

Pensions and Investment Committee

Meeting Venue
Zoom

Meeting Date
Friday, 15 December 2023

Meeting Time
10.00 am

For further information please contact

Rachel Pugh
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County Hall
Llandrindod Wells
Powys
LD1 5LG
11.12.23

Mae croeso i chi siarad yn Gymraeg neu yn Saesneg yn y cyfarfod. Rhowch wybod pa iaith rydych am ei defnyddio erbyn hanner dydd, ddau ddiwrnod gwaith cyn y cyfarfod.

You are welcome to speak Welsh or English in the meeting. Please inform us of which language you wish to use by noon, two working days before the meeting.

AGENDA

1.	APOLOGIES
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To receive apologies for absence.

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

3.	MINUTES
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To authorise the Chair to sign the minutes of the last meeting held on 06 October and 29 November 2023 as a correct record.

(Pages 5 - 12)

4.	PENSION BOARD MINUTES
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To receive the Pension Board Draft Minutes of the 20 November 2023.

(Pages 13 - 20)

5.	ADMINISTRATION AND GOVERNANCE REPORT
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To receive the Administration and Governance Report.

(Pages 21 - 42)

6.	RISK MANAGEMENT POLICY
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To consider the Risk Management Policy Report.

(Pages 43 - 52)

7.	DATA QUALITY TESTING 2023
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To note the Data Quality Testing Report.

(Pages 53 - 56)

8.	WALES PENSION PARTNERSHIP [WPP] UPDATE
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To receive a report regarding the WPP.

(Pages 57 - 58)

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

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

10.	ACTUARIAL UPDATE
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To note the Update Report.

(Pages 59 - 68)

11.	ACTIVE DIVERSIFIERS PRESENTATION
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(Pages 69 - 92)

12.	CARBON EXPOSURE ANALYSIS
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(Pages 93 - 104)

13.	QUARTERLY MONITORING REPORT
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(Pages 105 - 124)

14.	EQUITY PROTECTION
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(Pages 125 - 144)

15.	EQUITY IMPLEMENTATION
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(Pages 145 - 148)

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MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE HELD AT ON FRIDAY, 6 OCTOBER 2023

PRESENT County Councillors

A Kennerley
C Kenyon-Wade
D A Thomas
D H Williams
E A Jones
P E Lewis

Gerard Moore Independent Chair, Powys Pension Board

Chris Hurst -Pension Fund Manager, Secretary to the Board
Jane Thomas - Section 151 Officer
Dan Paley - Financial Reporting & Policy Accountant
Craig Flynn - Deputy Head of Finance-Strategic Finance

Aon representatives:

Benjamin Bryant
Kenneth Ettles
Becky Durran

LINK Fund Solutions representative:

James Zealander

Russell Investments representatives:

Aidan Quinn
Ioanna Ali
Katherine Husvaeg
William Pearce
Adreas Koester

1. APOLOGIES

Apologies were received from:
Trish Fretten (Employer Representative)

2. DECLARATIONS OF INTEREST

A Kennerley, C Kenyon-Wade, D H Williams, E A Jones and P E Lewis declared interests as members of the Local Government Pensions Scheme.

These are personal interests, not prejudicial interests in accordance with Paragraph 12(b) (iv) of the Members Code of Conduct 2016.

3. MINUTES

The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 07 July 2023 as a correct record.

4.	ADMINISTRATION AND GOVERNANCE REPORT
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The Committee reviewed the Update. The Pension Fund Manager highlighted the following:

2. Scheme Advisory Board (SAB) Updates

2.2 – a full Annual Report has been produced by the SAB using data from the individual LGPS funds has been produced by the Local Government Pension Scheme (LGPS), which the fund showed a positive trend in funding levels and assets held.

A query was answered in response to management fees and explained that it was percentage based, and more information would be presented to the Committee at the next meeting.

