

Pensions and Investment Committee

Meeting Venue
By Teams

Meeting date
Friday, 9 October 2020

Meeting time
10.00 am

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



County Hall
Llandrindod Wells
Powys
LD1 5LG

5 October 2020

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

AGENDA

1.	APOLOGIES
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To receive apologies for absence.

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

3.	MINUTES
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To authorise the Chair to sign the minutes of the last meeting held on 26 June 2020 as a correct record.
(Pages 5 - 10)

4.	PENSIONS BOARD MINUTES
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To consider a report from the Powys Pension Board Chair on the Board meeting held on 22 May 2020 and to receive for information the minutes of the meeting.
(Pages 11 - 22)

5.	DATA QUALITY TESTING 2020
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To note the report regarding Data Quality Testing 2020.
(Pages 23 - 28)

6.	GOVERNANCE AND ADMINISTRATION UPDATE
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To note the report and consider any issues.
(Pages 29 - 44)

7.	WALES PENSION PARTNERSHIP [WPP] UPDATE
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To receive a report regarding the WPP.
(Pages 45 - 46)

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

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

9.	BAILLIE GIFFORD PRESENTATION AND UPDATE
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10.	HEDGE FUND REVIEW
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To consider the report from Aon.
(Pages 47 - 54)

11.	EQUITY RISK MANAGEMENT
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To consider the report from Aon.
(Pages 55 - 76)

12.	BLACKROCK LOW CARBON WORLD EQUITY
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To consider the report from Aon.
(Pages 77 - 78)

13.	QUARTERLY MONITORING REPORT
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To consider the report from Aon.
(Pages 79 - 106)

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**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY TEAMS ON FRIDAY, 26 JUNE 2020**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, JG Morris, D H Williams and A W Davies

Mr G Moore, Chair Powys Pension Board

Mr M Weale, co-opted member

In attendance: Head of Finance, Pension Fund Manager and Financial Reporting & Policy Accountant

Aon representatives – Simon Mayne and Rachel Pinder via skype

1.	APOLOGIES
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There were no apologies for absence.

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

3.	MINUTES
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The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 13 March 2020 as a correct record.

4.	PENSIONS BOARD MINUTES
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The Committee received the minutes of the Pension Board meetings held on 26 March and 22 May 2020, both of which were held remotely.

In respect of the minutes for 26 March 2020, the Board Chair referred the Committee to Item 9 and the Board's recommendations regarding the Risk Register, which the Board hoped the Committee would endorse. The Pension Fund Manager advised that some of the recommended changes had been made to the Risk Register and this was an item on the Committee's Agenda.

In respect of the Board meeting on 22 May 2020 the Chair highlighted that the Board reviewed The Pension Regulator's [TPR] cohort review, which had 47 recommendations. The Board noted that there were no new breaches.

5.	GOVERNANCE AND ADMINISTRATION UPDATE
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The Committee received the report which provided an update on the Local Government Pension Scheme [LGPS] governance and administration matters and the potential impact of these on the Powys Pension Fund. The Committee noted that the Local Government Association [LGA], Scheme Advisory Board [SAB] and TPR had produced resources in respect of COVID-19.

The Committee noted the changes in the way the Pensions Team was undertaking its work, due to the closure of County Hall and the use of electronic contact with scheme members and the use of the on-line Pension Portal.

In respect of the McCloud/Sargent Supreme Court's decision regarding age discrimination, the Pension Fund Manager advised that the decision on the final remedy was still awaited. However, whatever remedy is agreed, will require a significant amount of work for all Pension Fund Administrators nationally in collating information and recalculating benefits back to 2014.

The Committee noted the 2019 LGPS annual scheme report. The Pension Fund Manager referred the Committee to the Risk Register which had been updated to reflect five changes recommended by the Pension Fund Board. He advised that work was being undertaken on the other recommendations from the Board and would be added to the Register for consideration at the next meeting. The Committee noted the Breaches Register and that no new recordable or reportable breaches had been added since the last meeting. The Committee noted that there had been a small increase in the number of unpaid frozen refunds and that work is continuing on actively locating these members.

In response to questions regarding the Risk Register the Pension Fund Manager advised that the Risk Register is being transferred to the Council's Risk Register system, which includes a review date. As the information is transferred and checked, review dates are being included. He advised he would add the review date into this current version. It was noted that the Board reviews the Risk Register at each meeting. The Head of Finance advised that a Corporate Risk Register in relation to COVID-19 included risks relating to the Pension Fund.

RESOLVED	Reason for decision
To note the update report and that review dates be added into the Risk Register and that the Register be circulated to the Committee for approval.	As per the report.

6. ADMINISTRATION STRATEGY

The Committee considered the Administration Strategy Statement. The Committee noted that the main changes related to the Fund's expectations of employers and also what the Scheme Members can expect from the Fund. The Pension Administration Managers and Pension Board had discussed the document and a six-week consultation with employers had been undertaken. It was noted that the later had not raised any concerns.

It was moved and duly seconded to approve the document.

RESOLVED	Reason for decision
That the Administration Strategy Statement be approved.	As per the report.

7. OVERPAYMENT POLICY

The Committee considered the Overpayment Policy. The Pension Fund Manager advised that the policy formalised the process and treatment of the various types of overpayments, which the Fund had been using for some time. He advised that overpayments do not happen very often but can occur when a scheme member has died and time lapses before the Pension Administration is notified.

The Pension Fund Manager advised that if the Committee approved the Policy it would become effective from 1 April 2020. The Committee noted the level of overpayments which would be written off and the responsible officer or Portfolio Holder with authority to agree these.

In response to questions regarding scheme members living abroad the Pension Fund Manager advised that 15 scheme members live abroad. The Pension Fund Manager confirmed that these individuals are contacted to prove their identity on an annual basis. If this is not done pension payments are suspended until this has been undertaken.

It was moved and duly seconded to approve the policy.

RESOLVED	Reason for decision
That the Overpayment Policy be approved and be effective from 1 April, 2020.	As per the report.

8. POWYS PENSIONS BOARD TERMS OF REFERENCE

The Committee considered the request to increase the Powys Pension Board membership from two each of Scheme Employer and Scheme Member Representatives, to three. In addition, the Committee noted that the Board's Terms of Reference had been reviewed. It was noted that the Terms of Reference are set by the Council as the administering authority and any amendments require the approval of Pensions & Investment Committee.

Increasing the membership on the Board would introduce more flexibility for the Council, due to the demands on Board member diaries and improve the resilience of the Board to ensure that meetings are quorate.

It was moved and duly seconded to recommend the proposed changes to the Powys Pension Board membership and Terms of reference to Council.

