

## Pensions and Investment Committee

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

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Meeting date  
**Friday, 13 March 2020**

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Meeting time  
**10.00 am**

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



County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

6 March 2020

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

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### AGENDA

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

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

<b>3.</b>	<b>MINUTES</b>
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To authorise the Chair to sign the minutes of the last meeting held on 13 February, 2020 as a correct record.

(Pages 5 - 6)

<b>4.</b>	<b>BLACKROCK LOW CARBON PRESENTATION AND TRAINING</b>
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(Pages 7 - 54)

<b>5.</b>	<b>RISK SHARING TRAINING</b>
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(To Follow)

<b>6.</b>	<b>ADMINISTRATION AND LGPS UPDATE</b>
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To note the update and discuss any issues.  
(Pages 55 - 60)

<b>7.</b>	<b>GOVERNANCE UPDATE</b>
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To note the report and discuss any issues.  
(Pages 61 - 74)

<b>8.</b>	<b>TRAINING NEEDS ANALYSIS</b>
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To consider the report.  
(Pages 75 - 92)

<b>9.</b>	<b>WALES PENSION PARTNERSHIP [WPP] UPDATE</b>
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To receive a report regarding the WPP.  
(Pages 93 - 96)

<b>10.</b>	<b>EXEMPT ITEM</b>
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The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following items. His view on the public interest test (having taken account of the provisions of Rule 14.8 of the Council's Access to Information Rules) was that to make this information public would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information). These factors in his view outweigh the public interest in disclosing this information.

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

<b>11.</b>	<b>HEDGE FUND UPDATE AND INVESTMENT STRATEGY IMPLEMENTATION</b>
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To note the report.  
(Pages 97 - 98)

<b>12.</b>	<b>INVESTMENT STRATEGY STATEMENT [ISS]</b>
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To consider the ISS.  
(Pages 99 - 114)

<b>13.</b>	<b>PRIVATE EQUITY</b>
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To consider the report.  
(Pages 115 - 118)

<b>14.</b>	<b>EQUITY RISK IMPLEMENTATION UPDATE</b>
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To consider the report.  
(To Follow)

<b>15.</b>	<b>CEM BENCHMARKING - VERBAL REPORT</b>
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<b>16.</b>	<b>QUARTERLY MONITORING REPORT</b>
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To consider the report from Aon.  
(Pages 119 - 154)

<b>17.</b>	<b>FORWARD LOOKING BUSINESS PLAN</b>
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To consider the report from Aon.  
(Pages 155 - 156)

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**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE  
HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS,  
POWYS ON THURSDAY, 13 FEBRUARY 2020**

**PRESENT**

County Councillor P E Lewis (Chair)

County Councillors E A Jones, JG Morris and D H Williams  
Mr G Moore, Chair, Powys Pension Board

In attendance: Head of Finance and Pension Fund Manager  
Aon representatives – George Feane and Simon Mayne and Lucinda Downing and  
Kenneth Ettles via skype for item 7

<b>1.</b>	<b>APOLOGIES</b>
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Apologies were received from County Councillors A Davies and T Van-Rees.

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

<b>3.</b>	<b>MINUTES</b>
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The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 12 December 2019 as a correct record.

<b>4.</b>	<b>PENSIONS BOARD MINUTES</b>
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The Committee received the report from the Chair of Powys Pension Board of the meeting held on 26 November 2019 and the draft minutes. The Chair advised that cyber security was a high profile issue for pension funds. The Pension Fund Manager advised that he had drafted a cyber security policy, which was being reviewed by the IT department. The draft would be considered by the Board and Committee in due course.

<b>5.</b>	<b>PENSION FUND DISCRETIONARY POWERS</b>
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The Committee considered the discretionary powers policies.

It was moved and seconded to agree the policy.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>That the discretionary powers policies, as set out in Appendix A be approved.</b>	<b>As per report.</b>

**6. EXEMPT ITEM**

**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).**

**7. EQUITY PROTECTION STRATEGY**

Aon presented a report regarding Equity protection. The Committee considered the review of economic activity and noted that it was considered that activity would moderate over the medium-term. A range of risks including trade tariffs, economic and political conflicts would impact on economic activity.

It was noted that equity markets were strong during 2019-20 but earnings growth had been weak. The impact of such things as the Coronavirus would add to the near-term risk. It was considered that equities would not increase much more as global markets were at the end of an economic cycle.

The Committee considered the various equity protection options and protection levels including the amount of the fund which could be protected. The appropriate level of protection was dependent on the Committee's risk tolerance. In response to questions, Aon advised that the protection was focussed on the next actuarial valuation in 2022.

It was moved and duly seconded to continue the equity protection due to come to an end in March 2020 for a further three years and the level and type of protection. The Committee decided to retain an additional 2% of loss, which enables assets to attain a greater return, as it was felt it was complimentary to the existing levels of protection already in place.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>that equity protection due to cease in March 2020 continues as follows: at a level of £55m at a 95% - 75% put spread collar structure and protect 1/3 for each of 1, 2 and 3 years.</b>	<b>To ensure the Equity protection strategy continues to protect the Fund against market downturns.</b>

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

**Alec Barkett** – Relationship Manager

**Andy Graver** – Head of EMEA Index Equity Strategy

13 March 2020

**BlackRock**

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**Powys Pension Fund  
Low Carbon Presentation**

FOR PROFESSIONAL CLIENTS / QUALIFIED INVESTORS ONLY

ICBM0220E-1102787-1/41

# Page 8 **Your portfolio**



# Powys Pension Fund

## Valuation as at 31 January 2020 in GBP

Description	Value (£)
<b>Equity</b>	<b>177,676,521</b>
Aquila Life Currency Hedged US Equity Index Fund	80,366,303
Aquila Life Currency Hedged MSCI World Index	45,767,237
Aquila Life Currency Hedged European Equity Index Fund	21,145,763
Aquila Life Currency Hedged Japan Equity Index Fund	13,315,022
Aquila Life Currency Hedged Pac Rim Equity Index Fund	6,761,242
Aquila Life UK Equity Index Fund	6,670,608
BlackRock Aquila Emerging Markets Fund	3,650,346
<b>Fixed Income</b>	<b>90,887,029</b>
Aquila Life Over 5 Year UK Index Linked Fund	59,850,026
Aquila Life All Stocks UK Gilt Index Fund	16,209,993
Aquila Life 5-15 Years Corporate Bond Index Fund	14,827,010
<b>Cash and Commitments</b>	<b>33,517,232</b>
BlackRock ICS (Institutional Cash Series) Sterling Liquidity Fund	33,395,523
British Pound	117,322
United States Dollar	4,256
Canadian Dollar	131
<b>Powys Pension Fund Total as at 31 January 2020</b>	<b>302,080,781</b>
<b>Powys Pension Fund Total as at 24 February 2020*</b>	<b>304,338,416</b>

\*This valuation is currently unaudited.

Fund values are based on creation prices calculated as at the last working day of each valuation period. Capital at risk. All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed. Source: BlackRock, 2019

# Powys Pension Fund

## Gross performance as at 31 January 2020 in GBP (1/3)

Description (%)	3 Months	1 Year	3 Years p.a.	5 Years p.a.
<b>Equity</b>				
<b>Aquila Life Currency Hedged US Equity Index Fund</b>	<b>6.57</b>	<b>19.64</b>	<b>12.58</b>	<b>11.09</b>
FTSE Developed - United States Net TR 95% Hedged to GBP Index	6.59	19.61	12.51	11.00
Relative Return	-0.02	0.03	0.07	0.09
<b>Aquila Life Currency Hedged MSCI World Index</b>	<b>5.03</b>	<b>17.70</b>	<b>10.76</b>	—
MSCI World Net Total Return 95% hedged to GBP	4.93	17.02	—	—
Relative Return	0.10	0.68	—	—
<b>Aquila Life US Equity Index Fund</b>	<b>6.57</b>	<b>19.64</b>	<b>12.58</b>	<b>11.09</b>
FTSE United States in GBP	6.59	19.61	12.51	11.00
Relative Return	-0.02	0.03	0.07	0.09
<b>Aquila Life Currency Hedged European Equity Index Fund</b>	<b>3.09</b>	<b>19.16</b>	<b>9.67</b>	<b>7.42</b>
FTSE All World Developed Europe Ex UK TR 95% Net Hedged to GBP Index	3.00	18.81	9.56	7.32
Relative Return	0.09	0.35	0.11	0.10
<b>Aquila Life Currency Hedged Japan Equity Index Fund</b>	<b>1.41</b>	<b>10.68</b>	<b>6.43</b>	<b>5.67</b>
FTSE Developed - Japan 95% Net Hedged to GBP	1.42	10.19	5.75	5.03
Relative Return	-0.01	0.49	0.68	0.54
<b>Aquila Life Currency Hedged Pac Rim Equity Index Fund</b>	<b>2.94</b>	<b>9.69</b>	<b>7.61</b>	<b>5.34</b>
FTSE All World Developed Asia Pacific Ex Japan 95% NET HEDGED TO GBP	2.99	9.78	7.59	5.93
Relative Return	-0.05	-0.09	0.02	0.01

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. The performance presented here represents the returns that have been experienced by the portfolio and as a result may differ from those shown in the related fund fact sheets. This is usually due to transaction costs associated with the trading units in the fund. These returns and those from external measurers may differ, especially in the case of large cash flows, due to methodology differences. Reported performance also reflects the unit series in which your fund is invested. This means that when fees are paid within the unit price, returns have been adjusted by the relevant amount. Benchmark returns at the underlying funds level are not client-account specific and are reported only on a monthly basis. Source: BlackRock, 2019

# Powys Pension Fund

## Gross performance as at 31 January 2020 in GBP (2/3)

Description (%)	3 Months	1 Year	3 Years p.a.	5 Years p.a.
<b>Equity (continued)</b>				
<b>Aquila Life UK Equity Index Fund</b>	<b>2.25</b>	<b>10.74</b>	<b>5.89</b>	<b>6.36</b>
FTSE All-Share TR Index	2.21	10.67	5.80	5.28
Relative Return	0.04	0.07	0.09	0.08
<b>Aquila Life European Equity Index Fund</b>	<b>0.97</b>	<b>15.07</b>	<b>7.74</b>	<b>8.83</b>
FTSE All World Developed Europe ex UK Net of Tax GBP	0.88	14.82	7.65	8.73
Relative Return	0.09	0.25	0.09	0.10
<b>BlackRock Aquila Emerging Markets Fund</b>	<b>0.32</b>	<b>4.82</b>	<b>6.92</b>	<b>8.32</b>
S&P IFCI Emerging Markets Composite Ex Malaysia Index in GBP	0.45	4.29	6.56	8.11
Relative Return	-0.13	0.53	0.36	0.21
<b>Aquila Life Pacific Rim Equity Index Fund</b>	<b>2.34</b>	<b>9.69</b>	<b>7.61</b>	<b>5.94</b>
FTSE All World Developed Asia Pacific ex Japan Net of Tax GBP	2.99	9.78	7.59	5.93
Relative Return	-0.05	-0.09	0.02	0.01

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# Powys Pension Fund

## Gross performance as at 31 January 2020 in GBP (3/3)

Description (%)	3 Months	1 Year	3 Years p.a.	5 Years p.a.
<b>Fixed Income</b>				
<b>Aquila Life Over 5 Year UK Index-Linked Fund</b>	<b>0.97</b>	<b>15.07</b>	<b>7.74</b>	<b>8.83</b>
FTSE Actuaries UK Index-Linked Gilts over 5 Years Index	0.88	14.82	7.65	8.73
Relative Return	0.01	0.02	0.07	0.09
<b>Aquila Life All Stocks UK Gilt Index Fund</b>	<b>1.36</b>	<b>9.60</b>	<b>4.97</b>	<b>3.82</b>
FTSE Actuaries UK Conventional Gilts All Stocks Index	1.35	9.52	4.88	3.72
Relative Return	0.01	0.08	0.09	0.10
<b>Aquila Life 5-15 Years Corporate Bond Index Fund</b>	<b>2.31</b>	<b>10.77</b>	<b>5.67</b>	<b>4.63</b>
iBoxx Sterling non-Gilts 5-15 Years Index	2.30	10.68	5.55	4.51
Relative Return	0.01	0.09	0.12	0.12
<b>Cash and Commitments</b>				
<b>BlackRock ICS (Institutional Cash Series) Sterling Liquidity Fund</b>	<b>0.18</b>	<b>0.72</b>	<b>0.50</b>	<b>0.47</b>
GBP 1W LIBID (BP0001W -1/8 method)	0.14	0.57	0.41	0.36
Relative Return	0.04	0.15	0.09	0.11
<b>Total Fund</b>	<b>0.62</b>	<b>11.59</b>	<b>7.53</b>	<b>10.02</b>

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# ACS World Low Carbon Equity Tracker Fund

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# ACS World Low Carbon Equity Tracker Fund

## General Characteristics

Parent Index	MSCI World Index
Benchmark Index	MSCI World Low Carbon Target Index
Benchmark Objective	Seeks to minimise carbon exposure while achieving a target level of tracking error and targeting risk and return characteristics similar to those of the parent index

## Carbon Characteristics

Low Carbon Constraint	Minimise carbon exposure subject to a tracking error constraint of 0.30% relative to the parent index
Approach	Overweight companies with <ul style="list-style-type: none"><li>• Low carbon emissions (relative to sales)</li><li>• Low potential carbon emissions (per dollar of market capitalization)</li></ul>

## Stewardship

Approach	Engaging companies on sustainability issues that impact long-term performance
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## Optimisation Constraints

Tracking Error	Ex-ante tracking error relative to the parent index capped at 0.30%
Misweights	<ul style="list-style-type: none"><li>• Maximum stock weight is 20x its weight in the parent index</li><li>• Maximum sector misweight of +/-2% (with exception of the Energy Sector where no constraint is applied)</li><li>• Maximum country misweight of +/-2%</li></ul>
Turnover	Max of 10% one-way at semi-annual rebalance

**Target benchmark:** MSCI World Low Carbon Target Index is used by the Investment Manager to assess the performance of the Fund. The Fund's aim is to track the performance of this index but not to outperform it. This benchmark has been chosen because it forms part of the investment objective of the Fund and should be used by unitholders to compare the performance of the Fund.

Source: BlackRock, MSCI. As at 31<sup>st</sup> December 2019

# Performance analysis and key characteristics

Key Metric	MSCI World Index	MSCI World Low Carbon Target Index
<b>Net Returns (in GBP)</b>		
Q4 2018 – Q4 2019 (%)	22.74	23.57
Q4 2017 – Q4 2018 (%)	-3.04	-3.26
Q4 2016 – Q4 2017 (%)	11.80	11.64
Q4 2015 – Q4 2016 (%)	28.24	27.64
Since 28 Nov 2014 (annualised, %)	11.85	11.91
<b>Performance Metrics</b>		
Total Risk (3 years annualised standard deviation, %)	10.2	10.2
Active Return (since 28 Nov 2014, annualised, %)	0.0	0.1
Tracking Error (since 28 Nov 2014, %)	0.0	0.4
Stock Count	1,644	1,278
Turnover (annualized one way index turnover over index reviews, %)	2.4	12.7
Parent Index Coverage (%)	100	89.0

**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.**

**The MSCI World Low Carbon Target Index has been launched in February 2015. Data prior to the launch date is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance -- whether actual or back-tested -- is no indication or guarantee of future performance.**

Source: MSCI, as of 31<sup>st</sup> December 2019. Performance returns are net, annualised in GBP. Index returns are for illustrative purposes. Index performance returns do not reflect management fees, transactions costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Data for time periods prior to the index inception date is hypothetical and is provided for informational purposes only to indicate historical performance had the index been available over the relevant time period. There is a risk that the entire amount invested may be lost. BlackRock makes no representations or warranties as to the accuracy or completeness of any past, estimated or simulated performance results contained herein, and further nothing contained herein shall be relied upon as a promise by, or representation by BlackRock whether as to past or future performance results.