2.3 – the Powys Fund's Annual Report would be published by 01 December 2023. Additional guidance on how to make the report easier to produce will be provided by the SAB in future .

2.5 – The Scheme Advisory Board published a scheme valuation report, derived from the individual Funds valuation reports from 31 March 2022 which showed improvements in the overall funding level of the LGPS as a whole.

3. Local Government Pension Scheme (LGPS) Updates

3.1 – a response had been submitted on behalf of the Powys Pension Fund to the Department for Levelling Up, Housing and Communities (DLUHC) regarding the levelling up and pooling of funds consultation.

The Pension Fund Manager explained that a strong message had been provided from Wales including potential implications from changes that may be introduced. It was noted that the Powys Fund value is approximately £800m and the Welsh Pensions Partnership (WPP) was over £20b.

3.2 – McCloud, a Local Government Pension Scheme amendment was implemented on 01 October 2023, retrospective work would be undertaken by the Pensions Team in order to ensure that all member records affected were corrected accordingly. The Pension Fund Manager responded to a query around the costs within the scheme and explained that the impact would be on administration and liability and not expected on the investment management cost.

Assurance was provided to the Committee by the Section 151 Officer that any review around resources will be carried out with benchmarking against other funds and emphasised that Powys did not have the same economies of scale as other funds.

The Chair of the Powys Pensions Board commented that a key link was evident between the level of resource and frequency of breaches, and adequate resources was expected by the Pensions Regulator to provide the administrative function.

6. Risk Register

6.1 – an addition was added to the Investment Pillar around climate change.

INVEST0012 – the risk reflected the actions of the Welsh Pensions Partnership (WPP), the Committee requested that the risk be aligned with separate issues of the eco system and food production.

ADMIN0010 – Work is ongoing in respect of existence checking for overseas pensioners. The Pensions Team had reached out to gain more understanding on how other funds carry out checks which may in turn be introduced.

7. Breaches Register

7.2 - a new breach had been identified and added to register for employers that do not submit pension contributions within the statutory timeframes. The Pensions Team have introduced a dedicated post in place to monitor and support all employers to ensure compliance with the regulations.

It was moved and duly seconded to note the report and approve the risk register.

Resolved:

1. Administration and Governance Update be noted.
2. The Risk Register be approved.

Recommendation: INVEST0012 to include separate elements that are aligned with climate change (food production and the eco system).

5.	NEW FUND EMPLOYER
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The Committee considered the report. The Pension Fund Manager notified the Committee that Forden with Leighton and Trelystan community Council had become a Pension Fund employer. Support and guidance had been provided to the new employer to ensure that all processes and regulations were adhered to.

6.	WALES PENSION PARTNERSHIP [WPP] UPDATE
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The Committee received the update. Policy reviews had been undertaken by the WPP and a new Breaches Policy had been published and seen as progress around governance.

The WPP had produced packs which enables each of the constituent authorities in Wales to provide and share information in a consistent way.

It was moved and duly seconded to note the reports for agenda 6.

Resolved: The WPP Update Report be noted.

7.	EXEMPT ITEM
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Resolved: to exclude the public for the following items of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

8.	OPERATOR UPDATE
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The Committee reviewed the reports from the Link Group presented by James Zealander. The Committee received reassurance from James that there would be no impact on operations and support for all those involved in the Wales Pension Partnership (WPP) when Link Group move to the Waystone Group in the near future. The presentation provided the Committee with the operational oversight and the core principles in which they were governed, and details of fund launches and changes that had occurred.

Resolved: The Link Group Operator Update report be noted.

9.	RUSSELL INVESTMENTS UPDATE
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The Committee received an update on the WPP's Sustainable Active Equity and Emerging Markets sub-funds from the Russell Investments Team and commented that the reports provided were extremely comprehensive.

The presentation included a detailed overview of the market environment and the strategies held within the global market.

A performance breakdown was provided around emerging markets for quarter three and the Committee noted that the presentation provided a clear position.