RECOMMENDATION TO COUNCIL	Reason for decision
That the membership of the Powys Pension Board increases to three Scheme Employer and three Scheme Member Representatives and that the revised Terms of Reference be approved.	As per report.

9. WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee received the update report regarding the Wales Pension Partnership [WPP]. The Committee noted that an Annual Update document has been produced by WPP.

The Pension Fund Manager highlighted that the WPP had produced a Business Plan and was seeking approval of this by all participating authorities. It was noted that the six-monthly Engagement Day with the Pension Board Chairs had been postponed.

The Committee noted that the launch of the fixed income sub-funds was expected in the near future. The Powys Pension Fund would be transferring between £160 - £170m into this and that as a result approx. £300m would then be invested within the WPP. It was also noted that the Powys Pension Fund also has passive investments pooled outside of the WPP with Blackrock. It was hoped that with these changes the benefits of pooling, such as savings in managers fees etc, will be realised by the Powys Pension Fund.

It was moved and duly seconded that the WPP Business Plan be approved.

RESOLVED	Reason for decision
That the WPP Business Plan be approved and that the report be noted.	As per report.

10. 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).

The Chair changed the order of the Agenda and took item 14 Updated Asset Values next.

11. UPDATED ASSET VALUES

The Committee noted the progress of the asset allocation to the new agreed strategy.

The Committee noted the equity protection had smoothed out the fluctuations in the market.

RESOLVED	Reason for decision
The Committee noted the report.	As per report.

12. BAILLIE GIFFORD UPDATE

The Chair welcomed Tim Gooding and Alicia Cowley from Ballie Gifford.

The Committee noted that the investment returns since the initial investment and over 12 months were 8% and 9% respectively, however investments were being made for the long term. Governance and sustainability are important issues when considering investments. Ballie Gifford advised that it engages with the companies in which it invests in respect of a range of governance issues such as their carbon footprint and how they address this, working conditions and tax issues.

13.	BLACKROCK LOW CARBON WORLD EQUITY TRACKER INVESTMENT REVIEW
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At the last meeting the Committee approved, in principle, a strategic asset allocation that includes a 3.5% allocation to the BlackRock ACS Low Carbon Equity Tracker Index Fund (sterling hedged) subject to further advice being received from AON. Such an investment would reduce the Fund's exposure to the financial risks associated with climate change and introduce the potential to gain from a transition to a low carbon economy.

Aon advised that BlackRock had indicated that the currency hedged version of the fund will not be available until Q3 or Q4 2020. As a result of this and that the costs of investing in the currency hedged share class was considered too high, Aon recommended that, in order to maintain the strategic currency hedge, a partial investment of 2% of the Powys Pension Fund allocation should be made into the standard share class [unhedged fund]. Aon advised that the tracking error compared to the benchmark was slightly higher than originally indicated but it was not concerned about this. The Committee noted that other Welsh Pension Funds had invested in this fund.

Aon advised that it would monitor the asset allocation and propose the investment of the remaining 1.5% at a future point to increase the investment up to the full 3.5% strategic allocation, whilst bearing in mind the strategic decision to currency hedge 50% of the foreign currency exposure.

It was moved and duly seconded to approve Aon's recommendation.

RESOLVED	Reason for decision
To approve an initial investment in the BlackRock ACS Low Carbon Equity Tracker Index Fund [unhedged fund] of 2% of the Powys Pension Fund allocation (c. £13m).	To reduce the exposure of the overall equity allocation to the financial risks associated with climate change and introduce the potential to gain from a transition to a low carbon economy and to reduce exposure to carbon whilst controlling the performance differential relative to a broad global equity index.

14.	QUARTERLY MONITORING REPORT
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The Committee received the Quarter 1 monitoring report to 31 March 2020.

The Committee noted the impact of the Equity Protection Strategy [EPS] on asset values. With the EPS the asset value had reduced by £43m but would

have reduced by £62m without protection. Aon advised that during Q2 there had been an upswing in markets and values have regained. The EPS was smoothing out the fluctuations in the markets.

During Q1 performance was negative but had improved in April and May. In response to a question Aon advised that the liquidity in the property markets had dried up and therefore funds had been suspended. However, investment in property was still considered as an important long-term investment but some property sections such as retail were struggling.

The Committee noted that the Graham investment was due to be launched on 1 July 2020.

RESOLVED	Reason for decision
That the Quarter 1 monitoring report be noted.	As per the report.

County Councillor P E Lewis (Chair)

Purpose of the Report

In addition to the formal, more detailed minutes of the Board, elsewhere on this agenda, this report provides an executive summary of the meeting of the Powys Pension Board on 22 May 2020 to enable the Pensions and Investments Committee (the Committee) to learn of and consider any recommendations, assurances gained and concerns of the Powys Local Pension Board, and any other relevant information. This is consistent with the two primary roles of Local Pension Boards, namely:

- to assist the scheme manager to secure compliance with scheme regulations, other legislation and the requirements of the Pensions Regulator (TPR), and
- to ensure the effective and efficient governance and administration of the Scheme.

Recommendation

The Pensions and Investments Committee is requested to accept the proposals from the Local Pension Board held on 22 May 2020.

Outcomes from Powys Pension Board Meeting on 22 May 2020

1. Recommendations

- 1.1 In considering how Powys Pensions Fund is placed regarding the recommendations contained in the Pensions Regulator's Cohort Review of 10 LGPS Funds, the Board makes the following recommendations:-
 - 1.1.1: that the Pensions Manager consider whether the current procedures for managing and processing the Internal Disputes Resolution Procedure (IDRP) remain appropriate
 - 1.1.2: with the contract with the administration software provider due for renewal in 2023, with an option of an extension available, the Pension Manager identify a timescale for the exercise to be completed in a timely manner, with the inclusion of the process on the risk register until its completion.
- 1.2 With the successful conclusion of the Document Imaging and Workflow project, that the Committee give consideration to removing this temporary risk from the Risk Register.
- 1.3 Regarding other elements of the Risk Register, that consideration is given to six further comments, as set out in more detail in the official minutes of the Board, but with a specific recommendation that for Risk PEN 003, the residual risk column should be amber rather than green as the control action was not yet complete. These will be reviewed when the Risk Register next returns to the Committee.

1.4 that a more detailed analysis of refunds and transfers be shown in future Administration reports.