# ESG characteristics

Key Metric	MSCI World Index	MSCI World Low Carbon Target Index
<b>ESG Exposure</b>		
ESG Score	<b>A</b>	<b>A</b>
ESG Score (number rating) <sup>1</sup>	<b>6.0</b>	<b>6.1</b>
ESG Leaders <sup>2</sup> (AAA-AA) (%)	<b>28.5</b>	<b>30.1</b>
ESG Laggards <sup>3</sup> (B-CCC) (%)	<b>6.4</b>	<b>5.9</b>
<b>Carbon Exposure</b>		
Carbon Intensity (t CO2e/ \$m sales)	<b>188</b>	<b>51 (↓73%)</b>
Potential Carbon Emissions (t CO2e/ \$m invested)	<b>1,817</b>	<b>16 (↓99%)</b>
<b>Exposure to Controversial Activities</b>		
Ties to Controversial Weapons (%)	<b>0.8</b>	<b>0.8</b>
Civilian Firearms Producers (%)	<b>0.2</b>	<b>0.2</b>
Global Compact Compliance Violation (%)	<b>2.1</b>	<b>1.3</b>
Red Flag Controversies (%)	<b>2.6</b>	<b>1.9</b>
Tobacco Involvement (%)	<b>1.2</b>	<b>1.3</b>

1. The ESG Score indicates how well the index companies manage their most material ESG risks relative to sector peers. Scores range from 10 (best) to 0 (worst).
2. ESG Leaders: exposure to companies with an ESG rating of AAA or AA (best in class relative to peers).
3. ESG Laggards: exposure to companies with an ESG rating of B or CCC (worst in class relative to peers).

Source: MSCI, as of 31<sup>st</sup> December 2019

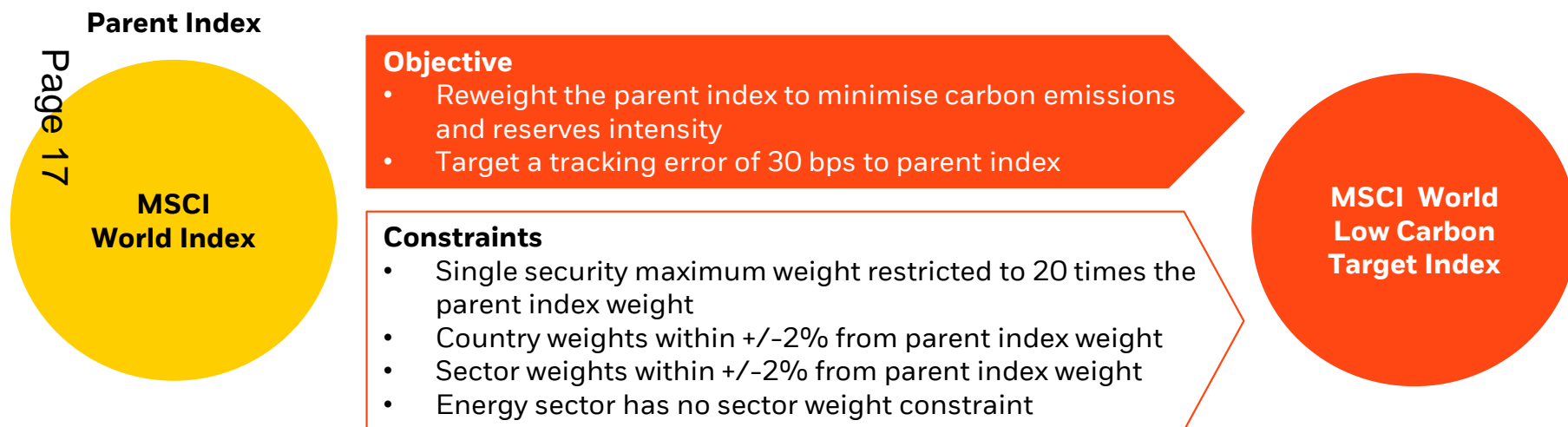


# Low carbon target approach

The **MSCI World Low Carbon Target Index** is designed to:

- **Reduce exposure to carbon emitting companies** along two main dimensions: current carbon emissions ( $\text{CO}_2/\text{Sales}$ ) and potential emission from fossil fuel reserves ( $\text{CO}_2/\text{Market Cap}$ )
- **Maintain global equity exposure** with close tracking to the MSCI World Index

## Index optimisation objective and constraints



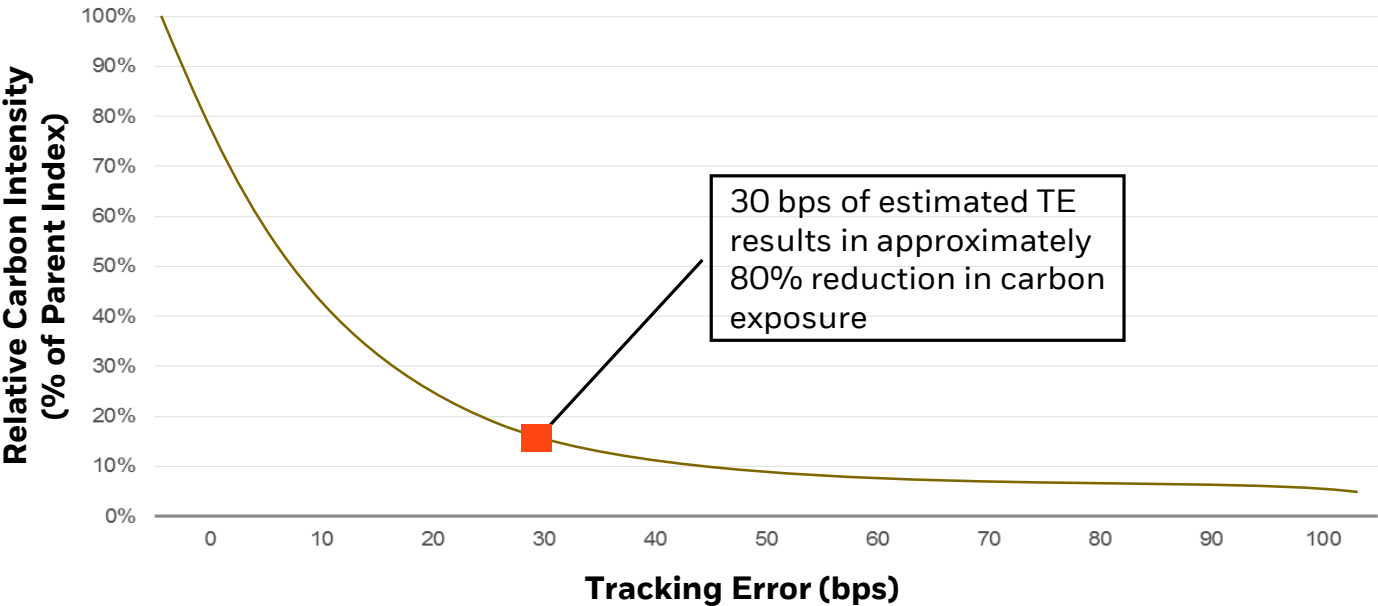
Source: MSCI

# Balancing carbon reduction and tracking error

- A tracking error target of 30 bps seeks the optimal amount of carbon exposure reduction without outright excluding companies in the parent index
- A tracking error budget above 30 bps resulted in diminishing carbon reduction benefits

## CO2 exposure versus tracking error

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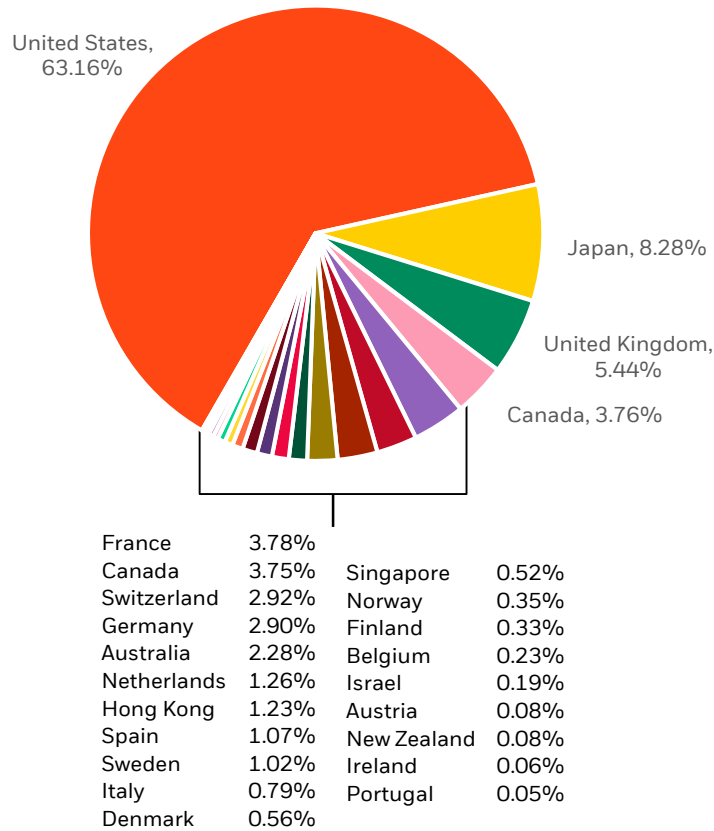


Source: MSCI. For illustrative purposes only.

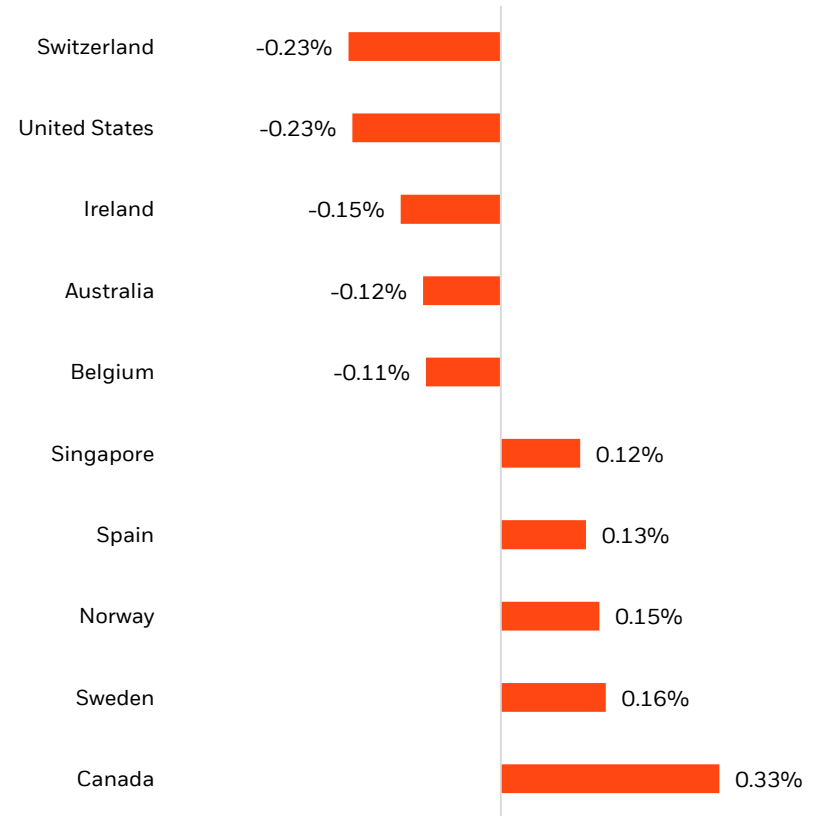
# Index Characteristics – Country Allocation

## Country Allocation of MSCI World Low Carbon Target Index

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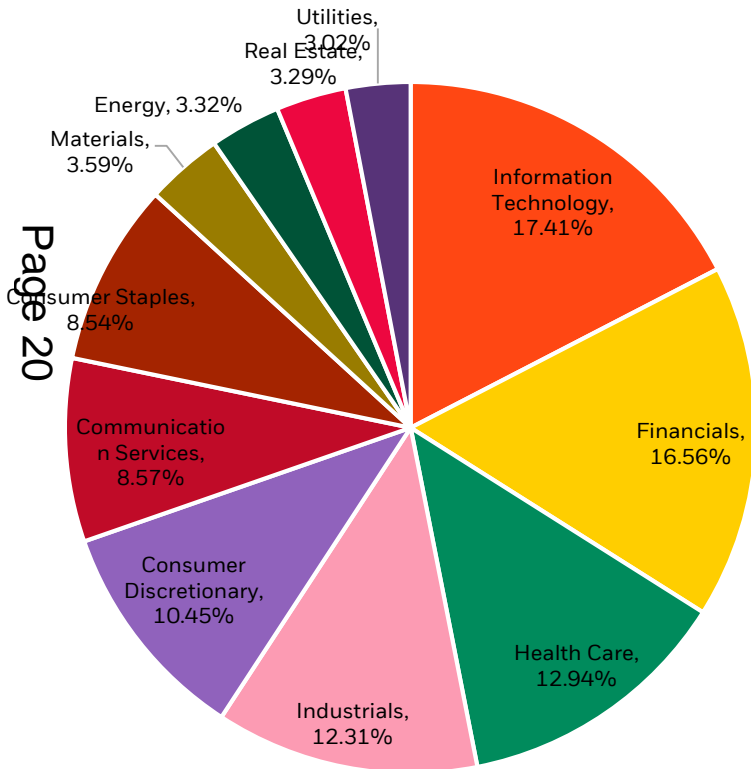
## Relative Country Differences (MSCI World Low Carbon Target Index vs MSCI World, Parent Index)



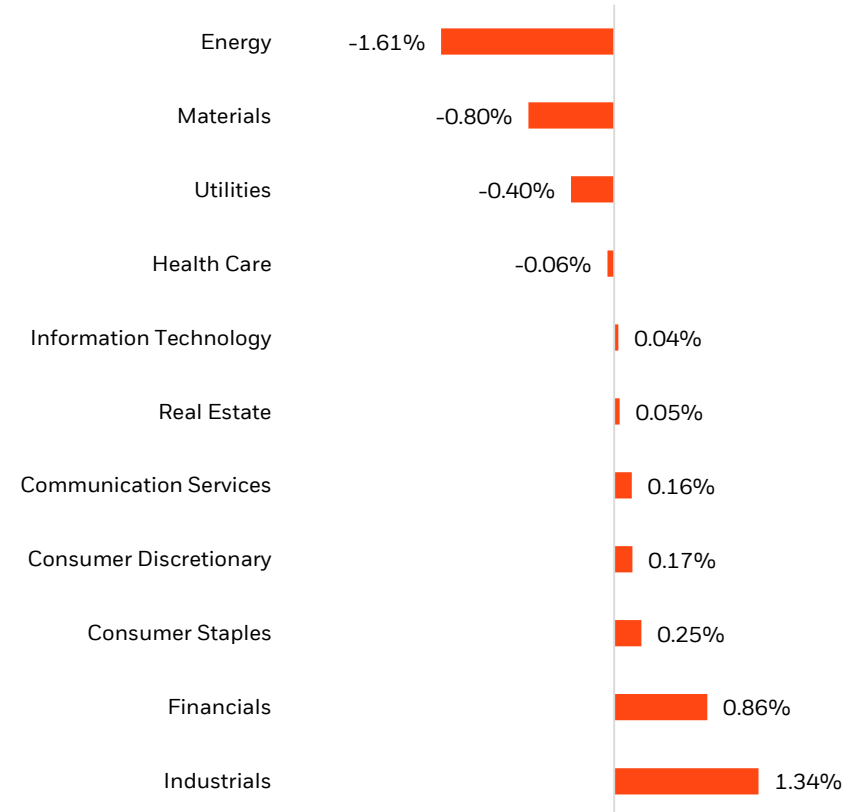
Source: BlackRock as of 31/12/19. Indexes are unmanaged and one cannot invest directly in an index.

# Index Characteristics – Sector Allocation

## Sector Allocation of MSCI World Low Carbon Target Index



## Relative Sector Differences (MSCI World Low Carbon Target Index vs MSCI World, Parent Index)



Source: BlackRock as of 31/12/2019. Indexes are unmanaged and one cannot invest directly in an index.