The WPP Sustainable Active Equity Fund structure provided the Committee with details of the asset allocation, fund details and important exclusions.

Resolved: The Russell Investment Update report be noted.

10.	INVESTMENT STRATEGY
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The Committee considered the Investment Strategy Paper from AON representatives. The purpose of the presentation was to provide the Committee with details around the review of the funding strategy which interacts between investment risk and the discount rate in which market conditions had significantly changed reflecting impacts from global interest rates.

Discussions were held concerning the broader view of the discount rate and the volatility of the assessment made around liabilities and how risks and protection structures demonstrated the stability of the fund. Before the recommendations were put before the Committee for decision clarification was provided by AON.

It was moved and duly seconded to approve the paper and recommendations.

Resolved:

1. The Investment Strategy Paper be approved.
2. All three recommendations within the report be approved.

11.	CASHFLOW
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The Committee considered the Cashflow Report presented by the Fund Actuary (Aon). The presentation covered liability and asset cashflows and modelled how different cashflow management approaches were in place to ensure resilience was realised including that of the impact to inflation, along with proposals to changes around those approaches.

It was moved and duly seconded to approve the report and recommendation.

Resolved:

1. The Cashflow Report be approved.
2. Recommendation B be approved.

12. PRIVATE EQUITY

The Committee considered the Private Equity Report presented by Kenneth Ettles a representative from AON, which provided the Committee with reassurance following an assessment that was undertaken by AON on the suitability of the WPP Private Equity Sub-fund for the Powys Pension Fund.

It was moved and duly seconded to approve the Private Equity Report and recommendation.

Resolved:

1. The Private Equity Report be approved.
2. The recommendation that the WPP Private Equity Sub-fund was appropriate for the Powys Pension Fund and be funded accordingly to maintain the strategic allocation to the private equity asset class.

13. INVESTMENT PERFORMANCE

The Committee considered the Investment Performance Report presented by Ben Bryant, a representative from AON, which included an executive summary covering quarter two key statistics.

Following a discussion at the last meeting additional information has been provided to show the outline of discussion points in relation to how performance compared to the LGPS peer group.

It was agreed that the Pension Fund Manager would obtain more information from AON to share with Committee and consider a performance training session.

Resolved: The Aon Investment Performance Report be noted.

Recommendation: A performance training session would be provided to members of the Committee.

14. WALES PENSION PARTNERSHIP PROCUREMENT
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The Committee considered the Wales Pension Partnership Procurement Report. The Governance arrangements required approval from the Committee for the evaluation criteria before the publishing the tender.

It was moved and duly seconded to approve the evaluation criteria required within the tender.

Resolved: The Wales Pension Partnership Operator Procurement Report be approved.

15. DRAFT ANNUAL REPORT

The Committee considered the Draft Annual Report which had been passed to the Welsh Audit Committee for consideration at a meeting on the 20 November 2023.

The final report would be presented to the Pension Investment Committee on the 29 November 2023 before publication on 01 December 2023.

A discussion took place around timescales of the publication and the Committee were urged to read the report and contact officers with any queries.

It was moved and duly seconded to note the report.

Resolved: The Draft Annual Report be noted.

16. RESPONSIBLE INVESTMENT SUB-GROUP

The Committee considered the Responsible Investment Sub-Group Report. It was discussed at the last meeting that a sub-group could be formed to review topics before Committee meetings due to time constraints and felt it was a positive way forward. It was also suggested that the sub-group could undertake training which would be a significant benefit to members.

It was moved and duly seconded to note the report and approve the proposed recommendation to establish a sub-group.

Resolved:

1. The Responsible Investment Sub-Group report be noted.
2. The recommendation to establish a Responsible Investment Sub-Group be approved.

