

## Pensions and Investment Committee

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Meeting Venue

**By Zoom**

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Meeting date

**Friday, 15 July 2022**

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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

11 July 2022

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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 meetings held on 11 March 2022 and 17 June 2022 as correct records.

(Pages 5 - 12)

<b>4.</b>	<b>PENSIONS BOARD MINUTES</b>
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To consider a report from the Powys Pension Board Chair on the Board meeting held on 27 June 2022 and to receive for information the draft minutes of the meeting.

(Pages 13 - 22)

<b>5.</b>	<b>ADMINISTRATION AND GOVERNANCE UPDATE</b>
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To consider the reports.  
(Pages 23 - 46)

<b>6.</b>	<b>GOOD GOVERNANCE PROJECT UPDATE</b>
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(Pages 47 - 72)

<b>7.</b>	<b>KNOWLEDGE AND SKILLS FRAMEWORK INCLUDING MEMBER TRAINING</b>
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To consider the report.  
(Pages 73 - 90)

<b>8.</b>	<b>WALES PENSION PARTNERSHIP [WPP] UPDATE</b>
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To receive a report regarding the WPP.  
(Pages 91 - 110)

<b>9.</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>10.</b>	<b>PENSION FUND BUSINESS PLAN</b>
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To consider the report.  
(Pages 111 - 126)

<b>11.</b>	<b>WALES PENSION PARTNERSHIP [WPP] SUB-FUNDS LATEST VIEWS</b>
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To consider the report.  
(Pages 127 - 146)

<b>12.</b>	<b>ASSET ALLOCATION VIEWS JULY 2022</b>
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To consider the report.  
(Pages 147 - 162)

<b>13.</b>	<b>RESPONSIBLE INVESTMENT/FOSSIL FUEL EXPOSURE</b>
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To consider the report.  
(Pages 163 - 170)

14.	PERFORMANCE
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To consider the reports.  
(Pages 171 - 228)

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## **MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE HELD AT BY TEAMS ON FRIDAY, 11 MARCH 2022**

### **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

In attendance: Pension Fund Manager

<b>1.</b>	<b>EXEMPT ITEM</b>
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**RESOLVED** to exclude the public for the following items of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

<b>2.</b>	<b>APOLOGIES</b>
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There were no apologies for absence.

<b>3.</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>4.</b>	<b>RESPONSIBLE INVESTMENT</b>
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The Committee received a presentation on the net zero objective for the Pension Scheme.

There was a need to consider the date the Pool would set to achieve net zero alongside individual authority dates. Whatever date is agreed at the Fund, it would need to be both meaningful and measurable.

The Pension Fund are considering the journey to the net zero and have already transitioned some assets into lower carbon funds. A net zero target date is useful in terms of setting an actual target, but it needs to be meaningful, measurable and contribute to the overall solution towards a net zero economy. The Fund are considering how best to implement this to achieve the positive outcomes desired.

<b>5.</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 17 December 2021 as a correct record.

<b>6.</b>	<b>PENSIONS BOARD MINUTES</b>
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The Committee received the minutes of the Board held on 24 September 2021 and 15 December 2021.

The Committee received the Board Chair's report of the Board meeting held on 1 March 2022 and noted the minutes of the inquorate meeting held on 14 February 2022.

It was noted that recent meetings had struggled to be quorate necessitating rearrangement of dates. Extra members have been appointed and have participated in their first meetings. The Chair was optimistic that future meetings could be held as scheduled.

Some recommendations have been incorporated into the Committee's agenda for consideration. The Board suggest that the risk register be reviewed in the light of increasing inflation.

There was concern that demand was outstripping supply for staff in pensions administration teams. It was suggested that post entry training qualifications be reviewed in the light of new ways of working.

The Board recognise the impact of investing training new staff on performance data.

<b>7.</b>	<b>COMPLIMENTS AND COMPLAINTS POLICY</b>
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The Committee considered the draft Compliments and Complaints Policy.

It had been recognised that a policy was needed to replace the simplistic statement currently on the website. The draft policy identifies what can be expected, timescales and procedures. The version being considered by Committee has been reviewed and amended by the Pensions Board.

It was noted that complaints or compliments in regard to related policies including Data Protection and Freedom of Information, would be directed through the main Council scheme. The policy under consideration was Pension Scheme specific.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>the draft Compliments and Complaints Policy be approved and published as soon as possible.</b>	<b>As per report</b>

<b>8.</b>	<b>ADMINISTRATION AND GOVERNANCE REPORT</b>
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A Government Actuary Department Section 13 report is produced following the conclusion of the LGPS valuation process. Some recommendations had been made in the report for improvement and development of the valuation process in the LGPS. The report can also flag issues of concern, but none were raised in regard to the Pension Fund.

New regulations are due to be implemented in the summer, which encourage a “nudge” towards Pensions Wise to help pension savers make informed pension decisions. This is not relevant to the LGPS main scheme but may impact on the AVC element. It is not yet clear how much resource might be needed to ensure those members with an AVC can access the appropriate advice. Guidance is awaited for clarification.

The Pension Dashboard is a one stop shop which will enable pension savers to access multiple pension provider information in one location. The system will require data to be available and this could also have resource implications. A Data Improvement Plan is in place to ensure the quality of the pension fund data remains of high quality.

The Risk Register contained no new risks but the Pension Board comments regarding staff retraining and retention were noted. Discussions are underway to consolidate some risks. There are currently 35 risks but the consequences are the same for many. It is hoped that more meaningful risks can be developed to ensure the Register is more manageable. It is expected that the revised Register will be available for consideration at the next meeting.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>The report is noted.</b>	<b>As per the report.</b>

<b>9.</b>	<b>EXEMPT ITEM</b>
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**RESOLVED to exclude the public for the following items of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).**

<b>10.</b>	<b>INVESTMENT STRATEGY STATEMENT</b>
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The Statement reflects the investment strategy agreed in the autumn and requires the Committee’s approval prior to publishing.

Members were of the opinion that the relationship between the County Council and the Pension and Investment Committee in this regard needed to be formalised. The Pension Fund Manager agreed to discuss the matter with the Monitoring Officer if any further clarity is needed in addition to what is included in the Fund’s Governance and Compliance Statement.

**RESOLVED that**

- i) The Investment Strategy Statement be approved and published**
- ii) The Pension Fund Manager review the wording of the Governance and Compliance Statement and liaise with the Monitoring Officer if required.**

<b>11.</b>	<b>JOURNEY PLAN TO MOVE TO THE AGREED STRATEGIC BENCHMARK</b>
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The launch dates for Wales Pension Partnership [WPP] sub funds is likely to be known in the near future. Consideration needs to be given to where assets can

be invested in the short term to prepare for transition into the new sub funds once available.

There is to be a 10% allocation to infrastructure within the Investment Strategy Statement. Whilst the launch of the WPP infrastructure sub-funds is awaited, it is important for the Fund to prepare for these and it is recommended that the Fund consider where best to allocate investments in the meantime. It is recommended that protected equities, hedge funds or absolute return bonds are considered, since they are part of the existing strategy.

**RESOLVED that the 10% to be transferred to the WPP infrastructure fund be invested equally across the three strategies identified.**

<b>12.</b>	<b>EQUITY RISK MANAGEMENT</b>
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This proposal aims to avoid significant losses on long term equities and preserve their value to 2023, with consideration towards the imminent valuation of the fund. At present 50% of equities are protected and it is proposed that this continue. However, the market is volatile and it was suggested that the proposal be approved in principle, but the situation be monitored until April before a final decision is taken. It was suggested that this should be delegated to the Chair and Vice Chair but given the pre-election period commences on 14 March 2022 it was suggested that delegated authority be given to the S151 Officer and Pension Fund Manager.

**RESOLVED that**

- i) **Equity protection be rolled forward to December 2022**
- ii) **The Section 151 Officer and Pension Fund Manager be given delegated authority to finalise the arrangement depending on the position of the stock market in April 2022.**

<b>13.</b>	<b>PRIVATE EQUITY</b>
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The Committee received the report of the Pension Fund Advisers. It was noted that the Wales Pension Partnership was aiming to commence the procurement process for appointing an allocator for its Private Equity sub-fund soon with the launch to follow.

The Committee also noted the recommended allocation of funds to maintain the strategic exposure to the private equity markets whilst the WPP Private Equity sub-fund is developed.

**RESOLVED that the recommendation as set out in the report be approved.**

<b>14.</b>	<b>UKRAINE/RUSSIA POSITION</b>
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The Committee received the report of the Pension Fund Investment Advisers and noted that the Fund's exposure across its portfolio to Russian companies was around 0.1%. The Committee noted the Council resolution regarding divestment of funds from Russian companies and that the Wales Pension Partnership was already actively considering this.

**RESOLVED:**



- (i) that the report be noted;
- (ii) that the Pensions Manager work with the Council's Communications Team to issue a news release advising that the Committee was actively considering divestment in Russian companies and that the level of the fund's exposure was 0.1%. This information could also be posted onto the Pension website.

<b>15.</b>	<b>QUARTERLY MONITORING REPORT</b>
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The Committee received the report of the Pension Fund Advisers. It was noted that the position would be reviewed and an update provided for the end of March 2022.

**RESOLVED** that the report be noted.

<b>16.</b>	<b>GMP RECONCILIATION</b>
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The Committee received an update on the GMP Reconciliation project by the Head of Finance.

**RESOLVED** that the report be noted.

<b>17.</b>	<b>PENSION FUND BUSINESS PLAN</b>
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The Committee received the report of the Head of Finance proposing that in line with best practice a Fund Business Plan be prepared which could be published on the Fund's website. A draft business plan was attached to the report for consideration.

Whilst this is not currently a mandatory requirement, it was in line with best practice and it was suggested that it may become a mandatory requirement in future. The objectives set out in the business plan would also be included in the Service's Integrated Business Plan.

**RESOLVED** that the draft document be approved in principle subject to comments from the Pension Board and revision by the Pension Fund Manager and Head of Finance.

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

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**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE  
HELD AT BY ZOOM ON FRIDAY, 17 JUNE 2022**

PRESENT

County Councillor P E Lewis

County Councillors E A Jones, C Kenyon-Wade and D A Thomas

<b>1.</b>	<b>APOLOGIES</b>
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There were no apologies for absence.

<b>2.</b>	<b>ELECTION OF CHAIR</b>
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Resolved that County Councillor P Lewis be elected Chair for the ensuing year.

<b>3.</b>	<b>ELECTION OF VICE CHAIR</b>
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Resolved that County Councillor A Jones be elected Vice Chair for the ensuing year.

**County Councillor P E Lewis**

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POWYS PENSIONS AND INVESTMENTS COMMITTEE 15 JULY 2022

FEEDBACK FROM PENSION BOARD MEETINGS 27 JUNE 2022

### **Purpose of the Report**

In addition to the formal, more detailed minutes of the Board, this report provides an executive summary of the meeting of the Powys Pension Board on 27 June 2022 to enable the Pensions and Investments Committee (the Committee) to learn of and consider any recommendations, assurances gained and any 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 Committee is requested to note the outcomes from meeting of the Local Pension Board held on 27 June 2022.

### **Outcomes from Powys Pension Board Meetings on 27 June 2022**

#### **1. Recommendations**

- 1.1 The Board made various recommendations and observations to a draft version of the Business Plan, which are incorporated into a revised version to be presented to the Committee.
- 1.2 The Board made various recommendations and observations on the draft Conflicts of Interest Policy.