# Index Characteristics – Top 10 Holdings

## Top 10 holdings – MSCI World Index

Name	Weight (%)	Country	Sector	Rank in MSCI World Low Carbon Target Index (Weight, %)
APPLE INC	2.97%	United States	Information Technology	1 (2.98%)
MICROSOFT CORP	2.56%	United States	Information Technology	2 (2.59%)
AMAZON COM INC	1.74%	United States	Consumer Discretionary	3 (1.77%)
FACEBOOK CLASS A INC	1.11%	United States	Communication Services	4 (1.10%)
JPMORGAN CHASE & CO	1.00%	United States	Financials	5 (0.99%)
ALPHABET INC CLASS C	0.94%	United States	Communication Services	6 (0.96%)
ALPHABET INC CLASS A	0.90%	United States	Communication Services	8 (0.88%)
JOHNSON & JOHNSON	0.86%	United States	Health Care	7 (0.90%)
VISA INC CLASS A	0.73%	United States	Information Technology	9 (0.77%)
NESTLE SA	0.72%	Switzerland	Consumer Staples	11 (0.73%)

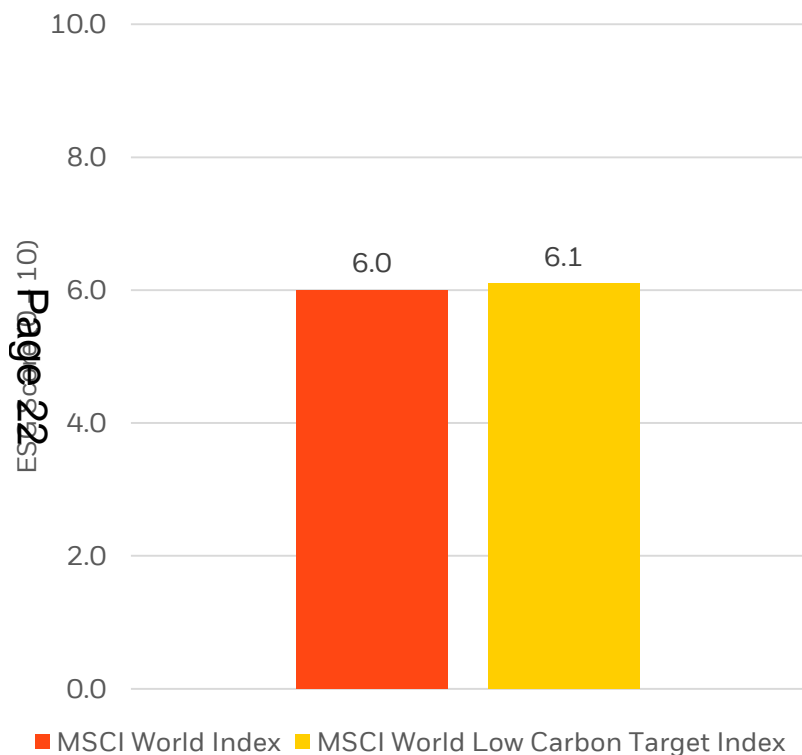
## Top 10 holdings – MSCI World Low Carbon Target Index

Name	Weight (%)	Country	Sector	Rank in MSCI World Index (Weight, %)
APPLE INC	2.98%	United States	Information Technology	1 (2.97%)
MICROSOFT CORP	2.59%	United States	Information Technology	2 (2.56%)
AMAZON COM INC	1.77%	United States	Consumer Discretionary	3 (1.74%)
FACEBOOK CLASS A INC	1.10%	United States	Communication Services	4 (1.11%)
JPMORGAN CHASE & CO	0.99%	United States	Financials	5 (1.00%)
ALPHABET INC CLASS C	0.96%	United States	Communication Services	6 (0.94%)
JOHNSON & JOHNSON	0.90%	United States	Health Care	8 (0.86%)
ALPHABET INC CLASS A	0.88%	United States	Communication Services	7 (0.90%)
VISA INC CLASS A	0.77%	United States	Information Technology	9 (0.73%)
PROCTER & GAMBLE	0.74%	United States	Consumer Staples	11 (0.70%)

Source: BlackRock as of 31/12/2019. Indexes are unmanaged and one cannot invest directly in an index. There is a risk that the entire amount invested may be lost. BlackRock makes no representations or warranties as to the accuracy or completeness of any past, estimated or simulated performance results contained herein, and further nothing contained herein shall be relied upon as a promise by, or representation by BlackRock whether as to past or future performance results.

# The Fund in practice – Sustainability analysis

## Portfolio ESG Score<sup>1</sup>



## ESG Leaders<sup>2</sup> (AAA – AA) (%)



Exposure	(%)
MSCI World Index	28.5
MSCI World Low Carbon Target Index	30.1

## ESG Laggards<sup>3</sup> (B – CCC) (%)



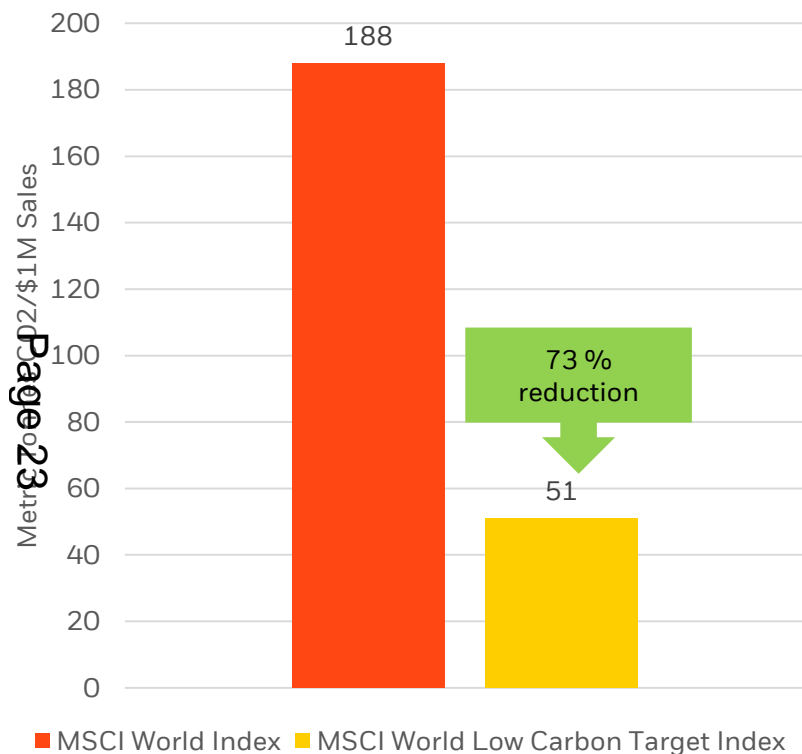
Exposure	(%)
MSCI World Index	6.4
MSCI World Low Carbon Target Index	5.9

1. The ESG Score indicates how well the index companies manage their most material ESG risks relative to sector peers. Scores range from 10 (best) to 0 (worst).
2. ESG Leaders: exposure to companies with an ESG rating of AAA or AA (best in class relative to peers).
3. ESG Laggards: exposure to companies with an ESG rating of B or CCC (worst in class relative to peers).

Source: MSCI, as of 31<sup>st</sup> December 2019

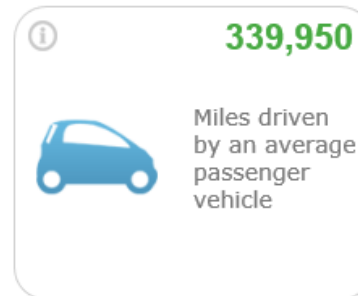
# The Fund in practice – Carbon analysis

## Carbon Emissions Intensity<sup>1</sup>



## This 73% reduction is equivalent to:

### Greenhouse gas emissions from:



### Carbon used up by:



1. Carbon Emissions Intensity: Efficiency of a portfolio tracking the index in terms of total carbon emissions divided by total sales. (Unit: tons of CO<sub>2</sub> / million \$ of sales). For illustrative purposes only.

Source: MSCI, as of 31<sup>st</sup> December 2019. BlackRock, EPA Greenhouse Gas Equivalencies Calculator, as at 9<sup>th</sup> January 2019

# Potential Index Evolution

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# Description

		ITERATION A (Transition+LowCarbon+Controlled TE)	ITERATION B 1 (Divest+LowCarbon+Controlled TE)	EX FOSSIL FUEL (Full Divestment)
<b>Baseline Screens (in line with ESG screened range, expect for Thermal coal and Oil sands specified below as part of FF components)</b>				
Controversial weapons	Cluster, Anti-Personnel Mines and Depleted Uranium, Chemical and Biological, Blinding Laser, Non-Detectable Fragments and Incendiary Weapons	0	0	0
Nuclear Weapons	Dual-Use Component; Dual-Use Delivery Platforms; Exclusive-Use Component; Exclusive-Use Delivery Platforms; Components of Exclusive-Use Delivery Platforms; Warheads & Missiles; Support Services	0	0	0
Civilian Firearms	Producer	0%	0%	0%
	Retailer	5%	5%	5%
Tobacco	Producer	0%	0%	0%
	Aggregate revenue	5%	5%	5%
UN Global Compact	Violators	Fail	Fail	Fail
<b>Fossil Fuels Screens</b>				
Reserves		Ownership of fossil fuels or coal reserves except metallurgical coal companies	Ownership of fossil fuels or coal reserves except metallurgical coal companies	ANY TIE
Mining/extraction	Thermal coal	5%	0%	
	Oil sands	5%	0%	
	Unconventional oil & gas (oil sands, oil shale, shale gas, shale oil, coal seam gas, coal bed methane, arctic oil/gas)	5%	0%	
	Conventional oil & gas	0% unless deriving more than 40% revenue from renewable energy and alternative fuels	0% unless deriving more than 40% revenue from renewable energy and alternative fuels	
Power generation	Thermal coal	5%	0%	
	Oil	30%	0%	
	Gas	30%	0%	
Other				
<b>Low carbon optimisation (in line with low carbon target methodology)</b>				
	TE target	50bps	50bps	

The index proposed terms and characteristics are for illustrative purposes only. There are no guarantees that any future product would have the features as outlined in this presentation.

Source: BlackRock and MSCI as at 25 February 2020.

# ESG Metrics

## ESG Metrics > Integration & Values

	MSCI World Index	MSCI World Low Carbon Target Index	ITERATION A	ITERATION B1	ITERATION EX FOSSIL FUEL
<b>Integration</b>					
ESG Score	6.1	6.1	6.2	6.2	6.1
ESG Leaders (AAA-AA) (%)	29.1	30.6	32.5	32.1	30.5
ESG Laggards (B-CCC) (%)	6.2	5.7	5.8	5.9	7.0
ESG Trend Positive (%)	13.2	11.8	11.5	11.6	12.3
ESG Trend Negative (%)	5.1	5.3	4.5	4.5	4.5
Index ESG Rating	A	A	A	A	A
Environmental Pillar Score	5.6	5.7	5.9	5.8	5.8
Social Pillar Score	4.8	4.8	4.9	4.9	4.8
Governance Pillar Score	5.4	5.4	5.5	5.5	5.4
<b>Key Governance Metrics</b>					
Board Independence (Wtd Avg %)	77.9	77.6	77.9	77.8	77.9
Female Directors (Wtd Avg %)	28.7	28.7	28.9	28.9	28.7
Deviation from One Share One Vote (%)	21.7	21.7	21.1	21.3	22.1
<b>Values</b>					
Tobacco Involvement (%)	1.2	1.3	0.0	0.0	0.0
Civilian Firearms Producers (%)	0.2	0.2	0.0	0.0	0.0
Ties to Controversial Weapons (%)	0.9	0.9	0.0	0.0	0.0
Global Compact Compliance Violation (%)	2.0	1.3	0.0	0.0	0.0
Red Flag Controversies (%)	2.5	1.8	0.6	0.6	0.6
Orange Flag Controversies (%)	28.3	27.3	26.3	26.4	27.7

As of 31-Jan-2020

The definitions of all statistical parameters are available in the Appendix

The index proposed terms and characteristics are for illustrative purposes only. There are no guarantees that any future product would have the features as outlined in this presentation.

Source: MSCI as at 31 January 2020.

# Carbon Exposure

## ESG Metrics > Climate Change

	MSCI World Index	MSCI World Low Carbon Target Index	ITERATION A	ITERATION B1	EX FOSSIL FUEL
<b>Carbon Footprint</b>					
Carbon Emissions (t CO2e/\$M Invested)	105	28	13	14	43
Carbon Intensity (t CO2e/\$M Sales)	189	53	28	29	88
Wtd Avg Carbon Intensity (t CO2e/\$M Sales)	171	64	37	39	69
<b>Low Carbon Transition Risks</b>					
Low Carbon Transition Score	6.0	6.2	6.2	6.2	6.3
Solutions (%)	2.9	3.3	3.6	3.7	3.3
Product & Operational Transition (%)	16.1	12.0	8.4	8.1	7.7
Asset Stranding (%)	0.3	0.0	0.0	0.0	0.0
<b>Exposure to Asset Stranding Risks</b>					
Potential Carbon Emissions (t CO2e/\$M Invested)	1819	16	0	0	0
Fossil Fuel Reserves (%)	6.1	2.8	0.0	0.0	0.0
Thermal Coal Mining (%)	1.2	1.3	0.0	0.0	0.0
Thermal Coal-based Power Generation (%)	3.6	2.0	0.7	0.0	0.0
Unconventional Oil & Gas Extraction (%)	3.4	0.7	0.0	0.0	0.0
<b>Exposure to Clean Technology Solutions</b>					
Clean Technologies Solutions (≥ 20% Revenue)	4.5	4.9	5.5	5.6	5.0
Clean Technologies Solutions Revenue (Wtd Avg %)	3.5	3.7	3.8	3.8	3.5
Green Share/Brown Share Ratio (Wtd Avg % Revenue)	1.6	6.0	1046.3	Inf	8381.7
<b>Other Climate Metrics</b>					
Exposure to Carbon-related Assets (%)	7.9	5.5	3.6	3.3	0.1
Climate-related Controversies (% Score ≤ 4)	0.8	0.5	0.1	0.1	0.0
Low Carbon Transition Management Score (% Top Quartile)	64.2	66.0	66.3	66.7	66.0

As of 31-Jan-2020

The definitions of all statistical parameters are available in the Appendix

The index proposed terms and characteristics are for illustrative purposes only. There are no guarantees that any future product would have the features as outlined in this presentation.

Source: MSCI as at 31 January 2020.

# Performance Metrics

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	MSCI World	MSCI Low Carbon	Ex Fossil Fuels	Iteration A	Iteration B1
2015	-0.87%	-0.30%	1.19%	0.39%	0.49%
2016	7.51%	7.00%	6.28%	6.62%	6.79%
2017	22.40%	22.22%	23.19%	21.73%	21.78%
2018	-8.71%	-8.92%	-8.49%	-8.62%	-8.62%
2019	27.67%	28.53%	28.71%	29.25%	29.23%

**The figures shown relate to simulated past performance. Simulated past performance is not a reliable indicator of current or future results. Data for ITERATION A, ITERATION B1 and EX FOSSIL FUEL is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results.**

Source: MSCI, as of 31 January 2020. Performance returns are net, annualised in USD. Index returns are for illustrative purposes. Index performance returns do not reflect management fees, transactions costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Data for time periods prior to the index inception date is hypothetical and is provided for informational purposes only to indicate historical performance had the index been available over the relevant time period. There is a risk that the entire amount invested may be lost. BlackRock makes no representations or warranties as to the accuracy or completeness of any past, estimated or simulated performance results contained herein, and further nothing contained herein shall be relied upon as a promise by, or representation by BlackRock whether as to past or future performance results.

# Key Metric

## Key Metrics

	MSCI World Index	MSCI World Low Carbon Target Index	ITERATION A	ITERATION B1	EX FOSSIL FUEL
Total Return* (%)	11.5	11.7	12.0	12.1	12.9
Total Risk (%)	10.7	10.7	10.7	10.7	10.8
Return/Risk	1.08	1.09	1.12	1.13	1.20
Sharpe Ratio	1.00	1.01	1.04	1.05	1.12
Active Return (%)	0.0	0.2	0.5	0.5	1.4
Tracking Error (%)	0.0	0.4	0.7	0.6	1.3
Information Ratio	NaN	0.43	0.69	0.86	1.10
Historical Beta	1.00	1.00	1.00	1.00	1.00
No of Stocks***	1634	1271	1027	1019	1358
Turnover** (%)	1.7	11.8	18.5	18.2	2.7
Price to Book***	2.2	2.2	2.2	2.2	2.3
Price to Earnings***	18.4	18.3	18.4	18.4	18.7
Dividend Yield*** (%)	2.5	2.5	2.5	2.5	2.3

Period: 31-May-2012 to 31-Jan-2020

\* Net returns annualized in USD

\*\* Annualized one-way index turnover over index reviews

\*\*\* Monthly averages

The definitions of all statistical parameters are available in the Appendix

## Performance (%)

	MSCI World Index	MSCI World Low Carbon Target Index	ITERATION A	ITERATION B1	EX FOSSIL FUEL
YTD	-0.6	-0.4	-0.4	-0.4	-0.3
1 Yr	17.7	18.7	19.4	19.3	19.9
3 Yr	11.5	11.6	11.8	11.8	12.9
5 Yr	9.0	9.2	9.3	9.4	10.0
10 Yr	NaN	NaN	NaN	NaN	NaN

Net returns in USD for the period ending 31-Jan-2020

Returns are annualized for periods longer than one year

**The figures shown relate to simulated past performance. Simulated past performance is not a reliable indicator of current or future results. Data for ITERATION A, ITERATION B1 and EX FOSSIL FUEL is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results.**

Source: MSCI, as of 31 January 2020. Performance returns are net, annualised in USD. Index returns are for illustrative purposes. Index performance returns do not reflect management fees, transactions costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Data for time periods prior to the index inception date is hypothetical and is provided for informational purposes only to indicate historical performance had the index been available over the relevant time period. There is a risk that the entire amount invested may be lost. BlackRock makes no representations or warranties as to the accuracy or completeness of any past, estimated or simulated performance results contained herein, and further nothing contained herein shall be relied upon as a promise by, or representation by BlackRock whether as to past or future performance results.