17. EMPLOYERS PERFORMANCE

The Committee reviewed the Employers Performance Report. It was explained by the Pension Fund Manager that not all employers achieved statutory timescales for the submission of data and contributions, and the process within the Administration Strategy was being followed by the Pensions Team in order to ensure all employers comply with regulations. He also added that all employers receive a quarterly newsletter that included desensitised performance information along with support and guidance contract details and information.

Resolved: The Employers Performance Report be noted.

County Councillor P E Lewis (Chair)

MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE HELD AT BY ZOOM ON WEDNESDAY, 29 NOVEMBER 2023

PRESENT

County Councillor P E Lewis (Chair)

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

Apologies for absence were received from County Councillors Fretten and Moore

1. APOLOGIES

Apologies were received from:

Trish Fretten (Employer Representative)

Gerard Moore (Independent Chair, Powys Pension Board)

2. DECLARATIONS OF INTEREST

A Kennerley, C Kenyon-Wade, D H Williams, E A Jones and
P E Lewis declared interests as members of the Local Government Pensions
Scheme.

These are personal interests, not prejudicial interests in accordance with
Paragraph 12(b) (iv) of the Members Code of Conduct 2016.

3. MINUTES

The Chair was authorised to sign the minutes of the Pensions and Investment
Committee meeting held on 06 October 2023 as a correct record.

4. PENSION FUND ANNUAL REPORT 2022/23
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The Committee received the Pension Fund Annual report 2022-23.

It was noted that the Committee received a draft report on 06 October 2023, and
that the Governance and Audit Committee approved and signed the audited
accounts on 24 November 2023 followed by the Auditor General on 28
November 2023.

A question was answered around the valuation figure which showed a loss of
£38m in comparison to last year and the Local Government Pension Scheme
(LGPS) league tables would be shared with the Committee to demonstrate
performance. The Pension Fund Manager added that returns were now positive
after recent market challenges and an additional meeting would be held to focus

on performance. The Welsh Pension Partnership (WPP) would also be holding a formal training session around reporting and performance.

The Committee noted the number of retirees remained low.

The officers were thanked for producing a significant report and if approved by the Committee would be published by 01 December 2023.

It was moved and duly seconded to approve the report.

Resolved: That the Pension Fund Annual Report 2022-23 be approved and published by 01 December 2023 to ensure compliance with statutory requirements.

County Councillor P E Lewis (Chair)

**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT ON
MONDAY, 20 NOVEMBER 2023**

PRESENT

Gerard Moore (Chair)
David Powell (Scheme Member Representative)
Ian Jones (Scheme Member Representative)
Graham Evans (Scheme Employer Representative)
Debby Jones - (Scheme Employer Representative)
Chris Hurst (Pension Fund Manager, Secretary to the Board)
Jane Thomas – (section 151 Officer)

GUEST

Cllr Roger Phillips – (Chair of the Local Government Pension Scheme Advisory Board England and Wales)

1.	APOLOGIES
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Apologies were received from:
Wayne Thomas (scheme Employer Representative)
John Byrne (Scheme Member Representative)

The Board welcomed the new Employer Representative Debby Jones and guest speaker Cllr Roger Phillips.

2.	DECLARATIONS OF INTEREST
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There were no declarations of interest.

3.	MINUTES OF THE BOARD
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The minutes of the last meeting held on 29 September 2023 were agreed as a correct record.

4.	MATTERS ARISING
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Cllr Phillips provided an overview of the Local Government Pension Scheme Advisory Board (SAB) and highlighted that:

A comprehensive range of people provided representation to the SAB.

Sub committees and additional committees had been formed including the responsible investment and compliance committee to tackle practical work issues.

Recent cost transparency workshops had taken place to work through best value with regards to investment fees.

The SAB work closely and monitor government legislation for which a new local government minister had recently been appointed. It was expressed that a number of regulations were awaited, significantly climate compliance and good governance.

It was felt that the eight pooled funds in Wales were working well and that collaboration to achieve better value for money on investment and different forms of investment were key.