#### **2. Assurances Gained by the Board**

- 2.1 The Board gained the following assurances:

- that the Administration Team is on target to produce the Annual Benefit Statements for scheme members by the statutory date of 31 August 2022
- that good progress continues to be made in developing the Workflow system such that the Board would soon be able to undertake enhanced scrutiny of the completion of key tasks by the Pensions Administration Team as reflected in more effective Key Performance Indicators (KPIs).
- that, other than the acknowledged anomaly of delays in paying frozen refunds, there were no new recorded breaches of the law in the period since the last meeting.
- that there were no new or ongoing cases under the Internal Dispute Resolution Procedure (IDRP).
- that, regarding the Wales Pension Partnership (WPP), both the transparency within its Business Plan and the presence of a scheme member representative at the Joint Governance Committee meetings represented positive achievements, as was its approval as a signatory of the new Stewardship Code.
- that appropriate Governance arrangements had been put in place during the period covering the local elections, and that, as far as possible, the re-appointment to the Pensions and Investment Committee of previous Committee members will bring continuity and assist in managing the various risks involved in delivering a funded pensions scheme.

### **3. Other Items for Information**

- 3.1 The meeting became inquorate towards the close. A further short meeting will be held to review the revised Risk Register and to consider the draft Annual Report of the Pension Board.
- 3.2 The Board noted and understood the Fund's Responsible Investment Policy which emphasises engagement with companies to help achieve

better Environmental, Social and Governance (ESG) outcomes, with the divestment option, particularly around investments in fossil fuels, to be considered should engagement not prove effective in achieving the Fund's desired outcomes.

- 3.3 The Chair of the LGPS Advisory Board has indicated a willingness to attend the September meeting of the Board.

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 MONDAY, 27 JUNE 2022

### PRESENT

Gerard Moore (Chair)

John Byrne (Scheme Member Representative)

Nigel Brinn (Employer Representative)

Wayne Thomas (Employer Representative)

### In attendance

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

### 1. APOLOGIES

Apologies were received from Graham Evans (Employer Representative) and David Powell (Scheme Member Representative).

### 2. DECLARATIONS OF INTEREST

The Chair advised he was an Associate in The Chartered Institute of Public Finance and Accountancy [CIPFA] and declared an interest if reference was made to CIPFA when discussing the Board's training. The Board agreed that this does not represent a conflict of interest as the Pension Fund Manager is responsible for arranging training.

The Chair also advised that as the item on Additional Voluntary Contributions [AVC] was for information only, anyone who was making such contributions did not need to declare an interest.

### 3. MINUTES OF THE BOARD

The minutes of the last meeting held on 1 March 2022 were agreed as a correct record.

### 4. MATTERS ARISING

The Chair advised that The Pension Regulator [TPR] had advised it intends to place the legislation, in respect of the Singular Modular Code, before Parliament before the summer recess on 21 July 2022. The Pension Fund Manager would circulate any information produced by TPR once this had been done.

### 5. MINUTES OF PENSIONS AND INVESTMENT COMMITTEE

The Board received the Pensions and Investment Committee's draft minutes for 11 March 2022 and 17 June 2022.

#### Draft minutes 11 March 2022

- Comment was made that the Council's net zero target in respect of investments in fossil fuels for the Pension Scheme had to be meaningful and measurable. The ability to meet this target may be affected by the current situation in Ukraine. The Pension Fund Manager advised that the Council may form a view on such issues. However, the Pensions &

Investment Committee was independent of the Council and was continuing to consider this issue and would set appropriate targets.

- Investment Strategy Statement [ISS] – it was noted that the Committee had asked that the relationship between the County Council and the Pensions and Investment Committee be formalised in the ISS. The Pension Fund Manager advised that the relationship had also been referred to in the Governance and Compliance Statement which was published on the website.
- The Board noted the Governance arrangements which had been put in place during the election period.

Draft minutes 17 June 2022

- The Board noted the reappointment of the previous Committee Chair and Vice Chair. The Board Chair advised that he had formally approached the Group Leaders stating that continuity of membership was important for the Committee and that he hoped that if the previous post holders were re-elected they would be re-appointed to the Committee.

The Pension Fund Manager advised that recruitment to the scheme member and employer co-opted vacancies on the Committee was under way.

<b>6.</b>	<b>TPR [THE PENSION REGULATOR] CODES OF PRACTICE</b>
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The Board reviewed the following sections of Code of Practice 14 and noted the following [numbers refer to the Compliance indicator]:

#### **Managing Risks [104 – 120]**

114 – as part of the triennial valuation the actuary was reviewing the employer covenants. The Board were concerned about the impact of inflation on certain types of employers.

115 - once the implications of the Single Code are known, the Board will review in depth the internal controls within the “Managing Risks” section.

116 – an internal audit was expected during 2022. The Pension Fund Manager advised in response to a question that he would consider how the internal audit report is jointly considered by the Pensions & Investment Committee and Board.

#### **Maintaining Contributions [147 – 169]**

The Pension Fund Manager advised that it was ultimately the intention that the payment of contributions would be automated where possible, technology permitting.

#### **Reporting breaches of the law [244 – 270]**

The Breaches Register is considered by the Board at each meeting and the policy and log are reviewed regularly.

**The Board agreed that it would undertake a “deep dive” review of a specific area and this would be included in the work programme during the next 12 months.**

<b>7.</b>	<b>OPERATIONAL AND ADMINISTRATION REPORT &amp; UPDATE</b>
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The Board received and noted the Operational and Administration report.

In response to a question the Pension Fund Manager advised that the increase in Income was as a result of the back payment of the pay award. The Board noted that the Key Performance indicators report would be incorporated into the Operational and Administration report when officers were satisfied that the data in the former was accurate.

<b>8.</b>	<b>NEW LEGISLATION AND GOVERNANCE UPDATE</b>
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The Board received the New legislation and Governance update report.

The Board noted that the Department for Levelling Up, Housing and Communities (DLUHC) had published the Levelling Up White Paper. The Welsh Pension Partnership [WPP] was developing plans for the investment in local infrastructure in the UK and the Pension Fund would consider this asset class when available. The Board considered that this asset class would not only benefit the Fund but also society.

The Pension Fund Manager advised that the changes to the normal minimum pension age [from 55 to 57 from 6 April 2028] brought in by The Finance Act 2022 does not need to be communicated to members as the Local Government Pension Scheme [LGPS] regulations on when benefits are payable had not changed, however it would be considered good practice to provide some information. When these rules are aligned with the normal minimum pension age information will be sent to members as a requirement under the LGPS regulations.

LGPS Investments in Russia – the DLUHC letter to Pension Funds was noted. The WPP and the Pension Fund had agreed early on to disinvest in Russian held investments as soon as practically possible.

DLUHC letter on McCloud remedy – it was noted that the Fund had discussed how this would be addressed in the 2022 triennial valuation with the Actuary.

Letter from Prudential on administration delays for the LGPS – in response to a question regarding whether any delay in the Prudential's annual benefits statements, should the Fund be recording this as a breach, the Pension Fund Manager advised he thought the company had considered that. He advised that if they had not it would be considered by the Pension Fund.

Pensions Dashboard – the Pension Fund Manager advised that the Data Improvement Plan was already in place. Data is cleansed on an ongoing basis rather than just at year end. The level of interaction with the ecosystem is as yet unknown and further information is expected soon.

Annual Benefits Statement – the Pension Fund Manager advised that work for the Annual Benefits Statement was on schedule to be completed by the deadline of 31 August 2022. The Board noted that approx. 60% of active members and approx. 45% of deferred members were using the Pension Portal.

Valuation – the ongoing data cleansing had reduced the risk of issues at one point in the year. The Board acknowledged that the ongoing data cleansing

process is an example of risk management, making the team less vulnerable to staff absences at crucial times of the year.

## 9. GOOD GOVERNANCE UPDATE

The Board received the report.

The Board Chair advised that it had been stated by TPR that being a member of the LGPS is not in itself a conflict of interest for Committee members. It was noted that for transparency, Committee members declare such membership at meetings. The Pension Fund Manager advised similar procedures are in place across Wales, although it may be location dependant.

The following comments were made on the Draft Conflicts of Interest Policy:

- the Policy also applies to the independent Board Chair
- details of any conflicts would be kept on a register for the Pension Fund
- the order in which references are made to the law should be altered, so that the law relating to the Pensions & Investment Committee are given first
- references to the National Assembly Wales should be changed to the Welsh Government.
- where required rules relating to scheme members should be clarified
- potential and actual conflicts need to be clarified.

The Pension Fund Manager asked that any further comments should be sent to him.

## 10. RISK REGISTER UPDATE

The Board received the Risk Register, but members agreed that the document was difficult to read online and properly scrutinise.

**The Board agreed to defer consideration of the Risk Register to an extra meeting, when paper copies of the information would be sent to the Board and that this meeting would also consider the draft annual Board report.**

## 11. STANDING ITEMS WITH NO UPDATES REQUIRED

The Board noted the following in respect of standing items:

- a. Breaches Register – there were no new breaches recorded for other reasons.
- b. Audit Reports – a report would be considered when available
- c. Board Communications Log - noted
- d. Internal Dispute Resolution Procedure [IDRP] – no new or ongoing cases.

## 12. CONFIDENTIAL

**RESOLVED that in accordance with Section 106 [8] Local Government Pension Scheme [LGPS] Regulations 2013 the Board goes into the confidential agenda with the public and press being excluded as some of the information may relate to financial or business affairs of a particular person or organisation.**

## 13. PENSION BOARD CHAIR UPDATE

The Chair advised that Councillor Roger Philips, Chair of the Scheme Advisory Board [SAB] would attend the Board meeting on 19 September 2022. The Board Chair advised that this meeting would ideally be held in County Hall and he hoped all members could attend in person or via a hybrid meeting. The SAB 2021 annual report would be included on this agenda.

Nigel Brinn, Employer Representative left the meeting for Council business.

<b>14.</b>	<b>WALES PENSION PARTNERSHIP - INVESTMENT POOLING UPDATE [STANDING ITEM]</b>
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The Board received the report regarding the Wales Pension Partnership [WPP].

The Board noted that:

- the WPP had become a signatory to the UK Stewardship Code.
- the Private Market infrastructure investments would hopefully be available by the end of 2022
- the Business Plan would be considered by the Pensions & Investment Committee on 15 July 2022.

The Board Chair commented that the WPP Business Plan was a very transparent document and assurances could be gained from this. For a future document, reference should be made to the fact that a scheme member observer now attended the Joint Governance Committee meetings.

<b>15.</b>	<b>RESPONSIBLE INVESTMENT</b>
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The Board received the report on Responsible Investment and the work undertaken by the Fund since 2019. The Responsible Investment Policy was published in 2019 and is being reviewed and will be updated and published in due course. The WPP has become a signatory to the UK Stewardship Code and the Fund is considering the process involved to become a signatory. The Fund has a small exposure to fossil fuels and its policy is to engage with these companies to encourage positive change. Divesting is an option when changes are not made, or progress is not as expected.

John Byrne, Scheme Member representative left the meeting. As a result the meeting became inquorate.

<b>16.</b>	<b>BUSINESS PLAN</b>
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The following comments were made on the draft [numbers relate to the specific section]:

- 1.2 – the funding level should be included
- 1.3 – the information about the overall size of the LGPS needs to be consistent with the details in the SAB report
- 4 – the acronym CARE should be explained. Data quality is monitored by TPR on an annual basis.
- 5 – reference to the 2022 triennial valuation will be added if appropriate
- 6 – reference should be made to the role of the Pension Board
- 7 – regular meetings are held between the Pension Fund Manager and the S151 officer.

The draft would be updated and considered at the next Committee meeting.

<b>17.</b>	<b>WORKFLOW UPDATE</b>
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The Board received the work in progress Workflow report. Performance during the quarter for all processes was 89.3% against a desired target of 100%. However, this reflected the impact of the administration team training new staff. The Pension Fund Manager advised that work was continuing to develop and check the reporting system and once he was satisfied that the information was robust, the workflow report would be included on the public agenda. The Board welcomed this progress.