# Appendix

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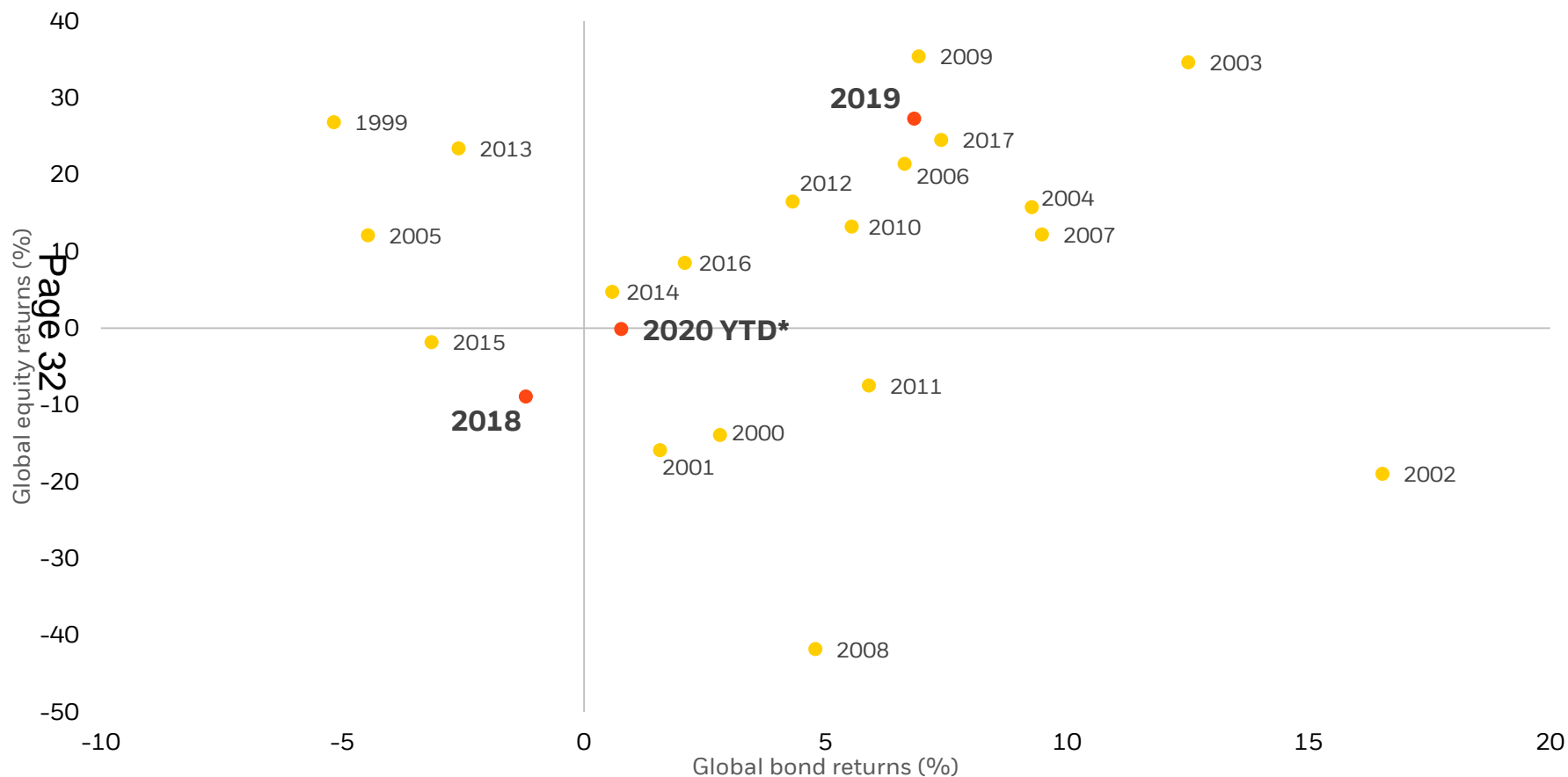
# Market Update

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# Setting the scene

Both global stocks and bonds posted relatively healthy gains in 2019. This follows an atypical 2018 when both fell in tandem.

## Annual asset performance, 1999-2019



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

Source: BlackRock Investment Institute, with data from Refinitiv Datastream, January 2020. Notes: \*Data are through 27 January 2020. Indices or prices used are: MSCI AC World Index, and Bloomberg Barclays Global Aggregate Index. Returns are shown in USD. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

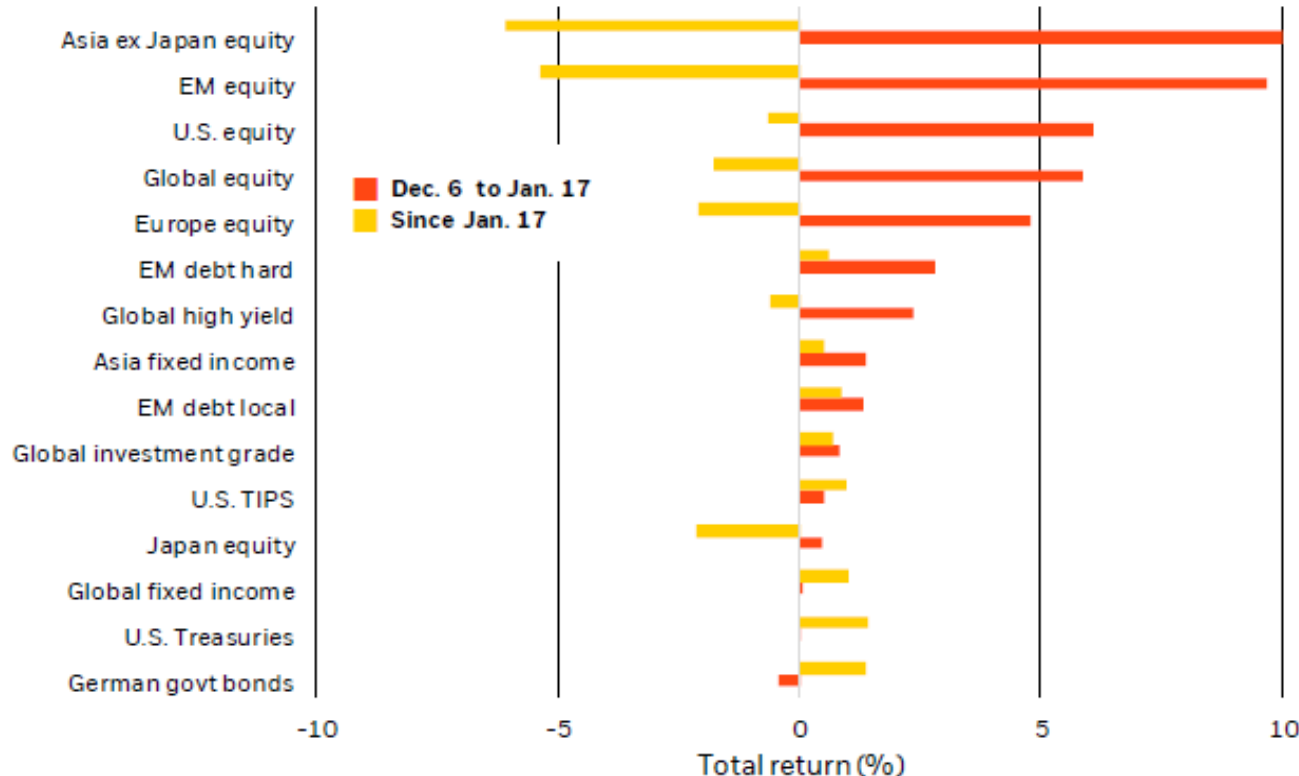


# Scoring our views

Our modestly risk-on stance tilting into equities and EM, and away from government bonds, has mostly worked since inception. But the risk tilt was hurt by the reaction to the coronavirus outbreak.

## Asset performance in USD terms since publication of our 2020 tactical views

Current tactical Views		
	Underweight	Overweight
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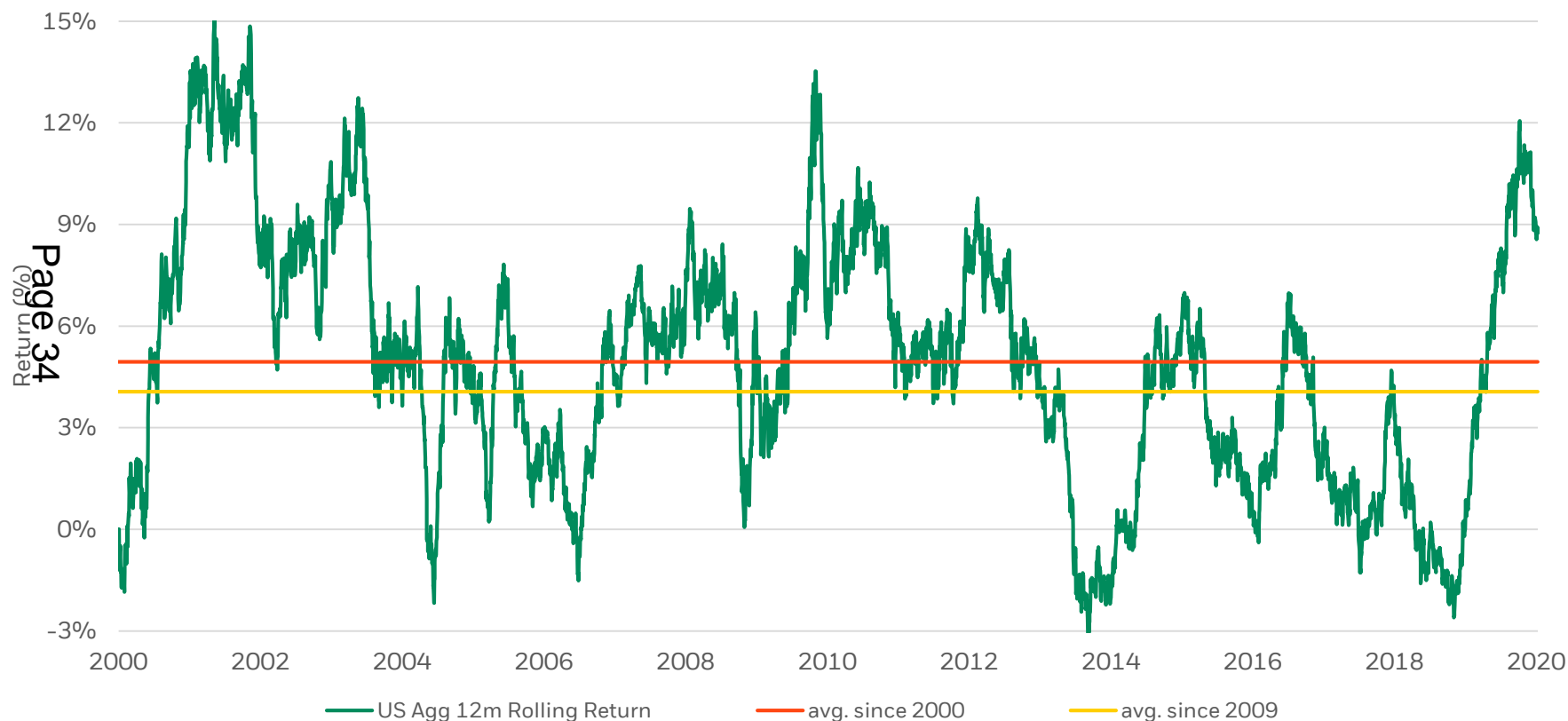
**Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.**

Source: BlackRock Investment Institute, with data from Refinitiv Datastream, February 2020 Notes: Data are through Feb. 4. The bars show asset performance from the last close before we published our latest views and from just before Jan. 20 when China confirmed that the coronavirus could spread from person to person. TIPS refers to Treasury inflation-protected securities. Indexes or prices used: MSCI AC ASIA ex Japan Index, MSCI EM Index, MSCI USA Index, MSCI World Index, MSCI Europe Index, JPM EMBI Global Diversified Index, Bloomberg Barclays Global High Yield Index, Bloomberg Barclays Non-Japan Asia Credit Index, JPM GBI-EM Global Diversified Composite Index, Bloomberg Barclays Global Credit Index, U.S. TIPS USD Index, MSCI Japan Index, Bloomberg Barclays Global Aggregate Index, Bloomberg Barclays U.S. Treasury Index, FTSE German Government Bond all maturities Index. Indexes are unmanaged and not subject to fees.

# Strategy for 2020

After a year of strong returns and with yields in many sectors near all-time lows, we must look to utilising a wide array of tools to build a high-quality fixed income portfolio

## US Bloomberg Barclays US Aggregate Bond Index returns

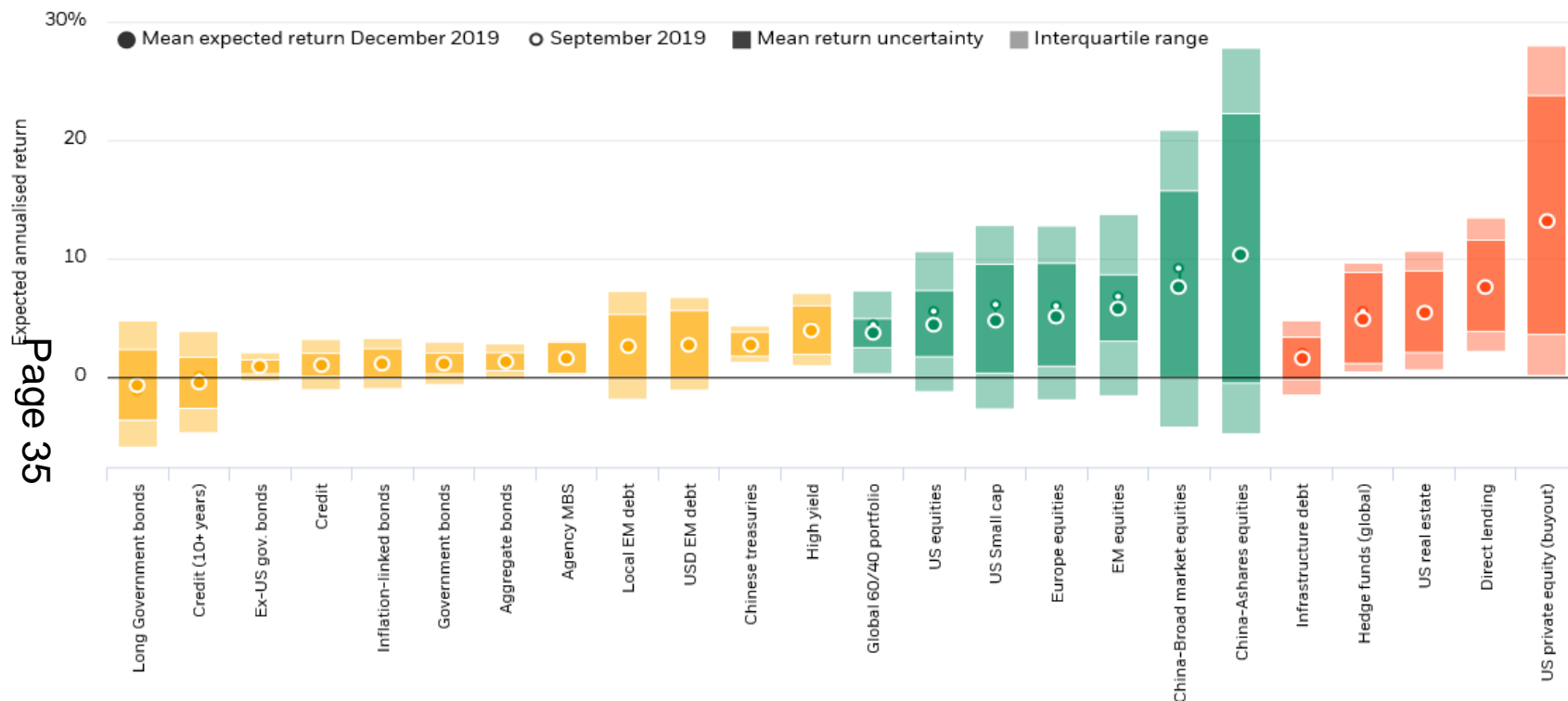


**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.**

Source: Bloomberg and BlackRock, as of 10 January 2020. Index returns are shown for illustrative purposes only. Forecasts are based on estimates and assumptions; there is no guarantee that they will be achieved. Fixed Income returns are based on historical average performance of the Barclays Agg, plus a small addition for active management/security selection, which we believe is an accurate basis to calculate these figures. There is no guarantee that actual results will be the same as what is stated here and this analysis is not meant to be a recommendation to buy or sell any security. Analysis is shown for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

# Capital Market Assumptions

## Asset return expectations and uncertainty



This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Source: BlackRock Investment Institute, February 2020. Data as of 31 December, 2019.