2. Assurances Gained by the Board

2.1 Further to the recommendations made in paragraph 1.1 resulting from the review of the Cohort Review by the Pensions Regulator of 10 LGPS Funds, a number of assurances were gained, as follows:

- regarding internal controls and processes, additional documentation is either in hand or being developed to evidence and explain the background and objectives on existing, revised and new procedures and decisions, as a means of mitigating key person risk

- regarding cyber security, the software provider has assured the Pension Fund that it undertakes regular penetration testing

- that an Action Log will be maintained and progress reported to the Board to ensure that all the Pension Regulator's recommendations are being implemented as appropriate, including a custodian review and an internal data security review

2.2 There had been no new breaches of the law in the period since the last meeting.

2.3 There were no current or new IDRPs to report, and the last stage two case to be reviewed had not generated any further response.

2.4 The pensions team continues to deliver the service during the pandemic in accordance with the priorities set out by the Pensions Regulator, meaning that some less time-critical procedures are behind their planned timescales.

2.5 The Fund continues to make progress on securing compliance with the Pensions Regulator's Code of Practice 14. In the area of providing information to scheme members, two areas remain amber: one due to a national issue and another due to re-prioritisation of work due to the pandemic.

3. Update on Issues previously considered by the Board

3.1 From Board meeting 11 Sept 2019:

Recommendation "increasing the membership of the Board (currently at the minimum allowed of two scheme member representatives and two scheme employer representatives) by one from each cohort, to then consist of three scheme member representatives and three scheme employer representatives" .

I understand that this recommendation, endorsed by the Pensions and Investments Committee, was agreed at the meeting of the County Council on 24 September 2020.

4. Other Items for Information

4.1 The planned survey of Local Pension Boards by the Scheme Advisory Board (SAB) is, at the time of writing, still awaited.

4.2 A number of other areas of national consultation and review remain behind schedule due to the pandemic, including the SAB's Good Governance project, the Pensions Regulator's results of its 2019 survey and the Regulator's consultation on a single consolidated Code of Practice to incorporate then replace all existing Codes, including the current Code of Practice 14 which is specific to public services pension funds.

4.3 The Board noted that a Cyber Resilience Action Plan remains under development and the draft will be considered by the Board in due course.

4.6 Should Members of the Committee require further information on any item, more detail is provided in the formal minutes of the Board, included elsewhere on this agenda.

4.8 The next meeting of the Board will take place on 30 September 2020.

Gerard Moore

Independent Chair: Powys Pension Board

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**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT BY
TEAMS ON FRIDAY, 22 MAY 2020**

PRESENT

Gerard Moore (Chair)

Nigel Brinn (Employers Representative)

John Byrne (Member Representative)

Mick Hutchison (Member Representative)

Chris Hurst (Pension Fund Manager, Secretary to the Board)

1. APOLOGIES

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

The Chair advised he was an Associate in The Chartered Institute of Public Finance and Accountancy [CIPFA] and declared an interest if reference was made to CIPFA when discussing the Board's training. The Board agreed that this did not represent a conflict of interests.

3. MINUTES

The minutes of the last meeting held on 26 March 2020 were agreed as a correct record subject to the correct spelling of Thursday at the top of the minutes.

4. MATTERS ARISING

The Board noted the following:

- the Scheme Advisory Board [SAB] survey was postponed,
- the Council was still considering the request to increase the Board Membership to three employer and three scheme representatives and work was ongoing,
- as the PLSA Pensions conference had been cancelled it had been replaced by daily webinar sessions. The Chair advised that he would collate information from the sessions he attended and this would be shared with the Board at future meetings
- the Overpayment Policy would be considered by the Pensions and Investment Committee on 26 June 2020.

5. CHAIR'S ANNOUNCEMENTS

The Chair advised that the SAB had shifted its priorities in light of the current pandemic and the Good Governance Project had slowed down. The project would initially assess governance internally and then externally next year. The Chair advised that the Project would help the Board to focus on weak links.

6. MINUTES OF PENSIONS AND INVESTMENT COMMITTEE

The Board received the Pensions and Investment Committee's minutes for 13 February 2020.

In response to questions the Pensions Fund Manager advised that IT Department was revising the Council's Cyber security policy. The Pension Fund's cyber security policy would reflect this revised policy.

The Chair thanked the IT department for facilitating the online meetings.

The Board noted that the Discretionary Powers Policy was an important component of the governance framework. The Pension Fund Manager advised that all employers in the Fund had been asked to review their discretionary employer policies.

7.	THE PENSION REGULATOR REVIEW OF GOVERNANCE AND ADMINISTRATION RISKS IN PUBLIC SERVICE PENSION SCHEMES
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The Board noted the report regarding the Pensions Regulator (TPR) review of a cohort of 10 LGPS Funds from around the UK in respect of scheme managers' approaches to a number of key risks. The Board noted the key findings, good practice and the suggestions regarding improvements.

The Pension Fund Manager highlighted the following in respect to the Administering Authority:

Record keeping

- Data quality improvement plan – the Administering Authority has a plan in place, which is monitored every year. An annual data extract is undertaken with the pension administration software providers and the next extract will take place later in the month.
- Administration Strategy – the Strategy had been rewritten. Consultation had taken place with the employers and the Strategy would be considered by the next Pensions and Investment Committee. The Chair advised that under the Good Governance Project there was a recommendation that MHCLG make it a legal requirement.

Internal Controls

- Risk Register – documentation is in place and the Board and the Pensions and Investment Committee regularly review the Risk Register.
- Internal controls and processes – documentation was now being kept to record any decisions regarding internal processes and the reasons for these decisions. This would ensure that if questions were asked about a decision in the future the relevant information would be available and there would be less reliance on officer's knowledge level.
- Reviewing processes – reviewing the workflow and improving processes is a daily process by all of the administration team.

Administrators – the Board noted that these issues were not applicable for the Pension Fund as it is not a third-party provider. The Pension Fund Manager advised that the contract with its administration provider was due for renewal in 2023, but the contract allowed for an extension. The Chair advised this was mission critical dimension to the Board's work in helping to guarantee to ensure the continued payments to scheme members.

Member Communications

- Information for scheme members – when information is created or amended, it is reviewed by the senior staff within the section.
- Member survey – conducting a survey is being considered.
- Website traffic – use of website traffic has not grown over past 12 – 18 months but the number of pages looked at on each visit has increased. Officers are currently looking at what members do when they are on the website for example using the facilities to update their personal information or calculating pensions. The Chair advised that the recent PLSA sessions had emphasised the importance of Fund websites. He asked the employee representatives if they could encourage their members to utilise the website. The Pension Fund Manager agreed to send the portal address to the Union representatives, to enable them to do this.