**Gerard Moore (Chair)**

**CYNGOR SIR POWYS COUNTY COUNCIL****Pensions and Investment Committee  
15<sup>th</sup> July 2022****REPORT BY: Head of Finance****SUBJECT: Governance and Administration 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 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. Key points for information****2.1 Scheme Advisory Board (SAB) Annual Report**

On the 13<sup>th</sup> of June 2022, the SAB have published the latest [Scheme Annual Report 2021](#) for the Local Government Pensions Scheme in England and Wales.

Some key LGPS highlights for 2021 are:

- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226m members in 2021 from 6.160m in 2020
- The total assets of the LGPS increased to £342bn (a change of 23.4%). These assets were invested in pooled investment vehicles (66.2%), public equities (13.4%) bonds (4.6%), direct property (2.3%), as well as other asset classes (8.7%)
- The Local Authority net return on investment over 2020/21 was 20.56%. This was reflective of the market conditions during the year and set against the UK equities return of 30%

- The scheme maintained a positive cash-flow position overall, including investment income
- Over 1.8m pensioners were paid over the year
- CoViD-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures v 2020)
- Total management charges increased by £196m (+12.9%) from £1,517m. This was primarily driven by a £193m (14.9%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

More detail can be found withing the report, available at the hyperlink above.

## **2.2 DHLUC Levelling Up White Paper**

On the 2<sup>nd</sup> of February 2022, the Department for Levelling Up, Housing and Communities (DLUHC) published the Levelling Up White Paper which makes reference to the Government's intention to ask LGPS pension funds to publish plans for increasing local investment, including setting an ambition of up to 5 percent of assets invested in projects which support local areas (UK projects, rather than local to the Administering Authority).

## **2.3 Letter from Prudential on administration delays for the LGPS**

The LGPS has been experiencing some administrative delays from the Prudential with regards to Additional Voluntary Contributions, who have formally acknowledged the issue and provided the [response](#) attached to this report as an Appendix.

## **2.4 Updated guidance on “Nudge” Consultation**

TPR has updated its [guidance](#) on communicating and reporting to reflect the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer members to Guidance etc) (Amendment) Regulations. The regulations came into force on 1 June 2022.

The Local Government Association (LGS) have also produced some [guidance](#) to assist administering authorities in processing the requests and how to refer members to AVC Wise.

### **In brief**

The “Nudge” Regulations affect LGPS members when they apply, or contact about applying, to take payment of or transfer their Additional Voluntary Contributions (AVC). The requirement to refer AVC members to Pension Wise:



- applies to applications received on or after 1 June 2022
- applies to all applications to take payment of AVCs in the LGPS
- replaces the requirement to signpost members to Pension Wise where it applies
- only applies to transfers where the member is 50 or over and transferring their AVCs to access them in another defined contribution scheme

#### Referring to Pension Wise

Administrators must:

- offer to book a Pension Wise appointment at a time and date and of a type that is suitable for the member. They can attend an online, face to face or telephone appointment
- where the member accepts the offer, take reasonable steps to book the appointment
- provide the telephone number and website address for Pension Wise so the member can book the appointment themselves if they want to
- explain their application cannot proceed unless you receive confirmation that they have received guidance or they opt out of receiving guidance
- explain how the member can opt out of receiving guidance.

## **2.5 Finance Act 2022**

The Finance Act received Royal Assent on the 24<sup>th</sup> of February 2022. Clauses 9 (Annual allowance deadlines), 10 (Normal minimum pensions age increase from 55 to 57 from 6<sup>th</sup> April 2028) and 11 (Power to change tax rules related to McCloud remedy) are relevant to the LGPS.

It is the LGA's view that Clause 10 does not trigger Regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which requires schemes to tell members about material alterations to basic scheme information.

This is because the change has not changed the LGPS rules on when benefits are payable. The LGPS rules on when benefits become payable are not automatically linked to the normal minimum pension age. The relevant government department will need to change the LGPS rules to align with the normal minimum pension age at some point on or before 6 April 2028. When the LGPS rules change, regulation 8 will then be triggered.

## **2.6 State Pension Age Review**

Under the Pensions Act 2014, must review the State Pension Age every 6 years. The report for the next review must be published by 7<sup>th</sup> May 2023 and on the 9<sup>th</sup> of February 2022, DWP launched a call for evidence to gather views from members of the public on several points, including:

- notice periods for State Pension age changes
- changes in working patterns
- predicted future changes to the workplace
- sustainability and affordability
- options for taking into account differences in circumstances when setting State Pension age
- what metrics should be considered to determine State Pension age

## **2.7 LGPS Investments in Russia**

On 4 March 2022, the SAB published information on Russian sanctions and divestment. This follows the coming into force of The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 on 1 March 2022.

On 9 March 2022, DLUHC sent a letter to all LGPS Committee Chairs, copying in the Chair of the SAB. It urges all parties to keep up to date with the list of Russian sanctions.

The information from the SAB and the letter from DLUHC can be found on the SAB's Boycotts Divestment and Sanctions [webpage](#).

On 4 March 2022, TPR published [guidance](#) for trustees regarding the conflict in Ukraine, which outlines TPR's expectations and areas for consideration.

The [WPP](#) and [Powys Pension Fund](#) have issued statements on the conflict in Ukraine and Russian investments.

## **3. Other Updates**

### **3.1 Pension Dashboards**

Work continues on the [Pension Dashboards Programme](#) and it is expected that the LGPS will have to interact with the dashboard ecosystem between October 2023 and April 2024.

It is not yet clear what resource and financial implications this will have for the Fund, but data will have to be accurate to ensure that the experience for the member is useful.

There will be a reliance on the administration software providers to help facilitate this project, so we wait to see what that will mean in practical terms for the Powys Fund.

It is imperative that data security is appropriately tested and that a digital ID is secure, since once logged in, a member will have access to pensions data from multiple sources increasing the potential for pension scams and other cyber risks.

## **3.2 Valuation**

Work is also progressing on the triennial valuation. Officers of the Fund have met several times with the actuary to discuss appropriate assumptions, data and a timeline.

The Fund submitted data to the actuary on the 5<sup>th</sup> of July, who will then commence work on the valuation itself. Data queries will be exchanged between the fund and the actuary over the summer with a view to having an interim set of valuation results before the end of the year, which will be presented to Committee once available.

The actuary will then produce a valuation report and the Rates and Adjustments Certificate, as required under the LGPS regulations by 31 March 2023 with the new employer contribution rates taking effect from 1 April 2023.

## **4. The Pensions Regulator**

### **4.1 “Looking ahead” blog published**

On the 24<sup>th</sup> of January the TPR [published a blog](#) to set out what TPR think 2022 will bring to workplace pensions and their plans for the year.

## **5 Risk Register**

### **5.1 Committee may recall some recent discussions on the Risk Register, in that it has grown over time as the number of identifiable risks increase.**

Work has been undertaken which has consolidated the risks into three separate categories, with the appropriate risks listed in each of those categories:

- Administration
- Governance
- Investment

It is felt that this will make the risk register easier to review and monitor as is attached as an appendix to this report for your review.

This was considered by the Pensions Board at their meeting on the 27<sup>th</sup> of June and another meeting is planned in the next few weeks to further consider the register.

## **6 Breaches Register**

### **6.1 Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Pensions Regulator Code of Practice no 14,**

published in April 2015, paragraphs 241 to 275 provides guidance on reporting these breaches.

Under the policy, breaches of the law are required to reported to the Pensions Regulator where there is a reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

6.2 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.

## 7 Recommendation

7.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
To note the content of the report.		As per the 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	churst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Councillor David Thomas
<b>Relevant Local Member(s):</b>	

Jo Donnelly  
Head of Pensions  
Local Government Association  
18 Smith Square  
Westminster  
London  
SW1P 3HZ

29<sup>th</sup> April 2022

Dear Jo

## **M&G plc administration delays for Local Government AVCs**

Further to our meetings and discussions in relation to administration performance for Local Government AVC schemes, I have provided some explanations below on this specific areas we have discussed.

### **Acknowledgement of delays**

In reference to our recent conversations and feedback received from you, M&G acknowledge that the service provided to Local Government AVC pension schemes and members has not been meeting expectations and requirements. M&G apologises that the service has not been what members would expect and is committed to the improvement of service to Administering Authorities, employers and scheme members.

### **Description of problems**

In late 2020 M&G migrated to an established administration platform. The platform is designed to offer M&G corporate pension customers and members greater digital capability and online access to their policies.

The approach to processing of contributions paid by employers was enhanced to introduce more controls. Historically, M&G have provided manual assistance to ensure contribution listings and payments were processed quickly (for instance where the payment and contribution listing amounts did not agree).

The enhanced system controls require the contribution listings and payments to agree. As this was not always the case, there were delays in the processing of contributions while discrepancies were addressed.

Contributions are a key dependency for all other administration processes. As a result of the processing delays, there was a collateral effect on the rest of the service that was initially experienced through increased call waiting times and delays in the processing of quotes and claims.

At the same time, as a result of the pandemic, there were restrictions in place that required colleagues to work from home. This had the effect of reducing operational efficiency which would not have been the case if colleagues had been co-located.

## **Actions taken to improve service**

As the administration delays and extended call waiting times became apparent, M&G have been operating a Service Recovery Operation. This has facilitated:

- Recruitment of additional staff into the administration and voice functions
- Dedicated staff working with employer payroll teams to resolve file disparities
- Provision of an escalation route for urgent claims and complaints
- A fast-track complaint resolution process
- Upskilling completed in Annuities and Pensions servicing
- Embedding of improved training processes
- Enhanced contingency plans being put in place from both a people and system perspective

Where there have been delays in the processing of benefits and contributions, M&G have ensured that no member has suffered financial detriment as a result of a delay caused by M&G. M&G assess each case on its own merit paying the member compensation, where appropriate.

## **Expected timescales for resumption of normal service**

### Call waiting times

- Staffing in our Voice teams was increased by c.50% since the deterioration in performance and the impacts of both Covid and system migration. Continued recruitment and upskilling continues on a monthly basis to deliver both further and future improvements in performance
- Telephone call abandonment rates and call wait times improved significantly through the second half of 2021 and early 2022. Unfortunately, more recently, the abandonment rate and call waiting times have increased. A recovery plan has been put in place to improve performance.

M&G aim to have abandon rate of less than 5% with a call wait time of less than 2 minutes.

### Customer Journeys (including Bereavements, Claims, New Business, Servicing)

M&G is now processing the large majority of core transactions (e.g. retirement claims, transfers, bereavements, contribution changes, fund switches and new member applications) within normal service levels.

Performance is measured on an end to end journey basis. This means that all activities are joined together and the customer journey time is calculated from the first point of contact to the point of closure where no other activity is required to deliver the customer outcome.

The target is for more than 95% of work to be completed within a set number of days depending on the specific work required. For example we aim to have all claims and bereavements processed within 5 working days of receiving all of the relevant documentation.

For the quarter to December 2021, for Local Government AVCs in England and Wales, 90.2% of work was completed within this target. M&G continue to focus on improving performance to this target.

#### Annual Benefit Statements and Scheme Revisions

As a consequence of the servicing delays outlined above, the production of the 2020 / 2021 annual scheme revision information and Annual Benefit Statements has been delayed. The majority of schemes received their annual benefit statements within the regulatory deadline. M&G is in contact with any schemes where information is yet to be issued. Detailed planning for the distribution of 2021/22 year scheme revision information and Annual Benefit Statements is underway and expected turnaround times will be confirmed to individual Administering Authorities.

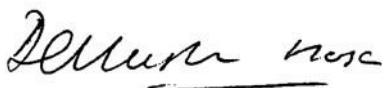
Scheme members can check the value of their AVC account through the online service. Members can login or register for the service at [www.pru.co.uk/login](http://www.pru.co.uk/login)

Existing AVC members can access additional support for any general enquiries through the AVC support team which is available Monday – Friday 8.30 - 6pm on 0800 6000 343. Secure messages can also be sent once you have registered for M&G online service.

