if available), and • whether the concern has been reported before. 		
266	Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.		
268	The regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.		

269	The reporter should provide further information or reports of further breaches if this may help the regulator to exercise its functions. The regulator may make contact to request further information.		
270	Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.		
271	In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the regulator to the breach.		
273	The statutory duty to report does not, however, override 'legal privilege' ¹³⁴ . This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.		
275	The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The regulator expects such individual reports to be rare and confined to the most serious cases.		

CYNGOR SIR POWYS COUNTY COUNCIL**Powys Pension Board
5th March 2019****REPORT BY: Board Secretary****SUBJECT: Breaches Policy**

REPORT FOR: Information

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 to the Board for review.
- 1.2 This report supports the attached policy and provides detail of the requirement 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 Powys Pension Fund follows best practice in this area.

2 Background

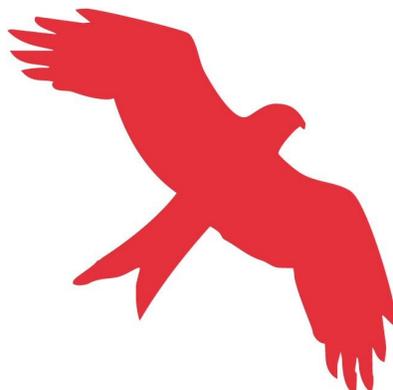
- 2.1 All individuals with a role in the administration of the LGPS have a duty to report breaches of the law, when there is a reasonable belief that:
- A legal duty relevant to the administration of the scheme has not been, or is not being, complied with; and
 - The failure to comply is likely to be 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.



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

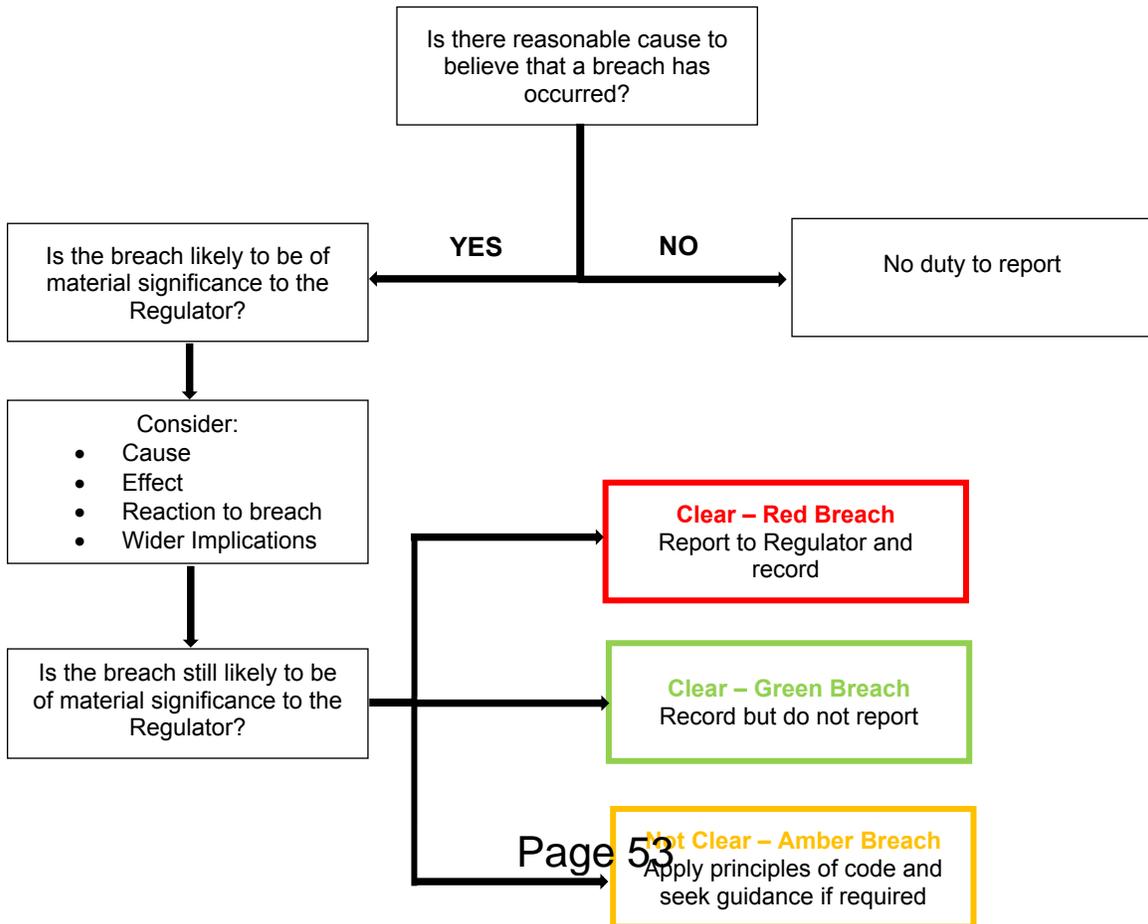
In order to decide whether a breach is likely to be of material significance, the following should be considered:

- 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>

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

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	
	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	
Page 63	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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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	
	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)	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

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	
	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**Powys Pension Board
5th March 2019****REPORT BY: Board Secretary****SUBJECT: Cyber Security - Update**

REPORT FOR: Information

1. Summary

This report provides Board with an update of the measures put in place by software providers and the Powys County Council IT infrastructure, with regards to cyber and online security risk.

2. Pensions Administration

2.1 The Powys Pension Fund currently use the Altair Pension Administration system on a hosted basis, provided by Heywood.

2.2 Assurances

- a) A list of measures operated by Heywood have been provided to the Fund including data encryption, firewalls, system monitoring facilities and regular penetration testing.
- b) The listed measures, together with existing policies and procedures ensures effective controls are in place to meet the requirements of the ISO standards.

3. Pensioner Payroll

3.1 Pensioner payroll is provided by Powys County Council, who operate the Midland HR Trent system, on a hosted basis.

3.2 Assurances

- a) A similar list of measures operated by Midland HR have been provided to the Fund detailing the systems and procedures that Midland HR operate to protect the system and data stored on it.
- b) The listed measures, together with existing policies and procedures ensures effective controls are in place to meet the requirements of the ISO standards.

4. Powys County Council

4.1 All other Fund IT requirements are provided by Powys County Council, as the administering authority.

4.2 Assurances

Currently awaiting confirmation. The detail will be passed to the Board once available.

5. Training

It is the intention of the Fund to provide training on cyber security to the Committee at the July meeting with the invite to be extended to include Board members.

6. Recommendation

Board are asked to note the contents of this report.

CYNGOR SIR POWYS COUNTY COUNCIL

Powys Pension Board
5th March 2019

REPORT BY: Board Secretary

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.

5. Recommendation

Board are asked to note the contents of this report.

CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board
5th March 2019

REPORT BY: Pension Fund Manager

SUBJECT: Membership and Financial Statistics for the period 1st
October to 31st December 2018

REPORT FOR: Information

1. Introduction

- 1.1 Further to the report provided in the November 2018 Pension Board meeting, this report contains the membership and Pensions Administration financial statistics for the period 1st October to 31st December 2018.

2. Pensions Administration Financial Statistics - Income & Expenditure

- 2.1 Presented as a separate item on Agenda.

3. Pensions Administration membership statistics

- 3.1 The table below contains the detail of the movements of the scheme membership between the different statuses (Active member to a pensioner or deferred status for example).

The column on the left shows the totals per status at the start of the period. The middle section shows the movements, which leaves the totals per status at the end of the period in the right hand column.

Key:

Status

- | | |
|----|---|
| 1 | Active Member |
| 2 | Undecided leaver (Deferred not yet processed) |
| 3 | Exit (Refund, Transfer Out) |
| 4 | Deferred member |
| 5 | Pensioner member |
| 6 | Dependant Member |
| 7 | Death |
| 8 | Awaiting Entry (Starter not fully processed) |
| 9 | Frozen Refund |
| 10 | Optant Out |
| T | Third Tier Cessation |

Scheme: 001		Location: <ALL>					Class: <ALL>			Sex: <ALL>			Other Locn.	Other St.	Total Off	Total On	In Force at 31/12/2018	
Old Status	In Force at 01/10/2018	1	2	3	4	5	New Status			O	T	Z						
							6	7	8	9								
1	5890		172	5	11	6		1		16	10		173			394	366	5862
2	409	76		1	2			1								80	174	503
3	12756		1			1										2	37	12791
4	6175	8		8		25		2								43	13	6145
5	4015			8				25				2				35	32	4012
6	629			4				8								12	19	636
7	3365																37	3402
8	14																	14
9	545				11											11	16	550
O	1112	1	1													2	16	1126
T																		2
Z																		173
Other Locn.																		
Other St.																		
Blank		281					19				6							
Total	34910	366	174	37	13	32	19	37		16	16	2	173			579	885	35216

3.2 50/50 Scheme Membership

Active	24
Deferred	4
Frozen refund	1

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