Internal Dispute Resolution Procedure [IDRP]

IDRP – a procedure has been produced and is on the Fund website. The document also contains information on the appeals process. The Chair raised an issue about the advantages of an external review, which could be provided by other Pension Funds. The Pension Fund Manager advised that he would consider this.

Pension Boards

- Training opportunities – training opportunities are highlighted to Board members. Currently more webinar training was available and the Pension Fund Manager advised he would forward such links to the Board.
- Training needs assessment – the Pension Fund Manager would forward this to members and for this a Board and/or individual programme will be developed.

Employers and contributions

- Employer covenant and position – discussed this with the Fund actuary regarding the approaches taken by other funds and work will continue on this.
- Receipt of employer contributions – currently the procedure is under review and the desire is to move all employers to an automated system.

Cyber security

- Cyber security policy – as advised working with ICT to develop the policy.
- Security testing – the software provider has assured the Scheme Manager that it undertakes regular penetration testing. The Pension Fund Manager advised he would provide an update report regarding testing from the ICT Department and the software provider at the next meeting.
- Custodian review – this needs to be undertaken.

Internal Fraud and False Controls

Processes and procedures – further work is required in this area.

RESOLVED	Reason for decision
The Board noted the report and agreed that an Action Log be produced.	To ensure that further work is noted and monitored by the Board.

8.	UPDATES MADE WITH REGARDS TO COMPLIANCE OF THE TPR CODE OF PRACTICE 14
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The Pension Fund Manager advised that the Register had been updated in line with the comments at the previous meeting. The Board reviewed the following sections and made the following comments and noted the following [numbers refer to the Compliance indicator]:

Governing your Scheme [38-60]

40 – 41 – a revised Training needs assessment would be sent out to the Board members

48 – 57 – this would be amended to record that the assessment would be carried out and the target date was June 2020

56 – target not met and update June.

Conflicts of interest and representation [62-91]

84 – update timescales to October 2020. The Pension Fund Manager advised that he had looked at good practice across Wales and was producing a document for consideration.

Managing risks [104-120]

115 – the Pension Fund Manager agreed to reflect on whether the Code of Practice reflects the recent triennial valuation.

Administration [124-146]

136 – the Board was assured that the document is on the website and data improvement continues.

Providing information to Members [188-210]

196 – it was noted that although compliant this is shown as amber rather than green. Pension Fund Manager acknowledged the fact they are not providing information on deferred benefits within the statutory timescale in each instance. This is reflected in the breaches report. Consequently, it is considered that this should remain amber and this reason be added to the document. This issue is not specific to the Powys Fund and is recognised as a challenge nationally.

208 - The Pension Fund Manager advised that the Pensions Team had been working with the Council's Income and Awards team on tracing a number of "Gone Away" members. The review was now delayed due to the Income and Awards Team's focus being on payments relating to the pandemic. The Pension Fund Manager advised that he would liaise with colleagues in the latter, regarding a revised timescale for the completion of this work.

9.	OPERATIONAL REPORT & UPDATE
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The Pension Fund Manager provided an update to the Board on the measures that had been taken by the Pensions Section during the Covid-19 pandemic. The Board recognised the professionalism and flexibility of the LGPS and the Pensions team in continuing to deliver the Pensions service to members and

employers during the pandemic. With regards to cash flow the Fund was in a sound position. The Pensions Fund Manager also advised that there had not been a spike in the number of retirements on 31st March leading to pay outs of lump sums and a cut in dividends.

10. TERMS OF REFERENCE

The Pension Fund Manager reported that the Council's Monitoring Officer had made two minor comments on the draft terms of reference that had been addressed so they would now go to the Pensions and Investment Committee on 26 June for consideration. With no indication of when the full Council would be able to meet again there would be an issue over getting the Terms of Reference approved by Council.

11. ANNUAL REPORT - DRAFT CHAIRMAN'S STATEMENT

The Chair asked that the Board email him with any comments on his annual report.

12. REVIEW OF RISK REGISTER AND CONSIDERATION OF ANY NEW RISKS

The Chair noted that most of the new risks had arisen with the coronavirus pandemic and associated change of working practices.

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

PEN003 The Chair suggested that the Residual Risk column should be amber rather than green as the control action was not yet complete.

PEN007/008 The Chair suggested that the wording should be changed to reflect that actuarial calculations of liabilities were moving away from bond yields.

PEN012 Make reference to increased risk to data security due to home working.

PEN023/024 Check if wording needs to change as a result of the triennial valuation 2019

PEN030 The Pension Fund Manager confirmed that the further actions and control column could be updated to reflect the controls that pool operators have in place.

PEN035 Had been added to reflect the pandemic. The Chair suggested that the welfare of staff should be included, noting the mitigating actions that had been taken as set out in the operational report.

13. DOCUMENT IMAGING AND WORKFLOW PROJECT - VERBAL UPDATE
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The Pension Fund Manager reported that the project had been completed.

**Recommended to the Pensions and Investment Committee
that this be removed from the Risk Register.**

14.	WALES PENSION PARTNERSHIP - INVESTMENT POOLING UPDATE [STANDING ITEM]
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The Chair reported that the engagement meeting for Board chairs had been cancelled due to the pandemic. He would be interested to see the Wales Audit Office report Risk Management Override of Controls from a governance viewpoint. He asked how well the host authority was resourced and the Pensions Fund Manager advised that this question would be better directed to the WPP. The business plan would be considered at the next meeting of the Pensions and Investment Committee. The Pensions Fund Manager also advised that the fixed income sub fund launch was expected in the next few months.

15.	ADMINISTRATION REPORT [STANDING ITEM]
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The Pensions Fund Manager was asked to provide the split between refunds and transfers out for future meetings. He advised that no employers had asked for deferral of contribution income. The Chair reported that the regulator had advised that administering authorities advise them in advance if they were likely to be late in providing annual benefits statements with their plan for recovery. The Pension Fund Manager advised that a number of employers had not yet provided data for March but that this was not related to the pandemic.

Nigel Brinn left the meeting, at which point the meeting became inquorate.

16.	NEW LEGISLATION AND GUIDANCE (STANDING ITEM)
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The Chair thanked the Pension Fund Manager for providing a comprehensive update of new legislation and he encouraged the Board to study the changes as part of their training.

17.	BOARD COMMUNICATIONS LOG (STANDING ITEM)
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The Board received the communications log and the Chair asked colleagues to keep abreast of issues.

18.	STANDING ITEMS WITH NO UPDATES
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The Pensions Fund Manager advised that there were no breaches and that a stage 2 IDRPs had been completed. He also reported that HMRC had issued a press notice advising that some of the Guaranteed Minimum Pension [GMP] information they had provided had been inaccurate resulting in delays and additional costs but he still hoped to be able to complete cessation of contracting out by the end of 2020.