#### **The Pensions Regulator**

M&G have continued to inform The Pensions Regulator about service performance and delays.

Yours sincerely



Alastair Hogg  
**Head of Corporate Pensions**

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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	<p>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 a number of historic 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.</p>	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	<p>Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members.</p>	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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## Risk Register Administration July 2022

Administration Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
ADMIN0004	Failure to maintain and hold up to date and accurate pension records. <b>Latest Review:</b> 10/01/2022 No current change to process. Constantly reviewed for efficiencies and improvements.	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.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>Pensions team work with employer payrolls to ensure data quality; data validation checks undertaken &amp; training</b> 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.</li> <li><b>Additional data validation and quality checks to be implemented as required by the TPR code of practice.</b></li> </ul>	Control In Place	
ADMIN0010	Payments to overseas pensions. <b>Latest Review:</b> 04/05/2022 Existence Exercise planned for 2022/23 year	Payments continuing to potentially deceased pensioners	Cllr David Thomas Jane Thomas	4	4	<ul style="list-style-type: none"> <li><b>Conduct Existence Check</b> Carry out an overseas existence check</li> </ul>	Control In Place	
ADMIN0009	Cessation of Service Contract for Pensions Administration System <b>Latest Review:</b> 01/11/2021 Acknowledged - will follow appropriate procurement process closer to the time	Failure to meet legislative requirements and administer the LGPS. Risk of intervention by the Pensions Regulator, legal challenges, reputational risk.	Cllr David Thomas Chris Hurst	10	4	<ul style="list-style-type: none"> <li><b>Monitor Contract Position</b> Work with the Administering Authority Commercial Services to conduct an appropriate procurement exercise at the appropriate time</li> </ul>	Control In Place	
ADMIN0003	Failure to hold scheme member's personal data securely. <b>Latest Review:</b> 01/11/2021 Latest data quality testing undertaken in Oct 2021 and scores for Common data is 97.7% and Scheme Specific is 91.85%.	Poor data quality; compromised data; fines	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Compliance with Powys County Council Data Protection and ICT policies.</b> Compliance with Powys County Council Data Protection and ICT policies.</li> </ul> <div>01/11/2021 Annual Data Quality testing and cleansing work completed in October 2021</div> <ul style="list-style-type: none"> <li><b>Data protection audit in conjunction with TPR data quality standards to be undertaken</b></li> </ul>	Action In Progress	30/09/2022
ADMIN0005	Failure to communicate effectively with stakeholders. <b>Latest Review:</b> 10/01/2022 Post filled on 1st January 2022 and communications plan in place.	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 affect the flow of pensions data to the Pension Fund.	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>communications policy</b> 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.</li> </ul>	Control In Place	

Administration Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
ADMIN0008	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. <b>Latest Review:</b> 10/01/2022 Dry run completed (December 2021) and completion due in Summer 2022 due to timings (Pension Increase etc)	Increase in Fund liabilities; increased employer contribution rates and deficit recovery payments; and, payment of incorrect pension benefits.	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Reconciliation Complete. Work on Rectification continuing</b> Reconciliation Complete. Work on Rectification continuing</li> <li><b>Appoint external partners to identify scale of work and help with whole exercise</b> Appoint external partners to identify scale of work and help with whole exercise</li> </ul>	Control In Place  Control In Place	
ADMIN0006	Pensioners living longer and, changing retirement patterns. <b>Latest Review:</b> 10/01/2022 Continuing. Regular modelling by Fund Actuary	Increased employer contribution rates.	Cllr David Thomas Chris Hurst	4	2	<ul style="list-style-type: none"> <li><b>The Fund actuary investigates these matters at each valuation or more frequently where appropriate.</b> 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.</li> </ul>	Control In Place	
ADMIN0001	Failure to pay pensions and lump sums on time <b>Latest Review:</b> 10/01/2022 No current change to process. Constantly reviewed for efficiencies and improvements	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.	Cllr David Thomas Chris Hurst	6	2	<ul style="list-style-type: none"> <li><b>Maintenance and update of Altair and Trent systems, sufficient staff resources and training. Quality assurance processes</b> Maintenance and update of Pension Administration and Trent systems, sufficient staff resources and training. Quality assurance processes in place to check work done.</li> <li><b>Continuing Review of processes and procedures</b> Ongoing review of process as part of continuous pensions administration workflow assessment</li> </ul>	Control In Place  Control In Place	
ADMIN0007	Deteriorating patterns of ill health or other early retirements. <b>Latest Review:</b> 10/01/2022 Considered by Actuary at regular intervals	Increase in employer contribution rates and deficit recovery payments.	Cllr David Thomas Chris Hurst	6	2	<ul style="list-style-type: none"> <li><b>Employers are required to pay the capital costs of early retirements (pension strain), upfront for all cases.</b> 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.</li> </ul> <div>01/11/2021    Patterns reviewed, but out of the Fund's control if an employer awards an ill health retirement</div>	Action In Progress	01/11/2022

Administration Risk			Portfolio	Inherent	Residual	Controls and Actions	
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status
ADMIN0002	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. <u><b>Latest Review:</b></u> 10/01/2022 Ongoing	Failure to provide service. 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.	Cllr David Thomas Chris Hurst	4	1	<ul style="list-style-type: none"> <li>• <b>business continuity planning and systems providers assurance</b> 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.</li> <li>• <b>Business Continuity Plan under review. Periodic review by the Pension Board of provider assurances in respect of cyber security</b></li> </ul>	Control In Place

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## Risk Register Governance 2022

Governance Risk			Portfolio	Inherent	Residual	Controls and Actions	
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status Review Date
GOVERN0002	Insufficient Fund cashflow to meet liabilities as they fall due. <b>Latest Review:</b> 04/05/2022 Cashflow review included in valuation work 2022/23	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.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>cashflow forecast in place</b> Funding strategy statement in place</li> <li><b>review strategic asset allocation to keep positive cashflow</b> Strategic asset allocation review completed 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.</li> </ul>	Control In Place
GOVERN0013	Lack of expertise of members of Pensions & Investment Committee <b>Latest Review:</b> 11/04/2022 Training needs analysis to be circulated following elections in May, once new Committee established	Poor decision making in relation to all aspects of the Fund, particularly those in relation to investment.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>Knowledge &amp; Skills Framework in place</b> Knowledge &amp; Skills Framework in place and published. Annual Training Needs Analysis carried out and training made available to Committee and Board regularly (provided by Fund, WPP and 3rd parties)</li> </ul>	Control In Place
GOVERN0016	Pension Fund Personnel and/or key suppliers are unable to work due to extreme weather, fire, epidemics <b>Latest Review:</b> 04/05/2022 Reviewed and Business Continuity Plans in place	Inability to deliver administration services or investment of the Fund. Impact of welfare of Pensions Section Staff.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> <li><b>Business Continuity Plan</b> Business Continuity Plan, assessment of Pensioner Payroll services. Electronic implementation of paperwork.</li> </ul>	Control In Place
GOVERN0010	Over-reliance on key Officers <b>Latest Review:</b> 04/05/2022 Reflected and recorded in BCP. Plan in place to share knowledge within Pensions Section	When senior Officers leave or are absent due to long term sickness, large knowledge gaps remain.	Cllr David Thomas Chris Hurst	12	6	<ul style="list-style-type: none"> <li><b>In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance</b> In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance from consultants.</li> </ul> <div>10/01/2022 Training needs identified and training will commence now additional resource available within the Section</div> <ul style="list-style-type: none"> <li><b>Formalise succession planning by including in Officer individual training plans for less senior Officers.</b></li> </ul> <div>10/01/2022 Training needs identified and training will commence now additional resource available within the Section</div>	Action In Progress
GOVERN0015	Appointment of new Pension Board Chair and membership of the Local Pension Board <b>Latest Review:</b> 08/07/2022 Chair continuing for a further 12 months	Non compliance with Public Services Pension Act. Challenge and scrutiny from the Pensions Regulator. Reduced quality of governance.	Cllr David Thomas Chris Hurst	12	6	<ul style="list-style-type: none"> <li><b>Pension Board Terms of Reference stipulate membership periods</b> Pension Board Terms of Reference stipulate membership periods and work with Pension Board members and administering authority to ensure appropriate recruitment processes are in place.</li> </ul>	Control In Place

Governance Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
GOVERN0008	Failure to comply with LGPS and other statutory regulations. <b><u>Latest Review:</u></b> 10/01/2022 Review process continues as normal	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.	Cllr David Thomas Chris Hurst	8	6	<ul style="list-style-type: none"> <li><b>rigorous checking/authorisation procedures for pension benefit calculations and payments, review governance policy;</b> Rand, regular review of governance compliance policy. Staff training and development.</li> <li><b>Closer partnership working with employer payrolls to facilitate accurate data receipts;</b> Closer partnership working with employer payrolls to facilitate accurate data receipts; increased compliance oversight provided by newly established Pensions Board.</li> </ul>	Action Completed	
GOVERN0001	Failure to collect and account for pension contributions being paid over to the Fund on time by Fund employers. <b><u>Latest Review:</u></b> 10/01/2022 Monitoring continuing. Intention is to review the process in 2022 and take advantage of technology where possible	Adverse audit opinion, potential delays to Fund employer financial reporting; and potential delay to production of annual report and accounts.	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Contributions received monitored on a monthly basis by Fund accounting staff.</b> Contributions received monitored on a monthly basis by Fund accounting staff.</li> <li><b>Requirement that each end of scheme year, Fund employers certify they have paid over contributions at the correct rates and time</b> Requirement that each end of scheme year, Fund employers certify that they have paid over contributions at the correct rates and on time.</li> </ul>	Control In Place	
GOVERN0003	Inability to deliver service as a result of the loss of key personnel <b><u>Latest Review:</u></b> 08/04/2022 Risk considered. No update	Failure to provide service at all, or at an acceptable level	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Business Continuity Plan in place for the pensions administration service</b> Assurances received from all systems providers in relation to their current resilience to the threat of a failure in cyber security.  <i>08/04/2022 Risk considered and no further update since last review.</i></li> <li><b>Keep Business Continuity Plan under review</b></li> </ul>	Action In Progress	01/04/2023
GOVERN0012	Failure to collect payments due from ceasing employers with no active members. <b><u>Latest Review:</u></b> 08/04/2022 Decision taken to include as part of 2022 valuation work	Failure to collect cessation payments from ceasing employers results in relevant liabilities being funded by the Powys Pension Fund and the active employers.	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>employer covenants, guarantor bonds, risk sharing agreements</b> 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.</li> </ul>	Control In Place	
GOVERN0014	An admitted body ceasing to exist with insufficient funding or level of a bond available to meet all its Fund liabilities. <b><u>Latest Review:</u></b> 08/04/2022 Part of 2022 valuation work commencing from 1st April 2022	Unfunded pension liabilities being orphaned without sufficient funding/guarantees in place, resulting on increased liabilities falling on other Fund employers.	Cllr David Thomas Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Regular review of admitted body covenants and financial health.</b> Regular review of admitted body covenants and financial health.  <i>08/04/2022 To form part of 2022 valuation work</i></li> </ul>	Action In Progress	08/10/2022