Notes: Return assumptions are total nominal returns. US dollar return expectations for all asset classes are shown in unhedged terms, with the exception of global ex-US Treasuries and hedge funds. Our CMAs generate market, or beta, geometric return expectations. Asset return expectations are gross of fees. For representative indices used, see the [Assumptions at a glance table](#). For a list of indices used, visit our Capital Market Assumptions website at [blackrock.com/institutions/en-us/insights/portfolio-design/capital-market-assumptions](https://blackrock.com/institutions/en-us/insights/portfolio-design/capital-market-assumptions) and click on the information icon in the *Asset class return and volatility expectations* table. We use BlackRock proxies for selected private markets because of lack of sufficient data. These proxies represent the mix of risk factor exposures that we believe represents the economic sensitivity of the given asset class. There are two sets of bands around our mean return expectation. The darker bands show our estimates of uncertainty in our mean return estimates. The lighter bands are based on the 25th and 75th percentile of expected return outcomes – the interquartile range for more detail read [Portfolio perspectives](#). Indices are unmanaged and used for illustrative purposes only. They are not intended to be indicative of any fund or strategy's performance. It is not possible to invest directly in an index.

# BlackRock Index Equity Platform

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# BlackRock's Index Equity Platform

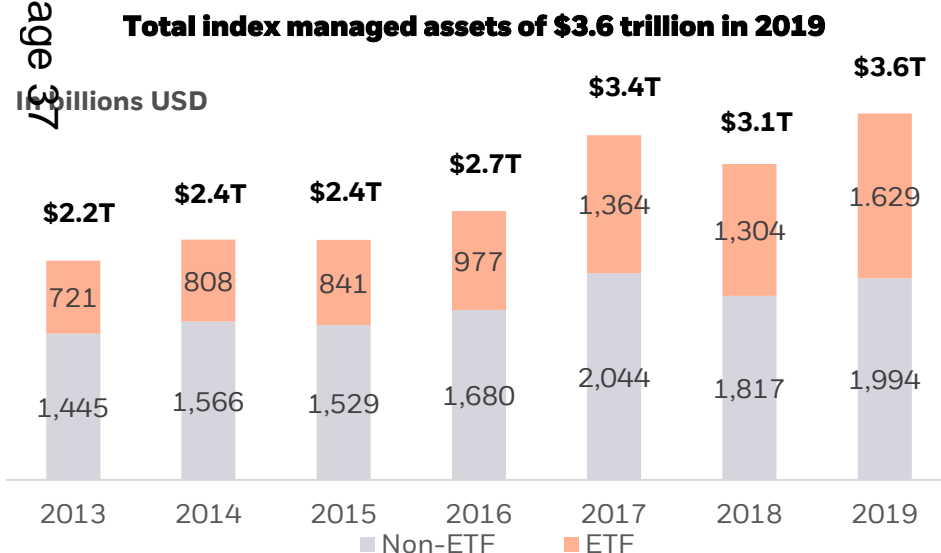
## Global leader in Index Equity assets<sup>1</sup>

- We seek to deliver consistent performance with efficient outcomes for our clients
- Thousands of skillful and thoughtful decisions made each year for swift response to market trends and client demands

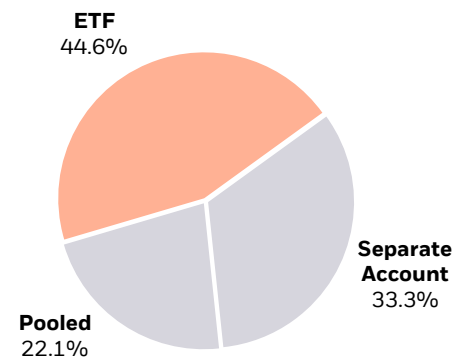
## Extensive and flexible platform for index strategies

- Over 2,000 funds managed against 850+ benchmarks
- Investment teams in San Francisco, Atlanta, London, Munich, Hong Kong, and Tokyo

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## Distribution of assets by vehicle type in 2019



Source: BlackRock, Inc. and its affiliates (together "BlackRock") as of 31 December 2019

<sup>1</sup> In terms of AUM. Source: Pensions & Investments

# Index strategies continue to be a growing portion of client portfolios

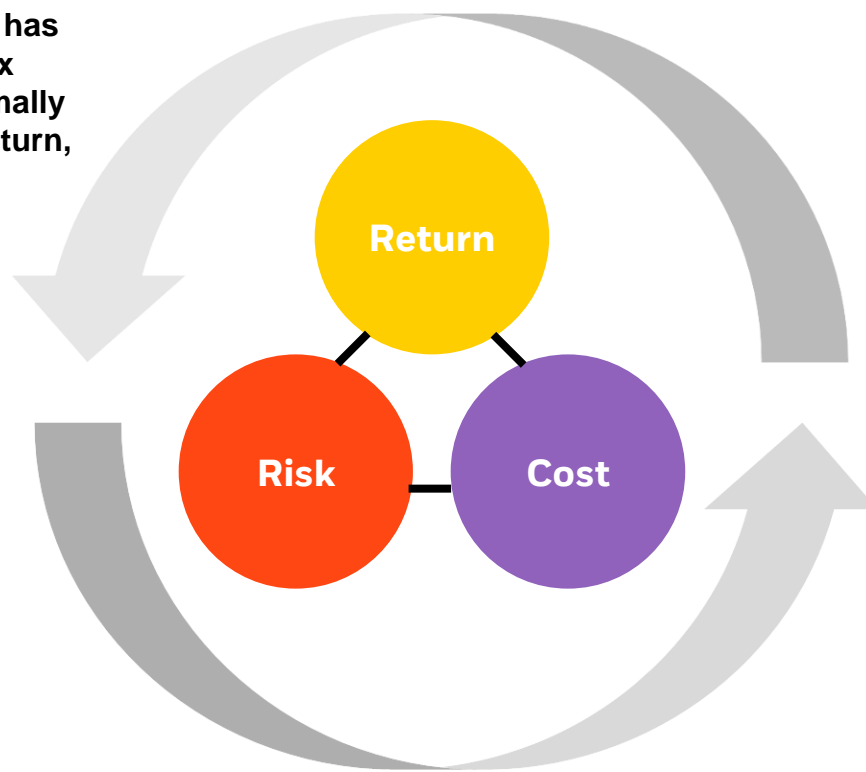
Return Efficiency	<b>Index Plus</b> 	Actively seeking alpha, by tactically employing event driven trading that focus on IPOs, index changes, and other corporate events that might cause price dislocation	<b>Currency Hedged<sup>1</sup></b> 	Getting the right currency exposure
	<b>Securities Lending</b> 	Capturing scarcity premium by lending securities	<b>Tax Transparency</b> 	Looking through the funds and allowing investors to be treated for tax purposes as if they held the underlying securities directly
	<b>Alternative Asset Classes</b> 	Giving exposure to alternative asset classes such as property, infrastructure and commodities	<b>Factors<sup>2</sup></b> 	Providing incremental returns over capitalization weighted indices through broad, persistent sources of return; reflecting the characteristics of a minimum variance strategy focused on returns as well as the lowest absolute risk
Portfolio Diversification	<b>ESG</b> 	Incorporating ESG factors while minimizing tracking error to traditional indices	<b>Sub-Advised</b> 	Building index portfolios customized to specific requirements that are wrapped within a product structure
Customization				

1. The strategy will attempt to reduce (or 'hedge') the risk of currency movements between the base currency and the currency in which some or all of the underlying investments are transacted. Depending on the exchange rates, this may have a positive or negative impact on the performance of the strategy. The hedging strategy employed will not completely eliminate the exposure of the strategy to movements between the base currency and these other currencies
2. There can be no assurance that performance will be enhanced or risk will be reduced for strategies that seek to provide exposure to certain quantitative investment characteristics ("factors"). Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. In such circumstances, a strategy may seek to maintain exposure to the targeted investment factors and not adjust to target different factors, which could result in losses.

Source: BlackRock, as at 31 December 2019. This material is for informational purposes only and is not intended to be relied upon as investment advice, and is not a recommendation, offer or solicitation to adopt any investment strategy. For illustrative purposes only.

# An approach that seeks to deliver precise and efficient investment outcomes

BlackRock's disciplined, pragmatic and adaptable approach to index tracking has consistently delivered index tracking outcomes by optimally managing and balancing return, risk and cost.



## Total Performance Management

### Return Focus

- ▶ Seeks to deliver consistent and reliable returns in line with the benchmark
- ▶ Deep knowledge of financial markets and indices
- ▶ Track record of enhanced returns from stock lending

### Cost Efficiency

- ▶ Preserve value for clients through our intelligent approach to index events
- ▶ Unparalleled global trading platform ensures cost are low and we have optimal access to liquidity

### Risk Management

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Risk controlled process has consistently delivered optimal tracking outcomes

- ▶ Risk analytics and investment tools provided by our Aladdin® platform

**Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.**

Risk management cannot fully eliminate the risk of investment loss. There is no guarantee that a positive investment outcome will be achieved.

For illustrative purposes only

# Index investment management cycle – dedicated expertise and resources

## Performance & Oversight

- Daily review by portfolio managers
- In depth performance reviews at Monthly Investment Review Committee
- Independent Risk & Quantitative Analysis Group (RQA)

## Benchmark Knowledge

- Detailed knowledge of index methodologies
- Predicting and projecting index changes
- Optimal treatment of corporate actions
- Develop trade strategies to thoughtfully incorporate index events



## Efficient Trading

- Building smart trading strategies to access optimal liquidity
- Industry's largest internal market place for crossing clients flows
- Focused trading research and systems

## Portfolio Construction

- Significant investment in technology
- Market leading portfolio and risk tools provided by our Aladdin® platform
- Integrated cost and liquidity analysis
- Knowledge of optimisation challenges

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Source: BlackRock, as at 31 December 2019. While proprietary technology platforms may help manage risk, risk cannot be eliminated.



# ACS World ESG Equity Tracker Fund

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# ACS World ESG Equity Tracker Fund

## General Characteristics

Parent Index	MSCI World Index
Benchmark Index	MSCI World ESG Focus Low Carbon Screened Index
Benchmark Objective	Seeks to maximise exposure to positive ESG factors while minimizing the carbon exposure and targeting risk and return characteristics similar to those of the parent index

## ESG Characteristics

ESG Score Constraint	Maximise exposure to higher ESG scores
Low Carbon Constraint	Constraint included to reduce carbon emissions intensity by $\geq 50\%$ and carbon reserves intensity by $\geq 50\%$
Exclusionary Screens	<ul style="list-style-type: none"> <li>• Tobacco (all producers excluded; retailers, licensors, distributors excluded if <math>&gt;15\%</math> revenue)</li> <li>• Controversial weapons (including nuclear weapons)</li> <li>• UN Global Compact Violators</li> <li>• Thermal Coal (<math>&gt;30\%</math> revenue)</li> <li>• Civilian firearms (all producers excluded, retailers excluded if <math>&gt;5\%</math> revenue)</li> </ul>

## Stewardship

Approach	Engaging companies on sustainability issues that impact long-term performance
----------	---

## Optimisation Constraints

Tracking Error	Ex-ante tracking error of 0.5%
Misweights	<ul style="list-style-type: none"> <li>• Maximum stock misweight of <math>\pm 2\%</math></li> <li>• Security weight 20x its weight in the parent index</li> <li>• Maximum sector misweight of <math>\pm 5\%</math></li> <li>• Maximum country misweight of <math>\pm 5\%</math></li> </ul>
Turnover	One way turnover of <ul style="list-style-type: none"> <li>• 10% during May and November rebalances</li> <li>• 5% during February and August rebalances</li> </ul>

**Target benchmark:** MSCI World ESG Focus Low Carbon Screened Index is used by the Investment Manager to assess the performance of the Fund. The Fund's aim is to track the performance of this index but not to outperform it. This benchmark has been chosen because it forms part of the investment objective of the Fund and should be used by unitholders to compare the performance of the Fund.

Source: BlackRock, MSCI. As at 31<sup>st</sup> December 2019

# Performance analysis and key characteristics

Key Metric	MSCI World Index	MSCI World ESG Focus Low Carbon Screened Index
<b>Net Returns (in GBP)</b>		
Q4 2018 – Q4 2019 (%)	22.74	24.06
Q4 2017 – Q4 2018 (%)	-3.04	-2.80
Q4 2016 – Q4 2017 (%)	11.80	11.93
Q4 2015 – Q4 2016 (%)	28.24	28.36
Since 28 Nov 2014 (annualised, %)	11.85	12.15
<b>Performance Metrics</b>		
Total Risk (3 years annualised standard deviation, %)	10.2	10.4
Active Return (since 28 Nov 2014, annualised, %)	0.0	0.3
Tracking Error (since 28 Nov 2014, %)	0.0	0.7
Stock Count	1,644	489
Turnover (annualized one way index turnover over index reviews, %)	2.4	29.5
Parent Index Coverage (%)	100	61.1

**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.**

**The MSCI World ESG Focus Low Carbon Screened Index has been launched in December 2018. Data prior to the launch date is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance -- whether actual or back-tested -- is no indication or guarantee of future performance.**

Source: MSCI, as of 31<sup>st</sup> December 2019. Performance returns are net, annualised in GBP. Index returns are for illustrative purposes. Index performance returns do not reflect management fees, transactions costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Data for time periods prior to the index inception date is hypothetical and is provided for informational purposes only to indicate historical performance had the index been available over the relevant time period. There is a risk that the entire amount invested may be lost. BlackRock makes no representations or warranties as to the accuracy or completeness of any past, estimated or simulated performance results contained herein, and further nothing contained herein shall be relied upon as a promise by, or representation by BlackRock whether as to past or future performance results.

# ESG characteristics

Key Metric	MSCI World Index	MSCI World ESG Focus Low Carbon Screened Index
<b>ESG Exposure</b>		
ESG Score	A	AA
ESG Score (number rating) <sup>1</sup>	6.0	7.4 (↑23%)
ESG Leaders <sup>2</sup> (AAA-AA) (%)	28.5	56.2
ESG Laggards <sup>3</sup> (B-CCC) (%)	6.4	1.2
<b>Carbon Exposure</b>		
Carbon Intensity (t CO2e/ \$m sales)	188	97 (↓48%)
Potential Carbon Emissions (t CO2e/ \$m invested)	1,817	956 (↓47%)
<b>Exposure to Controversial Activities</b>		
Ties to Controversial Weapons (%)	0.8	0.0
Civilian Firearms Producers (%)	0.2	0.0
Global Compact Compliance Violation (%)	2.1	0.0
Red Flag Controversies (%)	2.6	0.0
Tobacco Involvement (%)	1.2	0.4

1. The ESG Score indicates how well the index companies manage their most material ESG risks relative to sector peers. Scores range from 10 (best) to 0 (worst).
2. ESG Leaders: exposure to companies with an ESG rating of AAA or AA (best in class relative to peers).
3. ESG Laggards: exposure to companies with an ESG rating of B or CCC (worst in class relative to peers).