19.	FUTURE BOARD MEETINGS
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The Chair suggested the Board consider whether they should have more regular and shorter meetings on specific topics rather than longer quarterly meetings in the current circumstances.

Gerard Moore [Chair]

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CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee
9th October 2020****REPORT BY: Head of Finance****SUBJECT: Data Quality Testing 2020**

REPORT FOR: Information

1 Introduction

- 1.1 In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data.

The Fund produced a Data Quality testing and monitoring procedure document in May 2017, with a formal Data Improvement Plan published in October 2018.

2 Background

- 2.1 In May 2017, the Fund produced a Data Quality testing and monitoring procedure with specific reference to the testing and ongoing monitoring data quality. This was in advance of the requirement to report in The Pension Regulator (TPR) Annual Return, scores against specific scheme Common Data and Scheme Specific Data, which is now incorporated into the Data Improvement Plan.

3. Data Quality Testing – Common Data**3.1 Benchmark**

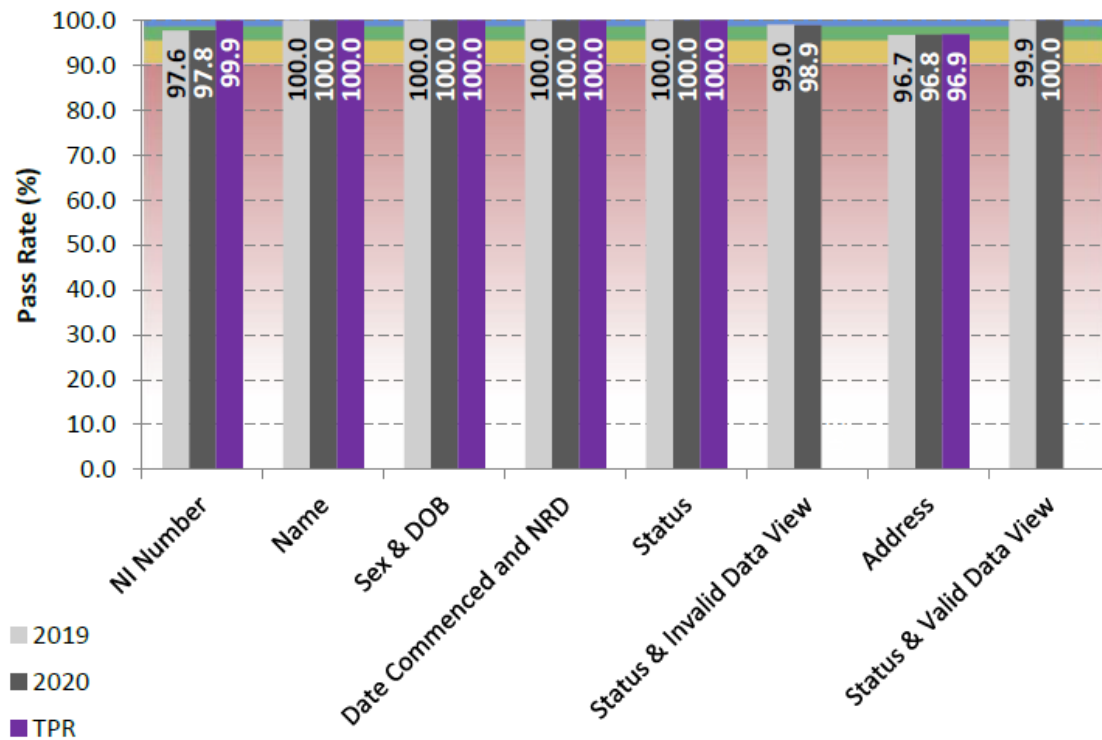
The benchmarks applied to the results presented in this report were agreed between Powys and Aquila Heywood. The categories and thresholds in respect of the common data are as follows:

Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

TPR have set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand.

Summary of 2020 Common Data results

The graph below indicates performance for each data category against the benchmarks together with the results from the 2019 tests. The results presented herein are generated from data extracted from the Live Altair service on 27th May 2020 for all tests. The 2019 tests were generated from data extracted on 16th May 2019. The overall percentage of tests passed for Powys' common data is 99.2% which is the same as the 2019 score of 99.2%. The 2020 tests were conducted on 37,540 member records, an increase of 1,874 on 2019.



- 3.2 Six of the eight categories met the highest benchmark of greater than 98% with three categories not recording a single failure. A further two categories has been rounded to 100% with a score of over 99.95%. The lowest scoring category concerned member Address that achieved a score of 96.8% which is an improvement on the 2019 score of 96.7%.

The general quality of the common data tested at Powys is of a **high standard**. Work is ongoing to trace members recorded as “gone away” to bring this category into the highest benchmark.

The percentage of member records without a single common data failure is 93.5%. This represents an increase of 0.2% on the 2019 score of 93.3%.

TPR Common Data Core Test Results

The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **96.8%**. This is an increase from **93.3%** in 2019 and is the figure to be quoted on the scheme return to TPR.

4. Data Quality Testing – Scheme Specific Data

4.1 Benchmark

The benchmarks applied to the results presented in this report were agreed between Powys and Aquila Heywood. The categories and thresholds in respect of the scheme specific data, are as follows:

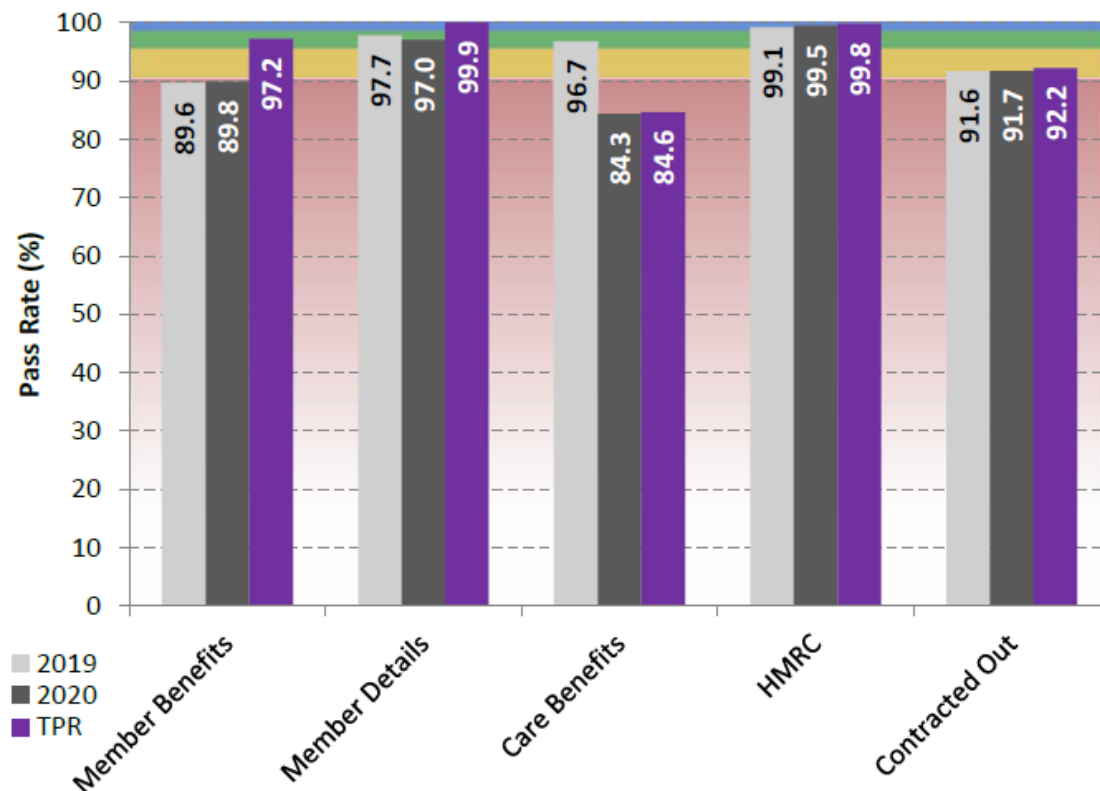
Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

The graph below indicates Powys’ performance for each data category against the agreed scheme benchmarks together with the results from the 2019 tests. The results presented are generated from data extracted from the Live Altair service on 27th May 2020.

The 2019 tests were generated from data extracted on 16th May 2019. The overall percentage of tests passed for Powys’ scheme-specific data is 94.9%, a decrease of 0.9% over the 2019 score of 95.8%. The

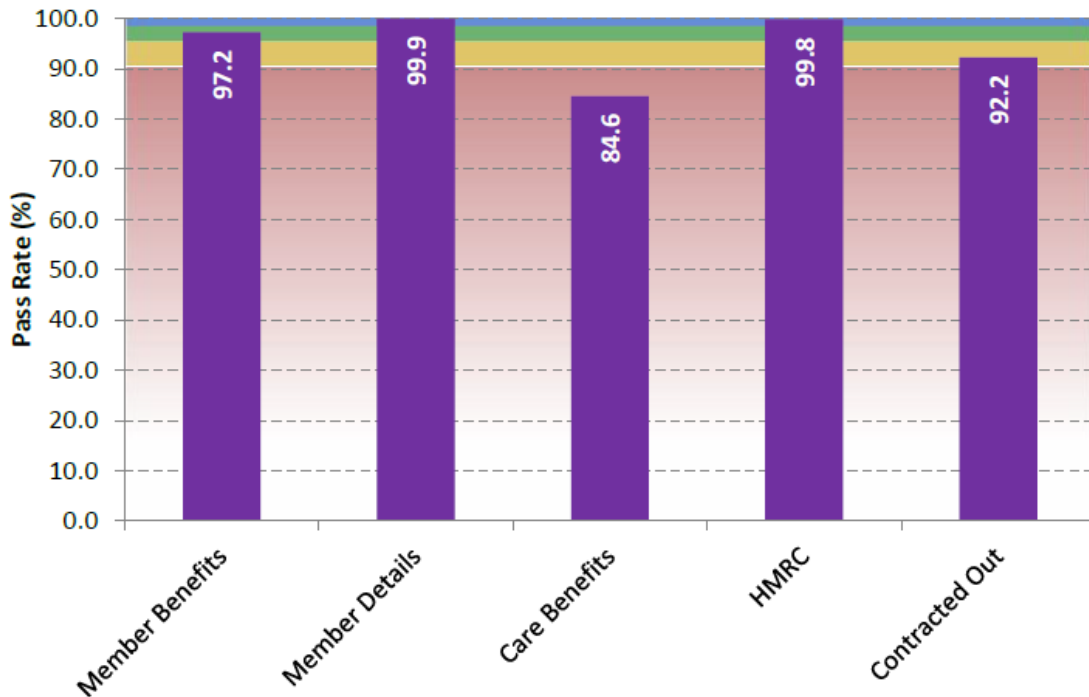
percentage of member records without a single scheme-specific data failure is 76.4%. This represents a decrease of 7.9% over the 2019 score of 84.3%.

The total number of member records tested is 37,540, an increase of 1,874 records from the number tested in 2019.



However, the percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **91.6%** (compared to 84.3% in 2019 and 75.9% in 2018). This is the figure to be quoted on the scheme return to TPR and is an improvement of 7.3% over the 2019 result and 15.7% since the start of the exercise in 2018.

The results for each qualifying category are shown below:



5. TPR Annual Return and Data Improvement Plan

- 5.1 Whilst it is disappointing to see a decrease in the scores in some categories, it is important to remember that the data set that is being tested is increasing annually. There are also small numbers in certain categories and a change in respect of one or two members can have a significant impact on the scores.

The data improvement plan places a priority on improving those areas of data that can directly impact a scheme member's pension benefits. It is pleasing to see an improvement in the score for the "Member Benefits" data. However, the "Care Benefits" data set needs looking at as a priority.

6. Recommendation

- 6.1 To note the contents of this report.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none"> To note contents of the report. 		For information	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:

Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk
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Relevant Portfolio Member(s):	Councillor Aled Davies
Relevant Local Member(s):	

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee
9th October 2020

REPORT BY: Head of Finance

SUBJECT: Governance and Administration Update

 REPORT FOR: Information

1 Introduction

- 1.1 This report has been produced to provide Committee with an update on the LGPS governance and administration 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 (SAB) and the Local Government Association (LGA)
 - The Pension Regulator (TPR)
 - Update on the Fund's risk register
 - Updates on the Fund's breaches register

2 Fund Governance and Administration**2.1 SAB/LGA Update**

- 2.2 **COVID-19.** Welsh life assurance scheme. Further information is now available on the NHS and Social Care Coronavirus Life Assurance Scheme 2020 Wales. The scheme will cover front-line health and social care workers who provide treatment, care and other related services directly to those suffering from the disease. The Welsh Government will pay a lump sum of £60,000 in respect of the death of NHS and social care staff if Welsh Ministers conclude the person's death was caused by the virus. The lump sum will be paid in addition to any pension scheme death benefit that also becomes payable.