Governance Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
						<ul style="list-style-type: none"> <li><b>To seek funding guarantees wherever possible, from other Scheme employers or outside bodies</b> 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.</li> </ul>	Control In Place	
GOVERN0006	Significant rises in employer contribution rates for Fund employers with weak covenants as a consequence of increases in liabilities. <u><b>Latest Review:</b></u> 08/04/2022 Part of 2022 valuation work	Employer contribution rates rise to unsustainable levels that cause employers to become insolvent	Cllr David Thomas Chris Hurst	8	4	<ul style="list-style-type: none"> <li><b>In process of developing risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty</b> 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</li> <li>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. control.</li> </ul> <div>08/04/2022 Consideration towards risk sharing can form part of 2022 valuation work, so we will look at it as part of that process.</div>	Action In Progress	08/10/2022
GOVERN0009	Lack of expertise of Pension Fund Officers and Senior Officers <u><b>Latest Review:</b></u> 04/05/2022 Annual Training Needs Analysis undertaken. Training provided and logged.	Poor decision making in relation to principal functions of the Pension Fund, particularly in relation to investments.	Cllr David Thomas Chris Hurst	8	4	<ul style="list-style-type: none"> <li><b>training and performance reviews, conferences, seminars to upskill and develop knowledge</b> 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.</li> <li><b>Training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both PIC &amp; PB</b> 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 &amp; Investment Committee and the Pensions Board.</li> </ul>	Control In Place	
GOVERN0004	Loss of funds through fraud or misappropriation <u><b>Latest Review:</b></u> 04/05/2022 Nothing to add - processes in place to check.	Financial loss to the Fund	Cllr David Thomas Chris Hurst	6	2	<ul style="list-style-type: none"> <li><b>audit and control tests, due diligence done when new manager appointed</b> 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.</li> </ul>	Control In Place	

Governance Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
GOVERN0005	Significant rise in employer contribution rates for Fund employers with strong covenants, as consequence of increases in liabilities. <u>Latest Review:</u> 04/05/2022 Employer Risk review included as part of valuation work in the 2022/23 year	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.	Cllr David Thomas Chris Hurst	6	2	<ul style="list-style-type: none"> <li><b>Employers have Discretionary Powers Policies that help to control liabilities</b> 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.</li> </ul>	Action In Progress	04/11/2022
						04/05/2022 Existing process in place		
						<ul style="list-style-type: none"> <li><b>insurance options investigated</b> 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.</li> </ul>	Action In Progress	04/08/2022
						04/05/2022 Employer Risk work included in valuation work in 2022/23 year		
GOVERN0007	Significant rises in employer contribution rates for employers with strong covenants as a result of poor/negative investment returns. <u>Latest Review:</u> 04/05/2022 Review being included in Valuation work in 2022/23	Employer contribution rates rise to unacceptable levels that result in Powys County Council being unable to provide appropriate services for its communities.	Cllr David Thomas Chris Hurst	6	2	<ul style="list-style-type: none"> <li><b>Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes</b> Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.</li> </ul>	Action In Progress	04/11/2022
						04/05/2022 Continuing and reviewed at each Committee meeting. Interim review conducted and no plans to change strategy		
						<ul style="list-style-type: none"> <li><b>Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection.</b> 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.</li> </ul>	Control In Place	
GOVERN0011	Failure to provide the pensions service in accordance with principles of equality. <u>Latest Review:</u> 04/05/2022 No Change. Operate LGPS in accordance with the Regulations	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.	Cllr David Thomas Chris Hurst	9	0	<ul style="list-style-type: none"> <li><b>The Fund maintains a Welsh Language register in respect of scheme members and employers.</b> The Fund maintains a Welsh Language register in respect of scheme members and employers.</li> <li><b>To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc.</b> To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc.</li> </ul>	Control In Place	

## Risk Register Investment July 2022

Investment Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
INVEST0007	Insolvency of an investment manager investing Pension Fund assets. <b>Latest Review:</b> 08/07/2022 Investment Consultants monitor and review	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.	Cllr David Thomas Chris Hurst	9	6	<b>• diversification of investment managers, limits for individual investments mandates</b> 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.	Control In Place	
						<b>• Increased investment manager diversification may be further facilitated by pooling via the Wales Pool that is currently under de</b> 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.	Control In Place	
INVEST0008	Pooling of Pension Fund assets with other LGPS Pension Funds. <b>Latest Review:</b> 08/04/2022 Reviewed and monitored	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.	Cllr David Thomas Chris Hurst	9	6	<b>• Due diligence on all pooling proposals; full transparency of all pool proposals and costs; full participation of Pension Fund</b> Due diligence on all pooling proposals; full transparency of all pool proposals and costs; full participation of the Pension Fund in all pooling development.	Control In Place	
						<b>• Pooling vehicle to be structured so that each participating Fund has full representation the pool</b> 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.	Control In Place	

Investment Risk			Portfolio	Inherent	Residual	Controls and Actions	
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status Review Date
INVEST0009	MIFID II ongoing compliance <b>Latest Review:</b> 10/01/2022 Current process continuing, but updated as required when new manager appointed or training needs identified.	Financial implications of not being treated as an institutional investor	<i>Cllr David Thomas</i> Chris Hurst	12	6	<ul style="list-style-type: none"> <li><b>Regular Review of MIFID Status</b> Regular Review of MIFID Status</li> </ul>	Control In Place
INVEST0011	Increased risk on Fund Employers. <b>Latest Review:</b> 04/05/2022 Employer Risk Assessment to be conducting as part of valuation work in 2022-23	Potential Failure of Participating Employer or unsustainable Employer Contributions	<i>Unassigned</i>  Jane Thomas	4	4	<ul style="list-style-type: none"> <li><b>Regular Review of Employer Covenants with Fund Actuary</b> Work with the Fund Actuary to review employer covenants on a regular basis, being conducted as part of the 2022 Valuation Work</li> </ul>	Control In Place
INVEST0006	Pay and price inflation significantly more than anticipated. <b>Latest Review:</b> 10/01/2022 Valuation work to commence April 2022	Increased employer contribution rates and deficit recovery payments.	<i>Cllr David Thomas</i> Chris Hurst	9	4	<ul style="list-style-type: none"> <li><b>Employers 'pay' for their own salary awards and are reminded of the geared effect on salary-linked pension liabilities</b> 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.</li> </ul>	Action Completed
INVEST0010	Fall in the returns on Government bonds. <b>Latest Review:</b> 10/01/2022 Considered by Consultant for each meeting	Increase to the value placed on Fund liabilities.	<i>Cllr David Thomas</i> Chris Hurst	9	4	<ul style="list-style-type: none"> <li><b>Allowing for a risk-based approach should limit the impact of short-term changes in returns on Government bonds</b> 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.</li> </ul>	Control In Place
INVEST0001	Pension Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term. <b>Latest Review:</b> 10/01/2022 Regularly monitored by consultant and committee	Increased employer contribution rates.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>anticipate long-term returns on a relatively prudent basis to reduce the risk of under-performance.</b> 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.</li> </ul>	Control In Place
INVEST0005	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. <b>Latest Review:</b> 10/01/2022 Statement Approved and Published in August 2021	Increased employer contribution rates.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> <li><b>Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted to three years, or 6 years</b> Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted to three years, or 6 years, in very exceptional circumstances.</li> </ul>	Control In Place

Investment Risk			Portfolio	Inherent	Residual	Controls and Actions	
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status Review Date
INVEST0002	Inappropriate long-term investment strategy. <b><u>Latest Review:</u></b> 10/01/2022 New Strategy approved in December 2021 meeting	Failure to meet funding objectives.	Cllr David Thomas Chris Hurst	8	4	<ul style="list-style-type: none"> <li>• <b>Use of a Fund specific benchmark, as recommended by the Fund's investment consultant.</b> Use of a Fund specific benchmark, as recommended by the Fund's investment consultant.</li> </ul>	Control In Place
INVEST0003	Active investment manager under-performance relative to the benchmark. <b><u>Latest Review:</u></b> 10/01/2022 Discussed as required with consultants and Committee	Failure to meet funding objectives.	Cllr David Thomas Chris Hurst	4	2	<ul style="list-style-type: none"> <li>• <b>Short-term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</b> Short-term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.</li> </ul>	Control In Place
INVEST0004	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. <b><u>Latest Review:</u></b> 10/01/2022 Policy and FSS published in summer 2021	Increased employer deficit recovery payments.	Cllr David Thomas Chris Hurst	4	2	<ul style="list-style-type: none"> <li>• <b>discuss every such situation with the Pension Fund actuary, for each individual employer.</b> 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.</li> </ul>	Control In Place

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**CYNGOR SIR POWYS COUNTY COUNCIL****Pensions and Investment Committee  
15<sup>th</sup> July 2022****REPORT BY: Head of Finance****SUBJECT: Good Governance Project Update**

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**REPORT FOR: Information**

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**1 Introduction**

- 1.1 Committee will be aware that The Scheme Advisory Board (SAB) commissioned Hymans Robertson to facilitate a consultation on good governance structures for the Local Government Pension Scheme (LGPS) in 2019. The purpose of the consultation was to consider how best to accommodate LGPS functions within the democratically accountable local authority framework, in a way that ensures that conflicts of interest are addressed and managed appropriately, in order that the LGPS remains appropriately resourced and able to deliver its statutory functions.
- 1.2 The project was conducted over three phases, which can be seen on the [SAB website](#). This report has been produced to update Committee on progress since the final report was produced in 2021.

**2. Outcomes of the report**

- 2.1 The [Phase 3 report](#) and accompanying [action plan](#) (also attached as appendix A) comprises:
- Those matters that would fall to the Ministry of Housing, Communities and Local Government (MHCLG) to implement, either by amending scheme regulations or producing statutory guidance
  - Those matters that would fall to the Board and other bodies to implement - subject to the actions in 1 being taken by MHCLG - and
  - Actions to identify and promote existing best practice that the Board can take forward regardless of the outcome of the above.
- 2.2 The Department for Levelling Up, Housing and Communities (DHLUC – formerly the Ministry of Housing, Communities and Local Government (MHCLG)) is continuing to work on the findings to provide guidance and updated regulations. Many of the recommendations within the

report require further guidance, but the Fund has reviewed them and continued to work on the findings in the meantime, which include;

- Development of a draft Conflicts of Interest Policy, which is attached as an Appendix for Committee's consideration and approval. The draft has been reviewed by the Pension Board and their comments included in this version.
- The Fund has a Knowledge & Skills Assessment framework, that has been migrated into a standard Pension Fund Policy Document for consistency of delivery. This is presented to Committee as its own item later in the agenda.
- Development of a Fund Business Plan. This is presented to Committee as its own item later in the agenda.

### **3. Other Updates**

#### **3.1 Cyber Security**

Work has been undertaken to review Business Continuity Plans in the event of a cyber-attack and the Administering Authority has their own Major Incident Response Plan, which the Fund would utilise and follow in the event of a cyber-attack.

Work is continuing on a "Cyber Incident Response Plan" document which will be held on the Fund's website, which is an externally hosted environment away from the administering authority and available for access should the administering Authority's network be unavailable or compromised as a result of a cyber-attack. This will increase the resilience of the Fund through not having a complete reliance on the Administering Authority's network infrastructure.

The Pensions Administration platform is also externally hosted, meaning that it should remain available in the event of a cyber incident at the Administering Authority. Regular assurances are sought from the pensions administration software providers as to their resilience and responses to cyber threats.

#### **3.2 Business Plan**

The action plan also recommends that the Pensions and Investment Committee are involved in the Business Planning for the Fund. The draft Business Plan for 2022/23 has therefore been provided for consideration as an item under its own merit later in the agenda.

There are some immediate pressures faced by the Fund as a result of the recent local elections and recruitment exercise related to training needs and requirements, which are identified within the business plan.



## 4 Recommendation

- 4.1 To note the contents of this report and approve the Conflicts of Interest Policy for the Fund.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
1.Consider the report and;  2. Approve the Conflicts of Interest Policy for the Fund		As per the report and as recommended in the SAB Good Governance Project	
<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 David Thomas	
<b>Relevant Local Member(s):</b>			

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# Scheme Advisory Board

## ANNEX to letter from SAB Chair to Luke Hall MP 11.2.2021

### Action Plan (extract from Board report of 8 February 2021)

The action plan consists of formal requests from the SAB to MHCLG and other bodies to implement the recommendations from the project together with actions for the SAB which are either dependant on or regardless of the outcome of those requests.