Source: MSCI, as of 31<sup>st</sup> December 2019

# We employ a two step process to design our fund

## 1 Screening

**E** Exclude companies that have proven & probable thermal coal reserves used for energy purposes

**S** Exclude companies with ties to controversial and nuclear weapons and that manufacture tobacco products

**G** Exclude companies with very severe customer, environment, governance, human rights, or labour controversies

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## 2 Optimisation

Overweight higher ESG rated companies

Underweight lower ESG rated companies

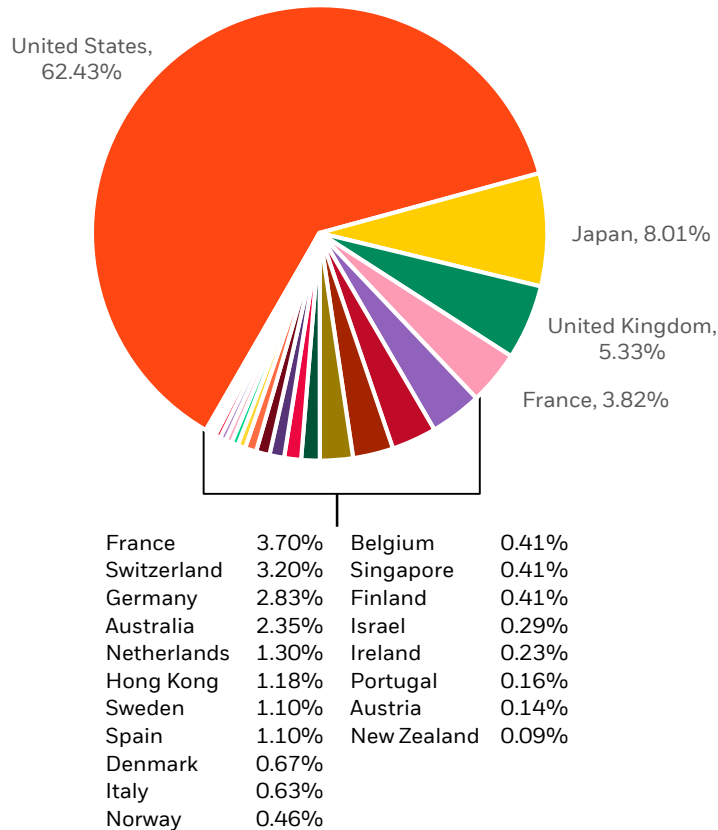
This may lead to a meaningful improvement in ESG profile with a marked decrease in carbon intensity whilst exhibiting risk & return characteristics similar to those of the underlying market cap weighted index

Source: MSCI

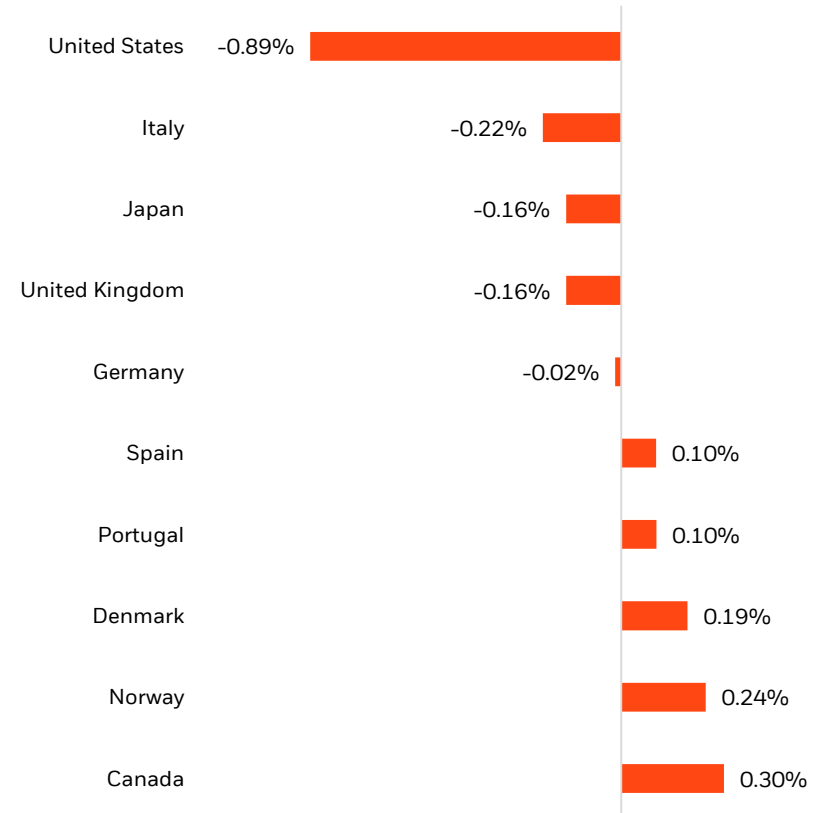
# Index Characteristics – Country Allocation

## Country Allocation of MSCI World ESG Focus Low Carbon Screened Index

Page 46



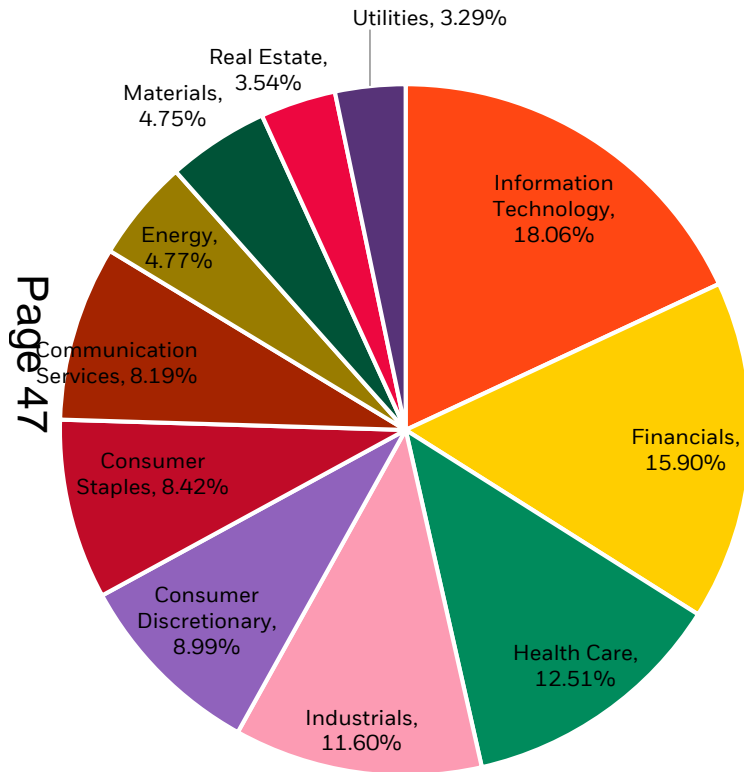
## Relative Country Differences (MSCI World ESG Focus Low Carbon Screened Index vs MSCI World, Parent Index)



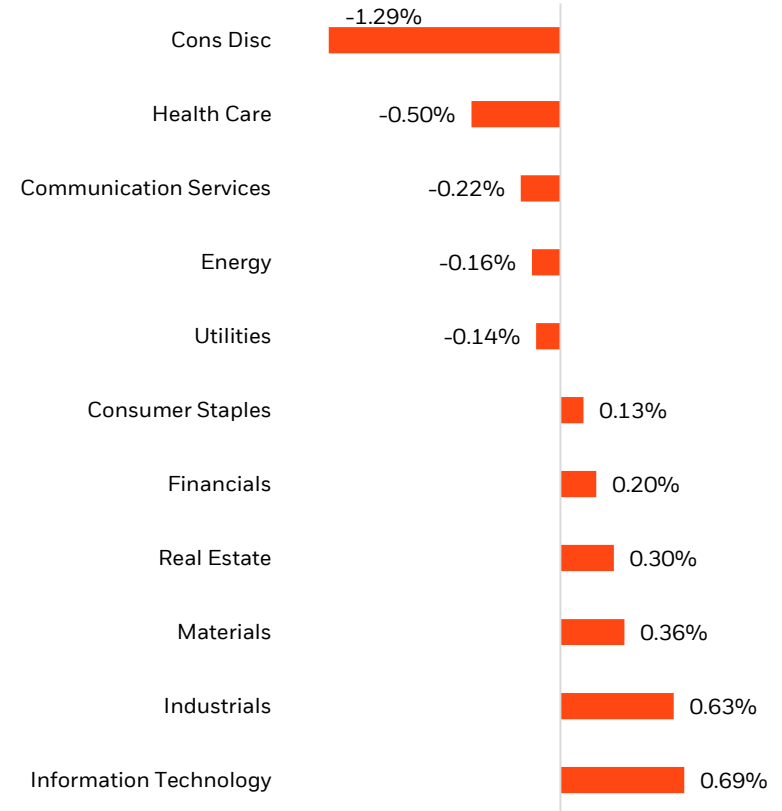
Source: BlackRock as of 31/12/2019. Indexes are unmanaged and one cannot invest directly in an index.

# Index Characteristics – Sector Allocation

## Sector Allocation of MSCI World ESG Focus Low Carbon Screened Index



## Relative Sector Differences (MSCI World ESG Focus Low Carbon Screened Index vs MSCI World, Parent Index)



Source: BlackRock as of 31/12/2019. Indexes are unmanaged and one cannot invest directly in an index.

# Index Characteristics – Top 10 Holdings

## Top 10 holdings – MSCI World Index

Name	Weight (%)	Country	Sector	Rank in MSCI World ESG Focus Low Carbon Screened Index (Weight, %)
APPLE INC	2.97%	United States	Information Technology	1 (3.00%)
MICROSOFT CORP	2.56%	United States	Information Technology	2 (3.00%)
AMAZON COM INC	1.74%	United States	Consumer Discretionary	3 (1.64%)
FACEBOOK CLASS A INC	1.11%	United States	Communication Services	4 (1.08%)
JPMORGAN CHASE & CO	1.00%	United States	Financials	5 (0.64%)
ALPHABET INC CLASS C	0.94%	United States	Communication Services	6 (1.19%)
ALPHABET INC CLASS A	0.90%	United States	Communication Services	7 (0.76%)
JOHNSON & JOHNSON	0.86%	United States	Health Care	8 (0.88%)
VISA INC CLASS A	0.73%	United States	Information Technology	9 (0.79%)
NESTLE SA	0.72%	Switzerland	Consumer Staples	10 (0.73%)

## Top 10 holdings – MSCI World ESG Focus Low Carbon Screened Index

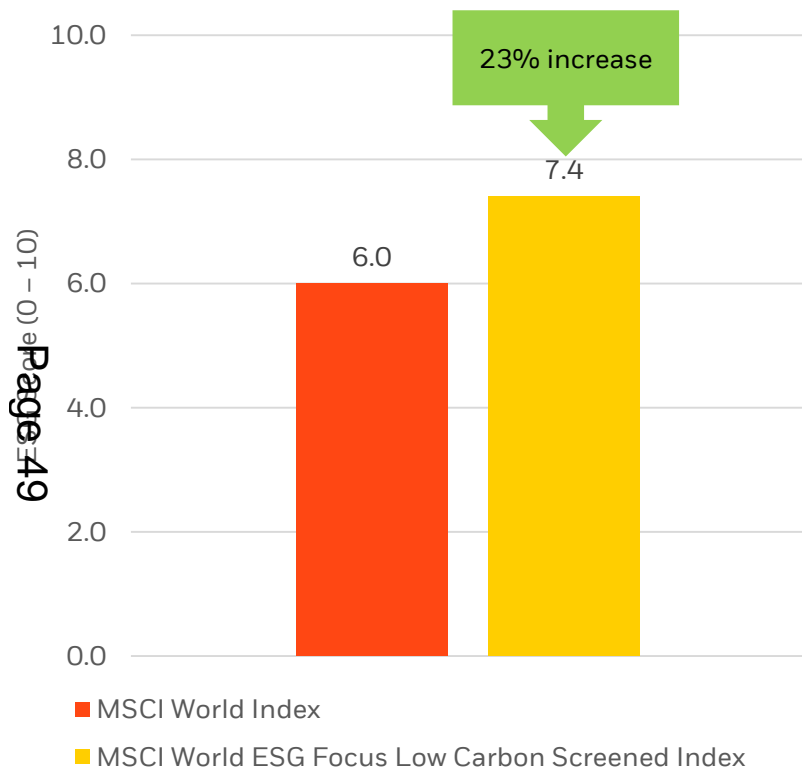
Name	Weight (%)	Country	Sector	Rank in MSCI World Index (Weight, %)
APPLE INC	3.00%	United States	Information Technology	1 (2.97%)
MICROSOFT CORP	3.00%	United States	Information Technology	2 (2.56%)
AMAZON COM INC	1.64%	United States	Consumer Discretionary	3 (1.74%)
FACEBOOK CLASS A INC	1.08%	United States	Communication Services	4 (1.11%)
JPMORGAN CHASE & CO	0.64%	United States	Financials	5 (1.00%)
ALPHABET INC CLASS C	1.19%	United States	Communication Services	6 (0.94%)
ALPHABET INC CLASS A	0.76%	United States	Communication Services	7 (0.90%)
JOHNSON & JOHNSON	0.88%	United States	Health Care	8 (0.86%)
VISA INC CLASS A	0.79%	United States	Information Technology	9 (0.73%)
NESTLE SA	0.73%	Switzerland	Consumer Staples	10 (0.72%)

Source: BlackRock as of 31/12/2019. Indexes are unmanaged and one cannot invest directly in an index. There is a risk that the entire amount invested may be lost. BlackRock makes no representations or warranties as to the accuracy or completeness of any past, estimated or simulated performance results contained herein, and further nothing contained herein shall be relied upon as a promise by, or representation by BlackRock whether as to past or future performance results.



# The Fund in practice – Sustainability analysis

## Portfolio ESG Score<sup>1</sup>



## ESG Leaders<sup>2</sup> (AAA – AA) (%)



Exposure	(%)
MSCI World Index	28.5
MSCI World ESG Focus Low Carbon Screened Index	56.2

## ESG Laggards<sup>3</sup> (B – CCC) (%)



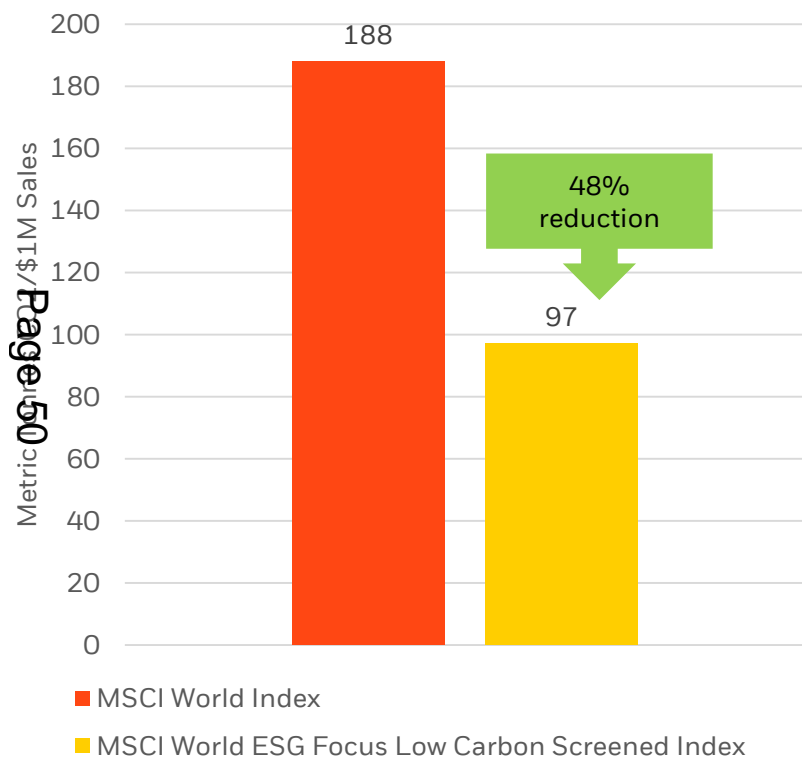
Exposure	(%)
MSCI World Index	6.4
MSCI World ESG Focus Low Carbon Screened Index	1.2

1. The ESG Score indicates how well the index companies manage their most material ESG risks relative to sector peers. Scores range from 10 (best) to 0 (worst).
2. ESG Leaders: exposure to companies with an ESG rating of AAA or AA (best in class relative to peers).
3. ESG Laggards: exposure to companies with an ESG rating of B or CCC (worst in class relative to peers).

Source: MSCI, as of 31<sup>st</sup> December 2019

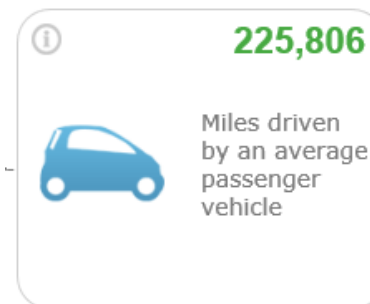
# The Fund in practice – Carbon analysis

## Carbon Emissions Intensity<sup>1</sup>

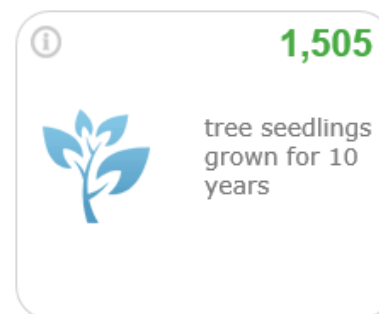


## This 48% reduction is equivalent to:

### Greenhouse gas emissions from:



### Carbon used up by:



1. Carbon Emissions Intensity: Efficiency of a portfolio tracking the index in terms of total carbon emissions divided by total sales. (Unit: tons of CO<sub>2</sub> / million \$ of sales). For illustrative purposes only.

Source: MSCI, as of 31<sup>st</sup> December 2019. BlackRock, EPA Greenhouse Gas Equivalencies Calculator, as at 9<sup>th</sup> January 2020

# Risk warnings

**Past Performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.**

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## CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee  
13<sup>th</sup> March 2020

REPORT BY: Head of Finance

SUBJECT: Administration and LGPS Update

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 REPORT FOR: Information
 

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**1 Introduction**

- 1.1 This report has been produced to provide Committee with an update on LGPS and administration matters, together with any potential impacts of these on the Powys Pension Fund.