2.3 Cost Transparency Initiative launches additional tools.

A year ago, the Cost Transparency Initiative (CTI) published a framework of tools and guidance to help institutional investors better understand their investment costs. The CTI framework is a partnership initiative between the Pensions and Lifetime Savings Association, the Investment Association and the SAB. On 19 June 2020, the CTI

launched [additional resources](#) and encouraged remaining schemes and asset managers to adopt the standards.

2.4 **SAB statement on local pension board meeting cancellations.**

It has come to the attention of the SAB that some administering authorities have cancelled meetings of their local pension boards during the COVID-19 emergency.

Having taken legal advice, the SAB is satisfied that:

- arranging a virtual meeting of a local pension board would facilitate the discharge of a local pension board's duty to conduct business during the emergency, and
- a local pension board therefore has the power to hold virtual meetings by virtue of regulation 106(8) of the LGPS Regulations 2013.

A local pension board's terms of reference may already allow virtual meetings. If they do not, the SAB recommends amending them to allow virtual meetings in emergency situations.

You can read the full SAB [statement](#) on virtual local pension board meetings on the SAB website <http://www.lgpsboard.org>.

2.5 **McCloud**

On 8 July 2020, the LGA contacted all administering authorities in England, Wales and Scotland to ask them to complete a short survey about the working hours and service break data they have collected since 1 April 2014 (2015 in Scotland).

McCloud data collection.

Administering authorities that have not collected working hours and details of service breaks for all members since 1 April 2014 (2015 in Scotland and Northern Ireland) will need to collect historical data to implement the McCloud remedy for members in scope of protection.

The McCloud implementation group has produced a collection of documents to assist administering authorities with the process of collecting the historical data they will need to calculate the statutory underpin. The following new documents can be found on the www.lgpsregs.org website:

- guidance for administrators
- standard data collection template
- notes to accompany the standard data collection template
- key messages for employers
- Q&As for employers

The SAB recommends that the standard data collection template and notes are used by all administering authorities that need to collect historic data.

SAB summary of MHCLG McCloud remedy consultation.

On 16 July 2020, MHCLG published a consultation on [amendments to the statutory underpin](#). The amendments are designed to remove age discrimination from the LGPS. You can read a summary of the consultation proposals on the [McCloud page](#) of www.lgpsboard.org.

MHCLG consultation on amendments to the statutory underpin.

MHCLG has published a consultation on amendments to the statutory underpin. The consultation seeks views on proposed changes to the LGPS in England and Wales to remove the unlawful age discrimination identified in the McCloud judgment.

In summary, the consultation proposes that:

- members who were active in the 2008 Scheme on 31 March 2012 who joined the 2014 Scheme and do not have a disqualifying break will be covered by underpin protection
- members do not need to have an immediate entitlement to benefits when they leave the Scheme to qualify for underpin protection
- underpin protection will take account of early and late payment actuarial adjustments
- information about the impact of the underpin must be included in annual benefit statements.

Other proposals clarify how the underpin affects the calculation of survivor benefits, transfer values and trivial commutation payments.

The 12-week consultation will close on 8 October 2020. For your information, a combined response from the Welsh Pensions Officer Group, which represents all the LGPS Pension Funds in Wales, will be submitted.

SAB will be submitting a technical response to the MHCLG consultation. This will include representations to allow the LGPS regulations to be on the statute book ahead of those of the unfunded public service pension schemes, where the coming into force date is expected to be Spring 2022. LGPS remedy regulations will not have to wait for changes in primary legislation so different timescales should be possible. Getting LGPS McCloud regulations in place sooner will give all parties more opportunity to put processes in place before they come into effect in 2022. The Board also agreed that work should commence on central guidance on how the regulations are to be applied and how individual cases of poor or missing member data should be handled.

2.6 £95,000 Cap

Regulations for capping public sector exit payments were published on 21 July 2020. A technical response to the MHCLG consultation will be produced to ensure that the draft regulations accurately reflect the policy as set out in the consultation document.

2.7 **Good Governance Project**

Hymans Robertson have outlined the work the project team has undertaken during the COVID-19 emergency. Draft papers on how the recommendations set out in the Phase II report are to be implemented, will be completed by the end of September 2020. The Board will consider these drafts when it meets on the 2 November 2020. If approved, the Board will then consider the process and timing of implementation.

2.8 **LGPS England and Wales Update**

Actuarial valuation of the LGPS 2016 published

The Government Actuary's Department (GAD) is undertaking an [actuarial valuation of the LGPS as at 31 March 2016](#) as part of the cost control process. This work was on hold because of the changes to the scheme in response to the McCloud judgment.

Employer cost cap process

Alongside the Public service pension schemes consultation, the Government made an announcement on the cost control mechanism that applies to all public service pension schemes. The announcement confirms that:

- the cost control mechanism pause will be lifted, and the cost control element of the 2016 valuations process will be completed
- the cost of addressing the discrimination identified in the McCloud judgment will be included in this process.

GAD issued a Technical [bulletin](#) on public service pensions on 16 July 2020 which summarises:

- the introduction of transitional protections when public service pension schemes were reformed in 2015
- proposals to remove the age discrimination
- the differences between immediate choice and deferred choice
- technical issues that need to be considered when implementing the remedy
- tax implications that may result from members changing scheme
- lifting the pause in the cost control mechanism.

Review of employer contributions and flexibility on exit payments

On 26 August 2020, MHCLG published a second [partial response](#) to the Local valuation cycle and the management of employer risk consultation that was issued in May 2019.

The response confirms that the LGPS 2013 Regulations will be amended to allow greater flexibility on employer exit payments and the ability to review employer contributions between valuations. The LGPS (Amendment) (No.2) Regulations 2020 provide for the changes and were laid on 27 August 2020. They come into effect from 23 September 2020.

A further response will be made by MHCLG in relation to the other proposals in the consultation (changes to the local fund valuation cycle, interim valuations and the status of further education, sixth form college and higher education corporations in England and Wales) in due course.

2.9 The Pension Regulator Updates

The Pensions Regulator (TPR) has given [guidance](#) to help pension schemes and their employers cope with the impact of COVID-19. The guidance contains various easements, most of which were set to remain until 30 June 2020, such as TPR taking a more flexible approach to what they expect schemes to report. On 16 June 2020, TPR published updated versions, alongside a [press release](#) summarising the changes.