- Column 1 of the grid below sets out the recommendations listed in the final report from Hymans Robertson.
- **Column 2 shows the actions proposed for MHCLG either by way of regulation or statutory guidance.**
- Column 3 shows any associated work that would need to be undertaken by bodies other than MHCLG or SAB
- Column 4 shows work that would need to be undertaken by SAB dependant on MHCLG guidance/work by other bodies being completed and;
- Column 5 shows actions that SAB can undertake to further improve scheme governance and administration immediately, regardless of the actions of MHCLG and other bodies.

Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
<b>A.1</b> MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").	Publish statutory guidance (SG) to include requirements set out below using either reg 2(3A) powers or a new regulation in section 3			

### Scheme Advisory Board Secretariat

18 Smith Square, London SW1P 3HZ

The Board secretariat is provided by the Local Government Association

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
<b>A.2</b> Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund (“the LGPS senior officer”).	Set requirement in scheme regulations	CIPFA to refer to the role in their guides	Publish a guide to the named officer role	Letter to CIPFA confirming SAB’s recommendation to Minister
<b>A.3</b> Each administering authority must publish an annual governance compliance statement (GCS) that sets out how they comply with the governance requirements for LGPS funds, as per statutory Guidance. This statement must be co-signed by the LGPS senior officer and S151.	Set requirement in scheme regulations and publish high level statutory guidance		Publish a guide to GCS, including best practice examples	
<b>B.1</b> Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.	Set requirement in statutory guidance at <b>A.1</b>		Publish a guide to Col policies, including best practice examples	Survey AAs to identify extent of conflict of interest policies already in existence

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
<b>B.2</b> The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB	Request that MHCLG clarify Fiduciary Duty in statutory guidance at <b>A.1</b>	CIPFA to make reference in their Knowledge and Understanding framework	Publish guide on statutory and fiduciary duty based on A1 guidance and further legal advice	Seek further legal advice in co-ordination with Administering Authorities and recommend any further action in this area
<b>C.1</b> Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.	Set requirement in statutory guidance at <b>A.1</b>		Publish a guide to representation based on requirements of SG	Survey AA's for analysis of current representation
<b>D.1</b> Introduce a requirement via the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.	Set requirement in statutory guidance at <b>A.1</b>	CIPFA to make reference in their Knowledge and Understanding framework	Publish a guide to relevant training including suppliers	Investigate existing training in this area and publish results

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
<b>D.2</b> Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.	Set requirement in statutory guidance at <b>A.1</b>	CIPFA to make reference in their Knowledge and Understanding framework	Publish a guide to relevant training including suppliers	
<b>D.3</b> Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.	Set requirement in statutory guidance at <b>A.1</b>		Publish a guide to training plans	Survey AA's for existing training plans and publish for best practice
<b>D.4</b> CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.		CIPFA to produce appropriate guidance and training		Letter to CIPFA setting out request
<b>E.1</b> Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The	Set requirement in statutory guidance at <b>A.1</b>		Publish a Guide to Roles and Responsibilities Matrix	Survey and publish existing delegation arrangements in AA's

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
matrix should reflect the host authority's scheme of delegation and constitution, and be consistent with role descriptions and business processes.				
<b>E.2</b> Each administering authority must publish an administration strategy.	Set requirement in scheme regulations		Publish a guide to administration Strategy	Obtain and publish examples of existing PSAs
<b>E.3</b> Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service	Set requirement in scheme regulations or SG	CIPFA to include in AR&A guidance		
<b>E.4</b> Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.	Set requirement in statutory guidance at <b>A.1</b>	CIPFA to publish appropriate guidance		Investigate and publish current arrangements for agreeing pensions budget

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
<b>F.1</b> Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.	Set requirement in scheme regulations, and include in high level statutory guidance		Establish panel of experts to review biennial governance reviews	Investigate the work of any similar bodies and consider potential structure and membership
<b>F.2</b> LGA to consider establishing a peer review process for LGPS Funds.		LGA to consider proposal		Letter to LGA setting out request





**CRONFA BENSIWN  
POWYS  
PENSION FUND**

**Conflicts of Interest Policy**

Drafted April 2022

## **Introduction**

Potential conflicts of interest exist within the LGPS by its nature, as many of those involved with managing LGPS Pension Funds have a variety of roles and responsibilities simply by being a scheme member, or as an elected member of a participating employer within the LGPS, or as an adviser to more than one LGPS administering authority. It should be noted that simply being a scheme member would not constitute a conflict of interest. In addition, any of those persons may have a personal, business or other interest which might conflict, or be perceived to conflict, their responsibility of managing or advising an LGPS Fund.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy for the Powys Pension Fund, which is managed by Powys County Council. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Powys Pension Fund whether directly or in an advisory capacity.

This policy is established to guide members of the Pensions and Investment Committee, Pension Board, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund.

## **Aims and Objectives**

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise

- Act with integrity and ensuring that decisions taken are robust and well documented
- Understand and monitor risk
- Strive to ensure compliance with appropriate legislation and statutory guidance and to follow best practice
- Clearly state its objectives and how it intends to achieve those objectives through business planning, then continually measure and monitor success

The identification and management of potential and actual conflicts of interest is integral to the Administering Authority achieving its governance objectives.

### **To whom this Policy Applies**

This Conflicts of Interest Policy applies to all members of the Pensions and Investment Committee and the Pension Board, including and independent chair, scheme member and employer representatives, whether voting members or not. It applies to all senior officers involved in the management of the Fund (the Section 151 Officer).

The Pension Fund Manager will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

The Policy also applies to all advisers and suppliers to the Fund, whether advising the Pensions and Investment Committee, Pension Board or Fund officers.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes, but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority and any other body on which they represent the Administering Authority, on any actual or potential conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

## **Legislative and related context**

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance.

### **Local Government Act 2000**

All members and co-opted members of the Powys Pensions and Investment Committee are required by the Local Government Act 2000 to abide by Powys' Members' Code of Conduct, which contains provisions relating to personal interests, personal and prejudicial interests, their disclosure and limitations on members' participation where they have any such interest.

### **The Local Government Pension Scheme Regulations 2013**

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each Administering Authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment, or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each Administering Authority must have regard to guidance issued by the Secretary of State in relation to Pension Boards. Furthermore, regulation 110 provides that the national scheme advisory board has a function of providing advice to Administering Authorities and Pension Boards.

### **The Pensions Act 2004**

The Public Service Pensions Act 2013 also added provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that existing code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

### **The Public Service Pensions Act 2013**

Section 5 of this Act requires that the scheme manager (this is the administering authority within the LGPS) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time

thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Furthermore, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue.

### **CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance**

The CIPFA governance principles guidance states *"the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have."* It highlights the need for Administering Authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities;
- ensure declarations are updated appropriately.

This Conflicts of Interest Policy takes account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

### **The Public Services Ombudsman for Wales’ Ten Guiding Principles**

The Local Government Act 2000 empowered the Welsh Government to issue principles to which local authority elected members must have regard in undertaking their role as a member. These principles draw on the 7 Principles of Public Life which were set out in the Nolan Report “Standards of Conduct in Local Government in England, Scotland and Wales”.

The current principles were set out in a statutory instrument and are detailed below. Many of the principles are integral to the successful implementation of this Policy.

1. Selflessness
2. Honesty
3. Integrity and Propriety
4. Duty to Uphold the Law
5. Stewardship
6. Objectivity in Decision-making
7. Equality and Respect
8. Openness
9. Accountability

## 10. Leadership

### **Advisers' Professional Standards**

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

### **Other Administering Authority Requirements**

#### **Pensions and Investment Committee Members**

In addition to the requirements of this Policy, Pensions and Investment Committee members and co-opted members are required to adhere to the Powys County Council Members' Code of Conduct which includes requirements in relation to the disclosure and management of personal and prejudicial interests.

#### **Pension Board Members**

In addition to the requirements of this Policy, Pension Board members are required to declare any interests that may lead to a conflict situation.

#### **Employees**

In addition to the requirements of this Policy, officers of Powys County Council are required to adhere to the Powys County Council Officers' Code of Conduct which includes requirements in relation to the disclosure and management of personal and pecuniary interests.

#### **Advisers**

Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pensions and Investment Committee or Fund officers, as long as there is no conflict of interest between the two roles.

#### **Conduct at Meetings**

There may be circumstances where a representative of employers or scheme members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pensions and Investment Committee meeting, and that this will be recorded in the minutes.

### **What is a Conflict or Potential Conflict and how will they be managed?**

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by Powys County Council, and
- at the same time has:
  - a separate personal interest (financial or otherwise) or
  - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 1. The appendix also illustrates where disclosure of a personal or prejudicial interest may separately be required for Pensions and Investment Committee members (including co-opted members) under the Powys County Council Members' Code of Conduct.

Powys County Council will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pensions and Investment Committee meeting)

Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, Powys County Council shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

## **Responsibility**

Powys County Council as the scheme manager for the Powys Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Pension Fund Manager is the designated individual for ensuring the procedure outlined below is carried out.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

## **Operational procedure for officers, Pensions and Investment Committee members and Pension Board members**

The following procedures must be followed by all individuals to whom this policy applies.

However, it should be noted all members of the Pensions and Investment Committee (including co-opted members) have a pre-eminent requirement to follow and abide by the requirements of the Powys County Council Members' Code of Conduct relating to the treatment and disclosure of certain personal and prejudicial interests. Accordingly, for those members, disclosures under this policy may **be in addition** to disclosures under the Council's Code of Conduct.



<b>What is required</b>	<b>How this will be done</b>
<i>Step 1 - Initial identification of interests which do or could give rise to a conflict</i>	<p>On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 2.</p> <p>The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest in a format the same or similar to that included in Appendix 3.</p>
<i>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</i>	<p>At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the minutes of the meeting and also in the Fund's Register of conflicts of interest.</p> <p>At Powys Pensions and Investment Committee meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda.</p> <p>Any individual who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chairman and the Pension Fund Manager prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Pension Fund Manager, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>If such a conflict is identified outside of a meeting the notification must be made to the Pension Fund Manager and where it relates to the business of any meeting, also to the Chairman of that meeting. The Pension Fund Manager, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the Pension Fund Manager may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest and in the minutes of the meeting if raised during a meeting.</p>
<i>Step 3 - Periodic review of potential and actual conflicts</i>	<p>At least once every 12 months, the Pension Fund Manager will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund conflicts of interest. All individuals will complete confirm that their information is correct or highlighting any changes that need to be made.</p>

## **Operational procedure for advisers**

All of the key advisers are expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients.

Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead, all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the Pension Fund Manager in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to Powys County Council
- notify the Pension Fund Manager immediately should a potential or actual conflict of interest arise
- highlight at all meetings should a potential or actual conflict of interest arise, preferably at the start of the meeting.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

## **Monitoring and Reporting**

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Pension Fund Manager.