**2 Scheme Advisory Board (SAB)**

- 2.1 McCloud. At the SAB meeting in February, the Board agreed to create two working groups to help implement the outcome of the McCloud judgment for the LGPS. These will be:

- a small policy group to help MHCLG consider areas of policy not determined by HMT.
- a larger implementation group made up of practitioners, member representatives, actuaries, software providers, employers and representatives from the Scottish and Northern Irish schemes. It will consider the challenges of implementing and communicating the scheme changes.

It is expected that a consultation on the LGPS regulation changes will begin in the spring; however, there might be a delay before new regulations come into force. This will depend on the level of changes to primary legislation. This waiting period could lead to uncertainty for members which might make legal claims against the LGPS and employers more likely. SAB will be issuing communications for employers and scheme members in this period.

On the 4<sup>th</sup> of March, the Sab updated their [McCloud website page](#) to provide an update which detailed that the SAB are confident that the eventual outcome will provide younger members in scope with protection that is equal to the protection provided to older members.

The protection compares the benefits payable under the current rules with the benefits that would have been paid if the Scheme had not changed in 2014 and pays the higher. This protection will apply

automatically – LGPS members who meet the qualifying criteria do not need to take any action.

Changes to the Scheme will be backdated to April 2014 and will apply to qualifying members who left the LGPS after that date. Implementing and communicating the changes will be extremely challenging and the volume and complexity of additional work of implementing a remedy, will likely have an extremely large impact on administration teams

### **3 LGPS England and Wales**

**3.1 Data Collection for Cost Management.** On 14/02/2020 the Local Government Association forwarded a letter to administering authorities on behalf of the Government Actuary's Department (GAD). The letter confirms that:

- GAD will provide each administering authority with a short report on their 2019 data, and
- GAD plan to request 2020 data in September 2020.

**3.2 The LGPS (Amendment) Regulations 2020 on Exit credits.** These regulations were laid in Parliament on 27 February 2020 and take effect retrospectively from 14 May 2018. On 27 February 2020, MHCLG published a partial response to the consultation covering changes to the local valuation cycle and the management of employer risk. The response covers the proposals on exit credits only. MHCLG will submit a further response to the other proposals covered by this consultation in due course.

The response confirms that most respondents supported the proposal to allow administering authorities to take account of an employer's exposure to risk when calculating an exit credit. MHCLG confirms in the response that they will amend the LGPS regulations so that:

- administering authorities may determine the amount of any exit credit payment due, having regard to any relevant considerations
- the period within which an exit credit must be paid is increased from three months to six months
- administering authorities will not be obliged to enquire into the precise risk sharing arrangement adopted
- any exit credits that have not been paid shall only be due if the administering authority exercises its discretion to pay them
- any exit credits that have already been paid shall be treated as if the administering authority exercised its discretion to pay that amount – an administering authority may not seek to change the amount paid
- the Pensions Ombudsman has jurisdiction to hear complaints if any dispute is not resolved using the internal dispute resolution process
- administering authorities should set out their exit credit policy in their Funding Strategy Statement.

The Local Government Pension Scheme (Amendment) Regulations 2020 giving effect to these proposals were laid in Parliament on 27



February 2020. They come into force on 20 March 2020 but have effect from 14 May 2018.

- 3.3 **2020/21 Draft employee contribution bands.** Below are the draft employee contribution bands, which will be effective from 1 April 2020. They are calculated by increasing the 2019/20 employee contribution bands by the September 2019 CPI figure of 1.7% and then rounding down the result to the nearest £100.

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,800	5.80%	2.90%
3	£22,801 to £37,100	6.50%	3.25%
4	£37,101 to £46,900	6.80%	3.40%
5	£46,901 to £65,600	8.50%	4.25%
6	£65,601 to £93,000	9.90%	4.95%
7	£93,001 to £109,500	10.50%	5.25%
8	£109,501 to £164,200	11.40%	5.70%
9	£164,201 or more	12.50%	6.25%

#### **4 The Pensions Regulator**

- 4.1 TPR is seeking a voluntary extension to its supervision regime. This has already been introduced for the largest schemes in the UK. It will attempt to build relationships with pensions administrators of critical importance. These are the top 75 outsourcing companies and in-house teams in the country.

Key areas of focus for interaction will include:

- trustee relationship management
- handling of client transitions
- data quality controls
- due diligence on scams
- member communications
- resourcing and training
- business continuity and cyber resilience.

#### **5 Other News and Updates**

- 5.1 **2020 Pensions Increase.** On 25 February 2020, the Government made a written statement on indexation and revaluation. The statement confirms that the following LGPS benefits will both increase by 1.7% In April 2020:

- pensions in payment, and
- active member career average benefits.

- 5.2 **GMP reconciliation.** The project is entering the final stages and test data is being analysed. It is expected that a final cut of data will be tested in May 2020 and the project will move into the actual rectification stage shortly thereafter.
- 5.3 **Document Imaging and Workflow migration.** Committee will be aware from previous reports that work has been ongoing to migrate the existing workflow and document imaging facilities used by the administration team, into the existing Altair pensions administration system. Work on the document migration completed on 31<sup>st</sup> January 2020 and work continues on developing and refining the workflow procedures within the Altair system.
- 5.4 **Equitable Life.** The transfer of the existing Equitable Life AVC holders to Utmost Life and Pensions has concluded and the scheme members have been notified accordingly.
- 5.5 **The Local Government Pension Scheme (Amendment) Regulations 2019 [SI2019/1449]** These regulations are effective from 31 December 2019. They amend the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by introducing benefits payable under the earlier regulations to surviving opposite sex civil partners.

The Civil Partnership (Opposite sex Couples) Regulations 2019 [SI 2019/1458] allow opposite sex couples to give notice of a proposed civil partnership from 2 December 2019.

## 6 Recommendation

- 6.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
<ul style="list-style-type: none"> <li>To note the update and raise any points of discussion to ensure that the Fund continues to focus on high standards of administration.</li> </ul>		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>	Immediately		
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:

Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk
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<b>Relevant Portfolio Member(s):</b>	Cllr Aled Davies
<b>Relevant Local Member(s):</b>	N/A

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**CYNGOR SIR POWYS COUNTY COUNCIL****Pensions and Investment Committee  
13<sup>th</sup> March 2020****REPORT BY: Head of Finance****SUBJECT: Governance Update**

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**REPORT FOR: Information**

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**1 Introduction**

1.1 This report has been produced to provide Committee with an update on the LGPS governance matters and the potential impact of these on the Powys Pension Fund.

1.2 It is provided in addition to and supplements, where appropriate, the executive summary presented by the Powys Pension Board Chair and will provide updates on:

- Scheme Advisory Board's (SAB) Good Governance project
- The Pension Regulator
- Update on the Fund's risk register
- Updates on the Fund's breaches register

**2 Fund Governance****2.1 SAB Update**

2.2 SAB met on 3 February 2020. You can read an [update from the February SAB meeting](#) on the board website. A summary of the ongoing projects follows:

**2.3 The SAB Good Governance Project Update**

The SAB approved resources for Phase three of the Good Governance project. This phase will determine:

- the outcome measures it will use
- the format of this work, and
- a timetable for implementation

**2.4 SAB Responsible Investment Guidance**

On 24 February 2020 SAB published a [statement](#) on the draft responsible investment guidance.

Responses to the earlier consultation were generally positive with some helpful drafting points. Some respondents raised concerns about fiduciary duty in the context of the LGPS.

The issue of fiduciary duty was discussed in the Supreme Court hearing involving the Palestine Solidarity Campaign and MHCLG. When the judgment is handed down, it might help shed some light on how the fiduciary duty test applies to investment decision makers in the LGPS.

The Government recently introduced amendments to the Pension Schemes Bill 2020. These changes could also impact how investment strategy statements are prepared in relation to issues like ESG and climate change.

For these reasons, the SAB has decided not to offer definitive advice or guidance on how the fiduciary duty test applies in the LGPS at this time. It will change direction and restructure the draft guidance to:

- explain and clarify the terminology associated with responsible investment
- provide investment decision makers with a range of information, case studies and tools to help them meet the challenges associated with responsible investment.

SAB will circulate the revised draft guidance to scheme stakeholders for comment in the normal way.

2.5 The Pensions Regulator (TPR) seeks to extend supervision to select administrators

2.6 TPR is seeking a voluntary extension to its supervision regime. This has already been introduced for the largest schemes in the UK. It will attempt to build relationships with pensions administrators of critical importance. These are the top 75 outsourcing companies and in-house teams in the country.

Key areas of focus for interaction will include:

- trustee relationship management
- handling of client transitions
- data quality controls
- due diligence on scams
- member communications
- resourcing and training
- business continuity and cyber resilience.

2.7 Future Trusteeship and Governance response from The Pensions Regulator

2.8 TPR has recently responded to its [consultation](#) on the future trusteeship and governance of occupational pension schemes. Within

the LGPS, the items of particular interest are the proposals to continue the trend for developing the knowledge and understanding requirements of trustees (Committee members) and improving the governance structures to enable effective decision making. TPR will now begin the preparatory work to implement its proposals over the coming year.

## 2.9 PASA launches DB Transfers Code of Good Practice Consultation

The Pensions Administration Standards Association (PASA) launched its Defined Benefit (DB) Transfers Code of Good Practice Consultation. The consultation closes on 30 April 2020, with the aim of launching the Code in September.

## 2.10 Risk Register

2.11 The latest Risk register is enclosed for Committee's review. There are no changes since the last revision, but work will commence on a wholesale review of the register imminently and it will be presented to Committee at the next meeting for consideration and review.

## 2.12 Breaches Register Update

2.13 The latest version of the breaches log is attached, for your information.

No new recordable or reportable breaches have been added since the last meeting. There has been a small increase in the number of unpaid frozen refunds. However, the Fund has commenced work on actively locating these members and some payments have now been made. Work will continue to try and locate the outstanding ones.

## 3 Recommendation

3.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
<ul style="list-style-type: none"> <li>To note the update and raise any points of discussion or concerns to ensure that the Fund continues to focus on high standards of governance.</li> </ul>		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>	Immediately		
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

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



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.	Pension Fund Manager	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	

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	
	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	
	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	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	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	

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	
	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	
Page 67	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	When senior Officers leave or are term sickness, large knowledge gaps remain.	M	H	Medium	In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance from consultants.	Pension Fund Manager	A Davies	Formalise succession planning by including in Officer individual training plans for less senior Officers.	M	L	Low	
	PEN016	25/01/2016		Pensions Administration	Failure to communicate effectively with stakeholders.	Scheme members unaware of their rights under the LGPS and make poor decisions in relation to pension rights. Employers unaware of the scheme regulations, the procedures and their responsibilities, resulting in poor or inappropriate decision-making and may adversely effect the flow of pensions data to the Pension Fund.	L	M	Low	The Pensions Support Manager is tasked with responsibilities in relation to scheme and Fund communications, as part of their Job Description. In addition, the Fund has a clear communications policy as well as a regularly updated website.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	

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	
	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	
Page 68	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 Board).	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	

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	
	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	
Page 69	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	

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	
	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 October 2019	Pension Fund Manager	A Davies	Appoint external partners to a) identify scale of work required; b) bank 'quick wins'; complete reconciliations by September 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	
Page 71	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	

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	
	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 Admisitration Service of the LGPS	H	H	High	Due diligence on migration exercise	Pension Fund Manager	A Davies	Constant monitoring until project completed	M	M	Medium	



Powys Pension Fund Breaches

2018\_19\_20

Breach No	YEAR	Breach Type	Nature of Breach	Breach Description	Action	Material Significance (Y/N)	P & I Committee Notified	Pension Board Notified	TPR Notified	RAG Status
1	2018/19	Administration	Late Notification of deferred Benefits	Disclosure Regulations state that any deferred leaver should be notified of their deferred benefit options within two months of the fund receiving complete leaver information from the employer. Due to the backlog of casework in the fund these deadlines have not been met for c200 deferred members. <b>Cause:</b> The backlog has occurred through the introduction of the new LGPS and the increased complexity around administration (aggregations, final salary links etc). An increase in the numbers of deferred pensioners who have left employment through reorganisations in recent months has also had an impact. <b>Effect:</b> although a breach, it is not considered material, as the information is not critical when making future decisions. Where a deferred member reaches retirement age their calculation will be completed at that point. This is a national issue for most funds across the LGPS.	New letter produced and issued to leavers upon notification of leaving, stating their entitlements upon leaving membership of the LGPS (i.e. under 2 years = refund, over 2 years = Deferred)	N	N	Y	N	
2	2018/19	Administration	Automatic payment of refund after 5 years for post 2014 leavers	Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. 19 members to 28.02.20	The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014.	N	Y	Y	N	

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**CYNGOR SIR POWYS COUNTY COUNCIL****Pensions and Investment Committee  
13<sup>th</sup> March 2020****REPORT BY: Head of Finance****SUBJECT: Pensions & Investment Committee Member Training**

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**REPORT FOR: Information**

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**1 Introduction**

- 1.1 At the meeting on the 16<sup>th</sup> of July 2015, Committee approved that the Fund adopts the Knowledge and Skills Framework, as set out in the CIPFA Code of Practice for pensions and a Knowledge and Skills Framework Policy was produced (attached as Appendix A to this report).
- 1.2 The pensions landscape is constantly evolving, with a requirement placed on decision makers to constantly develop knowledge and understanding to keep pace with those changes.
- 1.3 Section 4 of Appendix A places a requirement of a minimum of 4 days continual development per year (April to March) for all relevant Members (this may be for example, by attending appropriate training and development events). Therefore, an annual assessment of knowledge and the development of a training plan are essential to ensure appropriate levels of knowledge and understanding are maintained.
- 1.4 This will involve each Committee Member undergoing a personal training and development analysis, receiving a personal training programme and, a requirement to demonstrate that members are completing training programmes.
- 1.5 Training is being recognised as a key part of running an LGPS Pension Fund in the Scheme Advisory Board's Good Governance Review and the requirement to evidence this training, will be essential to demonstrate this.

**2 Recommendation**

- 2.1 That the Committee complete an updated training needs analysis form (attached as Appendix B for information and will later be circulated by the Pension Fund Manager) in order to assess the training requirements of Committee Members, with a view to creating an

individual training programme.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
<ul style="list-style-type: none"> <li>That the Committee complete an up to date training needs analysis form in order to assess training requirements</li> </ul>		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	chris.hurst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Councillor Aled Davies
<b>Relevant Local Member(s):</b>	N/A

# **CRONFA BENSIWN POWYS PENSION FUND**

## **Knowledge and Skills Framework Policy**

### **1 Introduction**

- 1.1 This document sets out the policy of the Powys Pension Fund in relation to the knowledge and skills requirements that it places upon those serving as members of either:
- The Powys County Council Pensions & Investment Committee (being the principal decision-making and management body for the Powys Pension Fund), or
  - The Powys Pension Board
- 1.2 Commitment to this policy is an obligation placed upon those concerned as part of the discharge of their duties; as a matter of best practice and good governance.

### **2 Knowledge and Skills Framework**

- 2.1 The Powys Pension Fund has adopted the CIPFA Knowledge and Skills Framework, as set out in the Code of Practice on pensions, in partnership with the Pensions Regulator. The Framework provides a roadmap to the knowledge and skills that should be held by those involved in the management and governance of the Powys Pension Fund, who are not themselves pension professionals. Whilst the Regulator provides access to relevant study and training materials.
- 2.2 All relevant Members will be assessed against the criteria set out in the Framework, as soon as possible following their appointment. This will be done by the completion of a Member Training Needs Self-Assessment Form.
- 2.3 On completion of the self-assessment form, the Section 151 Officer will assess the Member against the Framework criteria and determine what training is required to be completed and within what time period.
- 2.4 In total there are 6 areas of knowledge and skills that CIPFA have identified as the core technical requirements:
- pensions legislative and governance context
  - pensions accounting and auditing standards
  - financial services procurement and relationship management
  - investment performance and risk management
  - financial markets and products knowledge
  - actuarial methods, statements and practices.

### **3 Meeting Knowledge and Skills Needs**

- 3.1 Identified knowledge and skills needs may be met by a variety of methods that will include, but are not restricted to:
- completion of specific modules in the e-Learning Public Service toolkit provided free online by the Pensions Regulator
  - attendance at external training events for pension trustees and/or board members
  - attendance at internal training events facilitated by Powys Pension Fund or Powys County Council
  - attendance at pension conferences, seminars and workshops that cover fund investment, scheme administration, fund governance, actuarial matters or other relevant areas.