2.10 Adapted version of transfer warning letter for LGPS now available

TPR's guidance on [communicating to members](#) during the COVID-19 pandemic includes a request for pension managers to issue a transfer warning letter to members applying for a cash equivalent transfer value (CETV) quote from a defined 12 benefits (DB) to a defined contributions (DC) scheme. The original letter, jointly prepared by TPR, the Financial Conduct Authority (FCA) and the Money and Pension Advice Service (MaPS), contains references to the Pension Protection Fund and is not suitable for use by the LGPS. TPR has now supplied a version of the transfer warning letter suitable for public sector schemes. TPR has asked that the letter is issued to all members requesting a CETV quote to a DC scheme for the foreseeable future.

2.11 TPR publishes Annual Report and Accounts 2019/20

On 16 July 2020, TPR [published its Annual Report and Accounts](#) for 2019/20.

2.12 2019/20 Scheme return

TPR has advised that the warmup email for the 2019/20 scheme return will be issued in the next few weeks.

3 Risk Register

3.1 The latest Risk register is enclosed for Committee's review.

4 Breaches Register

4.1 The latest version of the breaches register is attached, for 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. Work is continuing on actively locating these members and some payments have now been made.

5 Recommendation

5.1 To note the contents of this report.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none">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.		As per report	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:	Immediately		
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk
Relevant Portfolio Member(s):	Cllr Aled Davies		
Relevant Local Member(s):	N/A		

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. Cause: 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. Effect: 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. 38 members to 31.08.20	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	#NAME?

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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	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	2	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	1	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	01/10/2019		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	3	M	Medium	Funding strategy statement. Will this year (2020) commission Fund actuary to undertake a Fund cashflow forecast based on Fund maturity	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	M	Medium	
	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.	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	L	1	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	1	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	1	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	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	1	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	1	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 and other Employers being unable to provide appropriate services for its communities.	L	1	M	Low	Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. Quarterly investment performance reports presented to	Pension Fund Manager	A Davies	Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.	L	M	Low	
	PEN010	01/01/2015	FSS	Pension Fund	Significant rises in employer contribution rates for employers with weak covenants as a result of poor/negative investment returns.	Employer contribution rates rise to unsustainable levels that result in employers with weak covenants becoming insolvent.	L	1	H	Medium	Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. Quarterly investment performance reports presented to	Pension Fund Manager	A Davies	Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.	L	M	Low	
	PEN011	01/01/2015	FSS	Pension Fund	Failure to comply with LGPS and other statutory regulations.	Payment of incorrect pension benefits; provision of incorrect benefit estimates; failure to comply with governance standards; failure to meet HMRC tax requirements. Resulting in: loss of customer satisfaction / confidence; IDRPs and Ombudsman appeals; TPR fines for non-compliance. Reputational Risk	H	3	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 Local 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	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	1	M	Low	Compliance with Powys County Council Data Protection and ICT policies, including reference to remote/home working as appropriate.	Pension Fund Manager	A Davies	Data protection audit in conjunction with TPR data quality standards to be undertaken regularly.	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	2	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 39	PEN014	25/01/2016	CIPFA	Pension Fund	Lack of expertise of Pension Fund Officers and Head of Service	Poor decision making in relation to principal functions of the Pension Fund, particularly in relation to investments.	L	1	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 on long term sickness, large knowledge gaps remain.	M	2	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	1	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	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	2	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	1	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 40	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	2	H	Medium	The Fund adopts 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. 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	1	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	1	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	1	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	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	1	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. Reviewed during triennial valuation	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	1	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. Reviewed during triennial valuations.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	
Page 41	PEN025	01/01/2016	FSS	Pension Fund	Pensioners living longer and, changing retirement patterns.	Increased employer contribution rates.	L	1	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	1	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	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	2	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 changes.	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	2	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	2	M	Medium	Reconciliation Complete. Work on Rectification due to be complete by the end of 2020	Pension Fund Manager	A Davies	Appoint external partners to a) identify scale of work required; b) bank 'quick wins' - both now completed. Complete project by end of 2020.	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	P	I	Risk Rating					P	I	Risk Rating	
	PEN030	04/03/2016	LPB	Pension Fund	Insolvency of an investment manager investing Pension Fund assets.	A reduction in the capital value of the Fund; a loss of liquidity as creditors agree on distribution of assets; the costs of legal representation; and, reputational damage.	M	2	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. De Dilligence carried out by Wales Pension Partnership and its advisers.	Section 151 Officer	A Davies	Increased investment manager diversification may be further facilitated by pooling via the Wales Pension Partnership. 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 diiligence.	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	2	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 vehicles 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	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	2	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	
	PEN034	01/10/2019	LPB	Pension Fund	MIFID II ongoing compliance	Financial implications of not being treated as an institutional investor	H	3	H	High	Regular Review of MIFID Status	Pension Fund Manager	A Davies		M	M	Medium	
	PEN035	29/03/2020	LPB	Pension Fund	Pension Fund Personnel and/or key suppliers are unable to work due to extreme weather, fire, epidemics	Inability to deliver administration services or investment of the Fund. Impact of welfare of Pensions Section Staff.	H	3	H	High	Business Continuity Plan, assesment of Pensioner Payroll services. Electronic implementation of paperwork.	Pension Fund Manager	A Davies		M	M	Medium	#REF!

CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee
9th October 2020****REPORT BY: Head of Finance****SUBJECT: Wales Pension Partnership Update**

REPORT FOR: Information

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 The last Joint Governance Committee (JGC) meeting was held virtually on the 11th of September 2020 and a link to the agenda is available here:
- <http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?Clid=234&Mid=4662&Ver=4>
- 1.3 The Next JGC meeting is scheduled to take place on the 10th of December 2020 and will more than likely be held virtually.
- 1.4 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 Work has been continuing on the following items:
- Governance;
 - Ongoing establishment;
 - Communications and reporting;
 - Training and meetings; and

The public report pack, minutes and agenda from the latest JGC can be found [here](#).

- 2.2 The Joint Governance Committee have appointed a new Chair, with Councillor Glyn Carron from the Greater Gwent Pension Fund taking over from Councillor Peter Lewis of the Powys Pension Fund. Councillor Clive Lloyd of the Swansea Pension Fund appointed as Vice-Chair.
- 2.3 Sub-Fund Launch update. All of the Fixed Income sub-funds have now launched. In terms of the Powys Pension Fund, circa. £170 million of assets have been transitioned as part of this exercise.
- 2.4 At the meeting of the 11th July, the Climate Risk Policy for the WPP was approved. The policy can be viewed [here](#).
- 2.5 Training. The WPP held training on voting and engagement on the 22nd, 29th of September and 6th of October which was open to Officers and members of both Committees and Pension Boards.

3 Recommendation

- 3.1 To note the contents of this report.

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

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

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