In order to identify whether the objectives of this Policy are being met the Administering Authority will:

- Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity

## **Key Risks**

The key risks to the delivery of this Policy are outlined below. These could potentially result in an actual conflict of interest arising if not properly managed. The Pension Fund Manager will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy

- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

## **Costs**

All costs related to the operation and implementation of this Policy will be met directly by Powys Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

## **Approval, Review and Consultation**

This Conflicts of Interest Policy will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

## **Further Information**

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Chris Hurst,  
Pension Fund Manager, Powys County Council  
E-mail – [chris.hurst@powys.gov.uk](mailto:chris.hurst@powys.gov.uk)  
Telephone – 01597 827640

## Examples of Potential Conflicts of Interest

Examples of Pension Related Potential Conflict of Interest	Also a Personal or Prejudicial Interest*
a) An elected member on the Pensions and Investment Committee may be required to provide views on a funding strategy which could result in an increase in employer contributions payable by the employer he or she represents.	No
b) A member of the Pensions and Investment Committee member is on the board of an Investment Manager that the Committee is considering appointing.	Yes
c) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.	No
d) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.	Yes
e) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Section 151 Officer, who has responsibility for the Council budget, is expected to approve the report to go to the Pensions and Investment Committee which, if agreed would result in a material reduction in the recharges to the Council from the Fund.	No
f) Officers of the Fund are asked to provide a report to the Pension Board or Pensions and Investment Committee on whether the administration services should be outsourced which, if it were to happen could result in a change of employer or job insecurity for the officers.	No
g) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only serves to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.	No
h) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, providing delegated or fiduciary management of Fund investments, providing assistance with monitoring the covenant of employers or where they are also advisers to the Wales Pensions Partnership.	No
i) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pensions and Investment Committee or Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out	No

	their functions as a member of the Pensions and Investment Committee or Pension Board.	
j)	An officer of the Fund or member of the Pension Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process	No
k)	An officer of the Fund is asked to provide guidance to the Local Pension Board on the background to an item considered at the Pension Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Committee item.	No
l)	A member of the Pensions and Investment Committee or officer of the Fund is on a Wales Pensions Partnership committee/group and a matter is being considered that would benefit their originating Council or Pension Fund to a greater degree than other participating Councils or Funds.	No

\* This indicates those interests that must also be declared by Pensions and Investment Committee members in accordance with the Powys County Council Members' Code of Conduct.

## Declaration of Interests relating to the management of Powys Pension Fund administered by Powys County Council

*Tick as appropriate*

I, \_\_\_\_\_ [insert full name], am:

- an officer involved in the management ☐
- Pensions and Investment Committee Member ☐
- Pension Board Member ☐

of Powys Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Powys Pension Fund Conflicts of Interest Policy. I have put "none" where I have no such interests under any heading.

**Responsibilities or other interests that could result in a conflict of interest** (please list and continue overleaf if necessary):

*A) Relating to me*

*B) Relating to family members or close colleagues*

### Undertaking:

I declare that I understand my responsibilities under the Powys Pension Fund Conflicts of Interest Policy. I undertake to notify the Pension Fund Manager of any changes in the information set out above.

Signed \_\_\_\_\_ Date \_\_\_\_\_

Name (CAPITAL LETTERS) \_\_\_\_\_

## Appendix 3

### Powys Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Powys County Council, the Administering Authority.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified(1)	Action taken(2)	Follow up required	Date resolved

Page 71

(1) E.g. verbal declaration at meeting, written conflicts declaration, etc

(2) E.g. withdrawing from a decision making process, left meeting

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**CYNGOR SIR POWYS COUNTY COUNCIL****Pensions and Investment Committee****15<sup>th</sup> July 2022****REPORT BY: Head of Finance****SUBJECT: Pensions & Investment Committee Member Training**

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**REPORT FOR: Action**

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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 an appendix to this report).
- 1.2 This has been updated and incorporated into the standard Pension Fund policy document for consistency of appearance.
- 1.1 Part of that framework places a requirement to undertake continual development on general pension and LGPS specific issues.
- 1.2 Since the world of pensions does not stay still and the Fund has some new Committee members, a review of training needs is appropriate.
- 1.5 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 (this may be for example, by attending appropriate training and development events – the Committee's constitution requires at least 10 hours per year).

**2 Recommendation**

- 2.1 That the Committee complete an updated training needs analysis form 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>	
That the Committee complete an up-to-date training needs analysis form in order to assess training requirements		As per the 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	churst@powys.gov.uk
<b>Relevant Portfolio Member(s):</b>		Councillor David Thomas	
<b>Relevant Local Member(s):</b>			



**CRONFA BENSIWN  
POWYS  
PENSION FUND**

**Knowledge and Skills Framework  
Policy**

Revised May 2022

## **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 determined 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.

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**CRONFA BENSIWN  
POWYS  
PENSION FUND**

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

**Last Reviewed May 2022**

## 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 based on your level of knowledge on each subject. 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

### 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	<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 2016, Pensions Act 1995, Public Service Pensions Act 2013, Codes of practice and guidance issued by The Pensions Regulator.				
1.2	<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.				
1.3	<b><u>Pensions related legislation:</u></b> Including: anti-discrimination; arrangements for giving advice on pensions; civil partnerships; local government compensation arrangements; data protection; 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 (IDRP) of the LGPS; the role of the Money Helper 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, Money Helper 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, Fixed Income, Property, Private Markets, 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.				
2.6	<b><u>Pooling of Investments</u></b> Including understanding of the governance arrangements, sub-funds, policies of the Wales pension Partnership.				

### 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. waiving of reductions, purchasing additional pension benefits.				
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 Additional				

	Pension Contributions); other concurrent member pension arrangements (e.g. Free Standing AVCs, 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, with consideration towards Pooling of investments.				
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 locally and within the Wales Pension Partnership (WPP).				
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 including 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 (including climate change) and governance 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  
15<sup>th</sup> July 2022****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 has been produced to provide Committee with an update on the work undertaken on behalf of the Wales Pension Partnership (WPP) with pooling investments in Wales.
- 1.2 A meeting of the Joint Governance Committee (JGC) meeting was held virtually on the 23<sup>rd</sup> of March 2022 and the minutes of the JGC meeting are now available [here](#).
- 1.3 The most recent JGC meeting took place on the 8<sup>th</sup> of July 2022 and the agenda is available [here](#).

**2. Pooling investments in Wales**

- 2.1 Work has been continuing (but not exclusively) on the following items:
- Responsible Investment
  - Private Markets
  - Business Plan

**2.2 Responsible Investment**

The Wales Pension Partnership (WPP) is now a signatory to the UK Stewardship Code.

<https://www.frc.org.uk/investors/uk-stewardship-code/uk-stewardship-code-signatories>

The 2020 UK Stewardship Code sets a high bar for stewardship, a standard to which the WPP sought to meet through its approach to responsible investment.

The WPP report for the year ending 31 March 2021 covered the first step on WPP's journey, a year that put in place solid foundations through the appointment of Robeco as a stewardship provider, the

establishment of a Responsible Investment Sub-Group and began the process of ensuring that policy commitments were implemented. The WPP also worked closely with Link Fund Solutions and Russell Investments during the year to develop and implement an innovative decarbonisation strategy for the Global Opportunities Fund, which is also being considered for other sub-funds.

The WPP remains committed to building understanding of responsible investment practices and evolving its approach appropriately. The WPP has a responsibility to all eight Constituent Authorities within Wales, and the members of their pension schemes, to be effective stewards of their assets, so it is pleasing to see this outcome.

### **2.3 Private Markets**

Officers from the Powys Pension Fund were involved in the group that evaluated and interviewed the candidates for Allocators in respect of Infrastructure and Private Credit.

The appointments of these have now been approved by the JGC and these strategies should therefore be available from 2022/23 for to receive investments from Constituent Authorities.

The appointments are:

- Closed Ended Infrastructure – GCM Grosvenor
- Open Ended Infrastructure – IFM, CBRE and Octopus
- Private Credit – Russell Investments

The procurement for a Private Equity Allocator is in progress and officers from the Powys Pension Fund are involved in evaluating the tenders and interviews. The deadline for submissions was the 22<sup>nd</sup> June 2022, with the contract award planned for later in 2022.

### **2.4 Business Plan**

In accordance with the Inter Authority Agreement, the approval of the WPP Business Plan, is a reserved matter for each of the eight Constituent Authorities. It is attached as an Appendix for Committee's consideration and approval.

The WPP has produced the draft Business Plan for the three years 2022 – 2025. It was created in consultation with the 8 constituent authorities within Wales and the draft was approved for recommendation at the Constituent Authorities by the JGC.

The Business Plan includes planned work on:

- governance, objectives, beliefs and an overview of the policies
- risk management

- work plan
- training plan
- financial budget
- investments

### 3 Recommendation

- 3.1 To note the contents of this report and approve the WPP 2022 - 2025 Business Plan.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
1. To note the content of the report and; 2. Approve the Wales Pension Partnership 2022 - 2025 Business Plan		As per the 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	churst@powys.gov.uk
<b>Relevant Portfolio Member(s):</b>		Councillor David Thomas	
<b>Relevant Local Member(s):</b>			

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# Wales Pension Partnership Business Plan 2022-2025



# Contents

Introduction	3
About the Wales Pension Partnership	3
Governance	4
Risk Management	6
Objectives	7
Beliefs	8
Policies	9
Work Plan	10
Training Plan	12
Budget	13
Investments & Performance	14
Contact Details	16



# Introduction

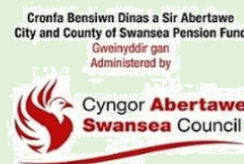
This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2022/23, 2023/24 and 2024/25. The business plan is constantly monitored and will be formally reviewed and agreed every year. The purpose of the business plan is to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives of the WPP over the next three years
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

## About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities. We have a shared vision and agreement on the means and pace at which this vision will be achieved. The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:



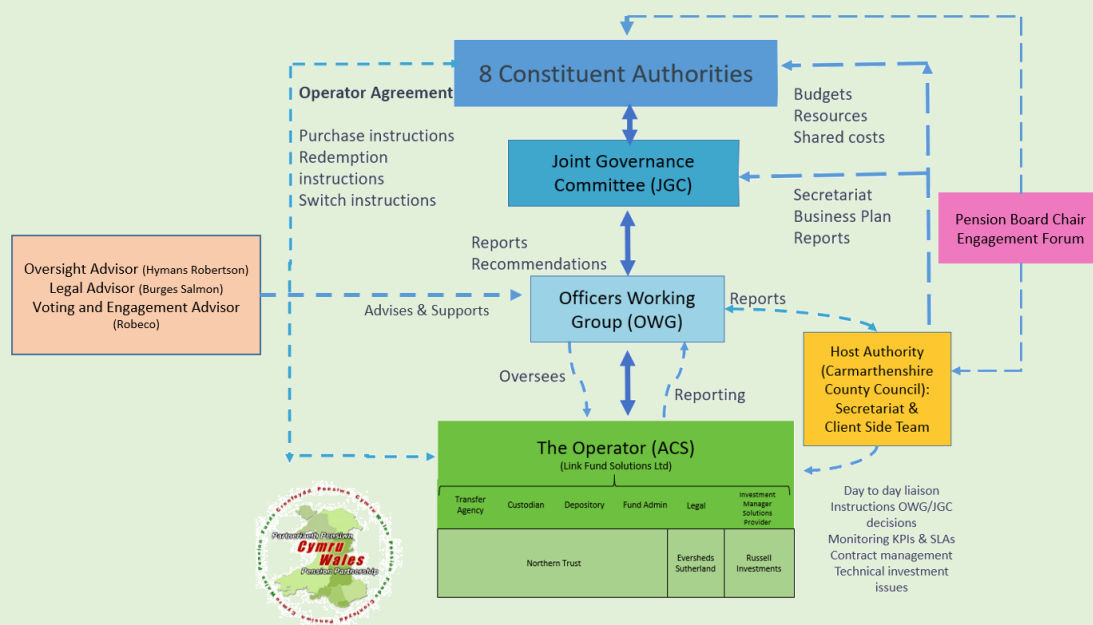
# Governance

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for, used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure, which has been designed to:



The diagram below shows WPP's governance structure:



The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving this Business Plan, which outlines the WPP's budget and workplan, as well as its beliefs and objectives. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised respectively of elected councillor and officer representatives from the Constituent Authorities.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP ensures the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers are also made publicly available. Local Pension Board engagement days are also held regularly as a means of fostering stakeholder engagement. The WPP recognises the importance of all of its stakeholders to reflect this the WPP has put in place an Engagement Protocol Framework, this is carried out via the following engagement mechanisms:

#### Engagement mechanisms and Frequency:

- |   |                |
|---|----------------|
| • Strategic Relationship Review meeting                               | Bi-Annual      |
| • JGC Engagement  | Quarterly      |
| • Manager Performance Meetings/ Calls                                 | Quarterly      |
| • Training Events   | Quarterly      |
| • OWG Engagement  | Quarterly      |
| • Bi-weekly meetings  | Every 2 weeks  |
| • Annual Shareholder Day  | Annual         |
| • Pension Fund Committees   | Annual         |
| • Manager Engagement Days   | Annual         |
| • Member Communications   | Annual         |
| • Pension Board Engagement  | Every 6 months |
| • Engagement via the website & LinkedIn                               | Continuous     |
| • Constituent Authority Annual Requirements & Ambitions Questionnaire | Annual         |

# Risk Management

The Wales Pension Partnership ('WPP') recognises that it faces numerous risks which, if left unmanaged, can limit the WPP's ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances' risks need to be embraced through active and effective management.