### **4 Continuing Development**

- 4.1 Pension fund matters do not stand still. Therefore, there will be a requirement to undertake continual development to remain up to date with general pensions and LGPS specific issues. The requirement is for all relevant Members, regardless of professional background, to undertake a minimum of 4 days continuing development in each scheme year (ending 31<sup>st</sup> March).
- 4.2 Completion of this requirement may be achieved by a range of attendances at, for example, LGPS Trustees Conference or LAPFF seminars.

### **5 Accountability and Transparency**

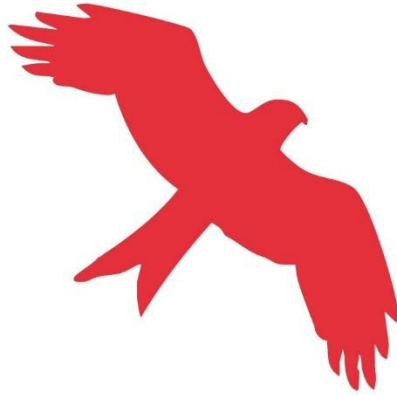
- 5.1 Accountability and transparency are principles of good governance and best practice. Therefore, knowledge and skills needs, training and development undertaken and continuing development, will be monitored and recorded and published annually.
- 5.2 Failure by a Member to meet their obligations under this policy, may result in them being barred from serving on either the Pensions & Investment Committee or the Powys Pension Board, as applicable, and as determined by the Section 151 Officer.

Drafted: June 2015  
Approved: 16<sup>th</sup> July 2015

Last Revised: January 2020

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# POWYS

**CRONFA BENSIWN  
POWYS  
PENSION FUND**

**MEMBER KNOWLEDGE & TRAINING  
NEEDS SELF-ASSESSMENT FORM**

**Last Reviewed January 2020**

## Introduction

In accordance with the requirements of the Public Service Pensions Act 2013, the CIPFA Knowledge & Skills Framework and the policy adopted by the Powys Pension Fund in July 2015, members of both the Pensions & Investment Committee and the Pension Board are required to have knowledge and understanding of:

- pensions legislative and governance context
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and products knowledge
- actuarial methods, statements and practices.

They are also required to be conversant with the Powys scheme and policy documentation.

This self-assessment is designed to help Members to identify their current level of knowledge and in which areas they may need further training or development.

## Completing the Self-Assessment

When completing the self-assessment, it is important that you assess your own level of knowledge as accurately and as honestly as possible so that your specific and personal development and training needs can be identified. Please assess your knowledge and understanding of each aspect, by ticking the appropriate box against the following scale:

Tick Box	Knowledge	Experience
A	Detailed understanding	Fully competent in the subject to a high level of detail
B	Reasonable understanding	Reasonable level of knowledge / competence in the subject
C	Limited understanding	Some knowledge or exposure to the subject
D	Not sure	No / limited knowledge or exposure to the subject

Please complete the self-assessment. Should you have any queries in relation to any aspect of the self-assessment, please contact the Pension Fund Manager.

## MEMBER KNOWLEDGE AND TRAINING NEEDS SELF-ASSESSMENT

Name:

I am a Member of (delete as required):

PCC Pensions & Investment Committee / Powys Pension Board

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### Section A: Legislation

Members are required to have a general (rather than in-depth) knowledge and understanding about the legislation relating to pensions in general.

#### 1. The law relating to pensions.

This includes occupational pensions' legislation (in outline) and the key provisions of related legislation that affects the Powys Pension Fund and impacts on the roles and activities of the Members of either the Pensions & Investment Committee and/or the Powys Pension Board.

I have knowledge and understanding of:		A	B	C	D
1.1	<p><b><u>Occupational pensions legislation:</u></b> Including: key provisions of the Local Government Superannuation Act 1972, the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, Pensions Act 1995, Public Service Pensions Act 2013, Codes of practice and guidance issued by The Pensions Regulator.</p>				
1.2	<p><b><u>The tax privileges and requirements for occupational pension schemes:</u></b> Including: the relevant provisions of the Finance Act 2004 e.g those that set the conditions to be met by a Registered Pension Scheme; allow personal pensions and occupational pensions to run concurrently; Fund obligations in respect of scheme payments (both authorised and unauthorised) and in relation to Lifetime and Annual Allowances.</p>				
1.3	<p><b><u>Pensions related legislation:</u></b> Including: anti-discrimination; arrangements for giving advice on pensions; civil partnerships; local government compensation arrangements; data protection;</p>				

	employment rights; money laundering; parental leave; divorce.				
1.4	The specific powers of the Secretary of State in the event of a disagreement between the Pension Fund and one of the participating employers.				
1.5	<b><u>Dispute resolution:</u></b> Including: the Internal Disputes Resolution Procedure of the LGPS; the role of the Pensions Advisory Service; the Pensions Ombudsman.				
1.6	<b><u>The law relating to internal controls and sound administration:</u></b> Including the obligation to administer the scheme in accordance with legal and regulatory requirements, such as those imposed by the Disclosure of Information Regulations.				
1.7	<b><u>The interface between occupational schemes and state pension provision:</u></b> Including the implications of contracting out and the relationship between pension scheme benefits and means tested state benefits.				
1.8	The obligation on employers to offer a qualifying scheme for all employees under Automatic Enrolment regulations				
1.9	An understanding of how the roles of the Pensions Regulator, Pensions Advisory Service and the Pensions Ombudsman relate to the working of the scheme.				

## Section B: Funding and Investment

Members are required to have knowledge and understanding about the principles relating to the funding of occupational pension schemes and the investment of the scheme's assets.

### 2. Investment.

This includes the major asset classes and their risk profiles as well as information about other asset classes and the principles of risk and reward.

I have knowledge and understanding of:		A	B	C	D
2.1	<b><u>Capital markets:</u></b> Including: in broad terms, the effect of economic cycles.				

2.2	<b><u>The major asset classes and their characteristics:</u></b> Equities, Bonds, Property, Cash				
2.3	<b><u>The implications of overseas investment:</u></b> Including foreign exchange risk and political risk				
2.4	<b><u>The existence of other asset classes, instruments and techniques:</u></b> Including: amounts used as an asset class; default funds and life-styling arrangements (DC); with profits arrangements.				
2.5	<b><u>The balance between risk and reward:</u></b> Including: the nature of risk; risk/reward profile of each major asset class; basic principles of matching assets to liabilities (DB); the basic principles of matching assets to pension expectations (DC); basic principles of managing risk by diversification of asset classes.				

### 3. Funding.

This includes the principles relating to the way in which funding is dependent upon the contributions and the value of the liabilities of the scheme.

I have knowledge and understanding of:		A	B	C	D
3.1	How the funding for occupational defined benefit arrangements works in general and specifically for the LGPS.				
3.2	<b><u>How liabilities are valued for different purposes:</u></b> Including: the significance of future cash flows; the importance of assumptions and their impact; the volatility of the value of liabilities.				
3.3	How the market value of assets is assessed.				
3.4	<b><u>Funding measures:</u></b> Including: the measurement of liabilities; the setting of contribution rates (e.g recovery plan in the event of a deficit).				
3.5	<b><u>Potential risks to the ability of the scheme to pay benefits:</u></b> Including: the financial instability of any scheme employer; transferring liabilities to a new employer; unusually high salary increases; the volatility of assets relative to liabilities.				

3.6	<b><u>The importance of complete, accurate and up-to-date member data:</u></b> Including the need for robust processes and systems; the need for employers to be aware of and accept their obligations.				
3.7	<b><u>The impact of discretionary powers:</u></b> Including the impact of employer decisions e.g. augmentation.				
3.8	<b><u>The nature and status of professional advice.</u></b>				
3.9	<b><u>Transfers and bulk transfers in and out of the scheme:</u></b> Including: the responsibility of the Fund to decide upon the calculation of transfer values.				
3.10	A broad understanding of the implications of accepting new employers into the Fund and of the cessation of existing employers.				
3.11	An awareness of the importance of monitoring early and ill-health retirement strain costs.				

#### 4. Contributions.

This includes the principles relating to the funding of schemes and the way in which contribution levels are dependent upon the funding of the scheme.

I have knowledge and understanding of:		A	B	C	D
4.1	The nature of the employer/trustee and the effect of the scheme's funding level on scheme employers.				
4.2	The way in which an employer's admission agreement reflects their ability to fund the scheme.				
4.3	The calculation of regular contributions to fund liabilities for future accruals.				
4.4	The setting of special contributions for past service, including agreement on a recovery plan.				
4.5	<b><u>Member contributions including:</u></b> regular and additional contributions (e.g. AVCs and APCs); other concurrent member pension arrangements (e.g. FSAVCs, personal pensions and stakeholder pensions);				

	the timelines of payments to the scheme; the importance of complete, accurate and up-to-date member records; the importance of robust systems and processes.				
4.6	The role of the scheme employer in the calculation and collection of member contributions.				

## 5. Strategic Asset Allocation.

This includes the principles relating to the suitability of different asset classes to meet the liabilities of the scheme.

I have knowledge and understanding of:		A	B	C	D
5.1	<b><u>The process of strategic asset allocation including:</u></b> the importance of selecting an appropriate mix of asset classes and taking account of the correlation between them and the Pension Fund's investment objectives.				
5.2	The characteristics of alternative asset classes and financial instruments.				
5.3	The use of specialised investment techniques including liability driven investment arrangements.				
5.4	Reviewing asset allocation decisions including regular review and the response to any change in the maturity or the status of the scheme.				

## 6. AVC Investment Choices.

This includes the principles relating to the choice of investments.

I have knowledge and understanding of:		A	B	C	D
6.1	<b><u>The implications for scheme members of the investment strategies adopted by the Fund's chosen AVC providers including:</u></b> whether or not the providers offer investment choices to members; the range of investment choices where they are offered; the suitability of investment choices offered; the implications of a default investment choice; the implications of life styling as a default investment choice.				
6.2	The importance of member understanding of investment risk.				

## 7. Fund Management.

This includes the principles of fund management and how performance can be measured.

I have knowledge and understanding of:		A	B	C	D
7.1	<b><u>The structure of investment portfolios including:</u></b> active vs. passive management; pooled funds v. segregated portfolios; re-balancing portfolios; and, investment styles.				
7.2	The selection of fund managers.				
7.3	<b><u>Investment mandates including:</u></b> an understanding of the nature of the contractual relationship between Pensions & Investment Committee and the Fund's asset managers; and, the fee structure and charges.				
7.4	Measurement of performance including the use of indices, benchmarks and targets.				
7.5	The mechanisms for monitoring investment arrangements and investment managers, including reports from investment managers; implications of changes within investment managers' organizations; compliance with the investment strategy statement (ISS); the completeness and accuracy of records; the calculation and the impact of charges and fees; transitional asset management; robust processes and systems.				
7.6	The importance of sound custody arrangements including adequate monitoring and accurate record keeping.				
7.7	The importance of responsible ownership of assets including the extent to which social, environmental and ethical considerations are taken into account when making investment decisions; the corporate governance of the companies in which the Fund invests; the extent to which (if at all) the Fund will exercise its voting rights; and the Fund's membership of the Local Authority Pension Fund Forum (LAPFF).				
7.8	The Myners principles for the governance of the				



	investment decision making process including associated CIPFA and SOLACE guidance; the need to set targets for the Pensions & Investment Committee and to report against them.				
7.9	An awareness of the limits placed by regulation on the investment activities of the Fund.				

### Section C: Scheme Documentation

Members need to be familiar with the documents that are specific to their own scheme so that they are able to make use of these documents in carrying out their functions.

#### 8. The Local Government Pension Scheme Regulations.

This includes any subsequent amending regulations.

I have knowledge and understanding of:		A	B	C	D
8.1	The duties, powers and discretions of the Pension Fund.				
8.2	The balance of power between the Fund Employers and the Pension Fund including when it is appropriate to exercise various Pension Fund powers.				
8.3	Classes of members in the scheme including membership eligibility criteria.				
8.4	Benefits under the scheme including the circumstances, both current and historic, under which benefits are payable; how they are calculated and how payments are made.				

#### 9. Investment Strategy Statement (ISS).

I have knowledge and understanding of:		A	B	C	D
9.1	Roles and responsibilities for preparing the ISS				
9.2	The Fund's investment objectives and asset allocation strategy.				
9.3	The contents of the ISS including legal and regulatory requirements covering the contents of the ISS.				
9.4	Monitoring and updating the ISS as appropriate.				

## 10. Funding Strategy Statement (FSS).

I have knowledge and understanding of:		A	B	C	D
10.1	Responsibilities for preparing the Funding Strategy Statement.				
10.2	The Fund's statutory and strategic funding objectives.				
10.3	Contents of the Funding Strategy Statement.				
10.4	Monitoring the Funding Strategy Statement including regular monitoring and special review in the event of change.				

## 11. Other scheme documentation.

This includes the Fund's Annual Report & Accounts as well as scheme guides and leaflets issued to scheme members on all aspects of the Local Government Pension Scheme.

I have knowledge and understanding of:		A	B	C	D
11.1	Scheme guides, leaflets and other member communications.				
11.2	Principle results contained within the most recent Actuarial Valuation Report and subsequent actuarial advice including the deficit recovery plan; and, the importance of inter-valuation monitoring.				
11.3	Minutes of Fund related meetings and the importance of policies and issues contained within them.				
11.4	Stewardship reports including compliance issues.				
11.5	Internal and external audit reports, including checks on the adequacy and robustness of systems and procedures used in member communications.				
11.6	The Fund's Annual Report & Accounts.				
11.7	Agreements and contracts including those with professional advisers and service providers.				

11.8	Committee or Council approved policies and procedures, including the internal disputes resolution procedure (IDRP), managing conflicts of interest, the Risk Register.				
11.9	Statement of compliance with the Myners' Principles.				
11.10	Terms of reference of both the Pensions & Investment Committee and the Pensions Board.				
11.11	Pensions & Investment Committee and Board member skills audit, training needs analysis and training log.				

## 12. Comments.

Please use this space to record any comments or to add any further training or knowledge needs for which you think training would be appropriate.

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**CYNGOR SIR POWYS COUNTY COUNCIL****Pensions and Investment Committee  
13<sup>th</sup> March 2020****REPORT BY: Head of Finance****SUBJECT: Wales Pension Partnership Update**

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**REPORT FOR: Information**

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**1 Introduction**

- 1.1 This report aims to provide Committee with an update on the work undertaken on behalf of the Wales Pension Partnership (WPP), with regard to pooling investments in Wales.
- 1.2 At the time of writing this report, the next Joint Governance Committee (JGC) meeting will be held in Powys on the 12<sup>th</sup> of March and a link to the agenda is available here:
- <http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?Mid=3026&x=1>
- 1.3 The Pension Fund Manager and Financial Reporting & Policy Accountant continue to assist the Host Authority (Carmarthenshire County Council) and the WPP adviser Hymans Robertson with their respective roles, as well as representing the interests of the Powys Pension Fund on the Officer Working Group (OWG).

**2 Summary of progress and ongoing work**

- 2.1 The OWG and WPP adviser have been developing, together with the JGC, a number of governance related items which will be finalised at the next JGC:

- Beliefs policy
- Communications plan
- Governance Matrix
- Training Plan

The public report pack, minutes and agenda from the 9th December 2019 JGC can be found [here](#). In addition to approving these governance policies and plans, the JGC also approved the appointment of Hymans Robertson as the WPP Oversight Advisor. This will further enhance the governance of the WPP especially in terms of assessing performance.

- 2.2 The next Local Pension Board Chairs' Engagement day is due to take place in Cardiff on the 2<sup>nd</sup> of April 2020. Gerard Moore will be attending that meeting representing the Powys Pension Board.
- 2.3 The WPP held a training day on the 21<sup>st</sup> of February in Powys, which was attended by Committee and Local Pension Board members, together with officers from the 8 constituent authorities.
- 2.4 The next OWG meeting is taking place in Cardiff on the 27<sup>th</sup> of March. The Powys Fund will be represented at that meeting by the Pension Fund Manager.
- 2.5 A sub-group of the OWG had their third meeting to discuss the approach of pooling illiquid assets within the WPP (e.g. property, private equity and infrastructure). Work is continuing on developing a suitable approach to pooling these assets.
- 2.6 The WPP Responsible Investment Policy requires the appointment of a voting and engagement agency. A group of officers from the OWG have agreed a specification and will evaluate tenders including a presentation. The appointment should be ready for approval for the March JGC. The specification includes the requirement of bespoke reporting for constituent authorities. There is also a requirement to re-tender for the legal advisor as the current contract ends on 30th June 2020. A procurement process will commence in February using the LGPS framework.

### 3 Recommendation

- 3.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
<ul style="list-style-type: none"> <li>To note contents of the report and any accompanying papers and provide comment or feedback accordingly</li> </ul>		For information	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>			
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Councillor Aled Davies
<b>Relevant Local Member(s):</b>	



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