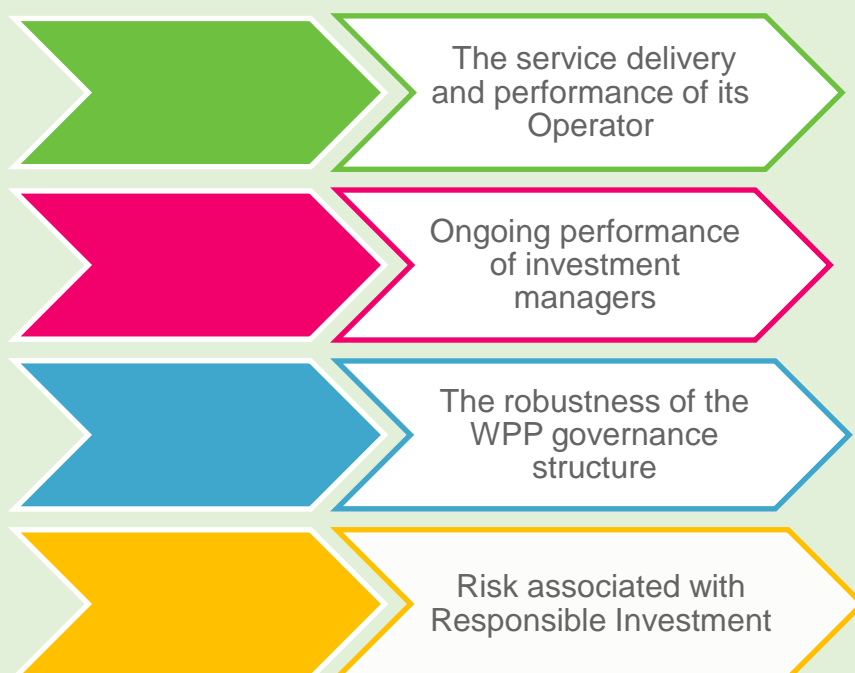
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, the WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed.

The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP's Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks.

During the course of this business plan the WPP will seek to develop mechanisms, frameworks and process for managing the following key risks:



# Objectives

The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of all stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives these can be summarised as follows:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical)
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers

The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

# Beliefs

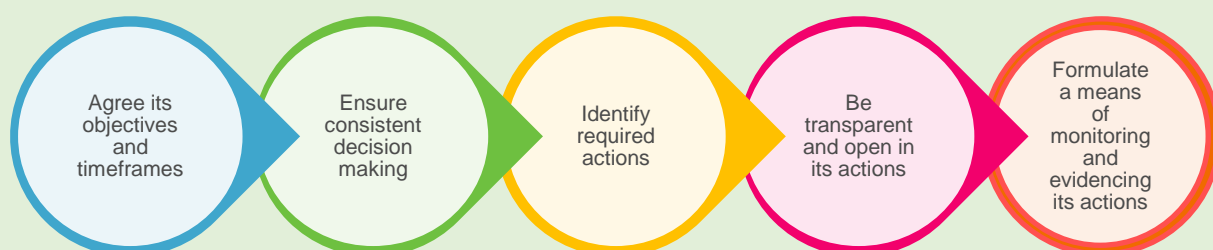
The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented
- Good governance should lead to superior outcomes for the WPP's stakeholders
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders
- Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader Environmental, Social and Governance issues, should result in better outcomes for the WPP's stakeholders
- Effective internal and external communication is vital to achieving the WPP's objectives
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise
- Fee and cost transparency will aid decision making and improve stakeholder outcomes
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve
- flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

# Policies

The WPP believes that good governance should lead to superior outcomes for the WPP's stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP and the Constituent Authorities, to:



The WPP's key policies, registers and plans are listed below and can be found on the WPP website.



The WPP's policies are reviewed on a regular basis and the WPP will continually assess whether any additional policies, registers or plans are required. The WPP workplan includes a number of additional governance documents that will be developed, these will be made available on the WPP website once completed. The policies play a vital role in the WPP's governance arrangements and have been formulated with the sole purpose of providing a codified framework which will ensure that the WPP achieves its objectives in an effective and transparent means.

# Work Plan

The tables below shows key priorities and objectives that the WPP aims to complete over the next three years. The workplan has been broken down into a number of key sections which are all vital to the continued success of the WPP

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework by developing additional policies, registers, plans and carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Sub-Fund development** – To date the WPP has pooled 73% of its assets and a number of other sub funds are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers are crucial. The current operator contract comes to an end in December 2024.
- **Investments and Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **Resources, Budget and Fees** - The WPP recognises that insufficient resources poses a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2022 - 2023	2023 - 2024	2024 - 2025
<b>Governance</b>			
Development of a WPP Whistleblowing Policy	✓		
Development of a WPP Business Continuity Plan (including Cyber)	✓		
Development of a WPP Complaints Policy	✓	✓	
Development of a WPP Breach and Errors Policy	✓	✓	
Ongoing review of Inter Authority Agreement	✓	✓	✓
Annual/biennial review of WPP's policies and plans	✓	✓	✓
Quarterly reviews of the Risk Register	✓	✓	✓
<b>Ongoing Sub-Fund development</b>			
Appoint Private Market Allocators	✓	✓	
Launch of Private Debt & Infrastructure Sub-Funds	✓		
Launch of Private Equity Sub-Fund	✓		



Launch Sustainable Equities Sub-Fund	✓		
Formulate the WPP's Property requirements and optimal means of implementation ahead of sub-Fund launch	✓	✓	
Review and develop a mechanism to pool any suitable non-pooled assets		✓	✓
Launch of other Private Market sub-funds (TBC)		✓	✓
Consultation with CAs on need for further sub-funds	✓	✓	✓
Consideration of Local Investment opportunities	✓	✓	✓
<b>Operator Services</b>			
Operator contract / procurement process	✓	✓	✓
New Operator Contract			✓
Operator Oversight	✓	✓	✓
<b>Investments and Reporting</b>			
Finalise Voting & Engagement Reporting Requirements	✓		
Formulate WPP Engagement Priorities and Implementation Framework	✓	✓	
Review Sub-Fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs	✓	✓	✓
Task Force on Climate-related Financial Disclosures (TCFD) reporting	✓	✓	✓
Stewardship Code reporting	✓	✓	✓
Consider additional reporting that demonstrates WPP's commitment to Responsible Investment	✓	✓	✓
On-going Investment Manager performance reporting, scrutiny and challenge	✓	✓	✓
Annual review of WPP's Cost Transparency Requirements	✓	✓	✓
Annual performance review of WPP Sub Funds (Equity and Fixed Income)	✓	✓	✓
On-going engagement with Constituent Authorities regarding minimum ESG / RI standards and their climate ambitions	✓	✓	✓
<b>Communication and Training</b>			
Formulation of WPP's Annual Responsible Investment Progress Report	✓	✓	✓
Formulation of the WPP's Annual Training Plan	✓	✓	✓
Formulation of the WPP's Annual Update	✓	✓	✓
Formulation of the WPP's Annual Report	✓	✓	✓
<b>Resources, Budget and Fees</b>			
Annual review of resources and capacity	✓	✓	✓
Formulation of Annual WPP Budget	✓	✓	✓
Review and Monitoring of Fees (including Link & Russell)	✓	✓	✓

# Training Plan

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes; and
- relevant investment opportunities.

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP. WPP personnel should also be aware of the WPP's framework, beliefs, policies, governance matrix, the decision-making process and decision logging process.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

We have set out below a list of training topics which the Host Authority will arrange training for during the 2022/2023 financial year. WPP's training topics are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG'). Potentially there could be a number of member changes on the individual Pension Committees following the council elections in May 2022 and this has also been a factor in setting this year's training topics.

## Product Knowledge

- Private Market Asset Classes & the role of the Allocator
- Active Sustainable Equities

## Pool Knowledge

- Governance and Administration
- Roles and Responsibilities

## Responsible Investment

- What RI means for the WPP
- Stewardship Code and TFCD Reporting

## Market Understanding

- Progress of other LGPS pools
- Collaboration Opportunities

# Budget

The table below outlines the WPP's budget for the next three years.

	2022-23	2023-24	2024-25
	£'000	£'000	£'000
Host Authority *	191	196	200
External Advisors *	1,206	1,168	1,130
<b>TOTAL to be recharged</b>	<b>1,397</b>	<b>1,364</b>	<b>1,330</b>
Operator / Allocator Services **	33,319	36,651	40,316
<b>TOTAL to be deducted from the NAV</b>	<b>33,319</b>	<b>36,651</b>	<b>40,316</b>

*\*Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

*\*\*Operator / Allocator Services costs are based on each Constituent Authority's percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets.*

# Investments & Performance

The WPP's Constituent Authorities have total assets of circa £21.6bn (as at 31 March 2021). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

The Officers Working Group receives quarterly, six monthly and annual performance reports, the group reviews and challenges the performance of Investment Managers on behalf of the WPP. The WPP hosts annual manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees. Below we outline the WPP's existing Sub-Funds.

## Equity Sub-Funds



\* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd, Cardiff and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT, Cardiff and Clwyd	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ, Nissay and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Majedie, Lazard, Baillie Gifford, Ninety-One, J O Hambro and Liontrust	Sept 19
Emerging Markets	MSCI Emerging Markets	Cardiff, Clwyd, Gwynedd and Torfaen	Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree	Oct 21

## Fixed Income Sub-Funds

### Absolute Return Bond Fund

Managed by Russell Investments

Portfolio Value: £0.4bn

### Global Government Bond Fund

Managed by Russell Investments

Portfolio Value: £0.5bn

### Multi-Asset Credit Fund

Managed by Russell Investments

Portfolio Value: £0.6bn

### Global Credit Fund

Managed by Russell Investments

Portfolio Value: £0.8bn

### UK Credit Fund

Managed by Link

Portfolio Value: £0.5bn

\* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Powys and Torfaen	Western, Metlife, Fidelity and T Rowe Price	July 20
Global Government	FTSE World Government Bond Index (GBP Hedged)	Cardiff and Torfaen	Bluebay and Colchester	July 20
Multi-Asset Credit	ICE BofA SONIA + 4% p.a.	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 20
Absolute Return Bond Fund	ICE BofA SONIA + 2% p.a.	Gwynedd, Powys and Swansea	Wellington, Putnam, Aegon and Insight	Sept 20
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 20

# Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - [WalesPensionPartnership@carmarthenshire.gov.uk](mailto:WalesPensionPartnership@carmarthenshire.gov.uk)

Telephone - (01267) 224136

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

<https://www.walespensionpartnership.org/>



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