Cllr Phillips replied to a question around the chancellors indication that pension funds should become a source of funding for investment for the UK economy and expressed that pooling could benefit from investments but only if they provided proper returns.

Item 6 – the Board had approved the Annual Pension Board Report 2022-2023 which would be incorporated into the Annual Report of the Powys Pension Fund and presented for approval to the Committee on 29 November 2023.

5. MINUTES OF PENSIONS AND INVESTMENT COMMITTEE
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The Board noted the draft minutes of the Pensions and Investment Committee of 06 October 2023.

It was highlighted that the Committee:

Item 4 – received the SAB summary for full understanding of the scale and complexity of the local Government Pension fund (LGPS).

2.3 – would receive the Annual Report on 29 November 2023.

3.1 – were informed that a strong messaged response had been submitted as part of a consultation to the Department of Levelling up.

3.2 – were assured by the Section 151 officer that administrative resource reviews would be carried out with benchmarking, in order to ensure the McCloud regulations were fully carried out.

6.1- received the changes to the risk register including the new risk on climate change.

7.2 – received information in regard to late submissions of employer contributions, covered in Items 7 and 17 below.

-was provided with the Cash Flow Report which was recommended by the Board.

-had approved the establishment of a Responsible Investment Subgroup.

The section 151 Officer provided an update to the Board and explained that a separate Board meeting would be held to focus on investment performance. Discussions were taking place with advisors for working groups to be established to improve the oversight of performance.

6. THE PENSION REGULATOR [TPR] CODES OF PRACTICE

The Board reviewed the following amber sections and noted the following [numbers refer to the Compliance indicator]:

Governing your Scheme [38-60]

40- 41 – a heat map scoring process was used to review completed training needs analysis to identify training needs, and all training opportunities were made available to the Committee and Board. It was agreed for the status to remain amber.

42 – Work was ongoing to build an online resource library and had begun by collating a series of training videos. The Pension Fund Manager was asked to consider publicity for the library when available.

46-53-57 – were linked to the items above and due to their relationship, it was agreed that an amber status be continued.

Conflicts of Interest and Representation [62-91]

It was noted that a formal Conflict of Interest Policy was approved by Committee in 2022 which had been adopted and shared with the newly appointed Board member.

91 – A vacant role for a Scheme Employer Representative was due to be filled shortly, and one role had been appointed.

7. OPERATIONAL AND ADMINISTRATION REPORT & UPDATE

The Board received the Operational and Administration report.

The Pension Fund Manager updated the Board that:

Updated figures would be circulated as soon as available, delays had incurred due to audit work being undertaken.

A query was replied to around cash flow modelling, and completed work with the Actuary would be shared with the Board.

It was stressed that the table did not include investment returns and the Pension Fund Manager would ensure that additional narrative would be added to the report.

The comparison in scheme membership (page 52) between 01 July and 30 September showed an increase which the tables also reflected the five key statuses and the impact on resources highlighted.

It was explained that the Pensions Team of fourteen would be back to full complement in the coming weeks following recruitment and absence. Pension qualifications were being progressed or had been gained by the Pensions Team, however it was recognised that training time did impact productivity.

The Board noted the importance of a fully trained team and how effectiveness and focus of priorities impacted performance when not at full capacity.

The Chair noted that the LGPS and SAB were focusing on a pensions qualification specifically for the LGPS which would help to attract and retain staff.

8. LEGISLATION AND GOVERNANCE UPDATE

The Board noted the Legislation and Governance Update.

The Pension Fund Manager highlighted:

2.0 Scheme Advisory Board

2.3 a knowledge and skills survey was launched for Committee and Board members to complete.

3.0 LGPS updates

3.1 – the Board noted a decrease of 8% in retirements compared with 2021/22 from the report.

3.2 –in preparation of the introduction of the McCloud regulations 01 October 2023 the team had been gathering information from employers. Impacts had been experienced by the team on processes performed for scheme leavers and retirements and the Board would be kept up to date with developments.

3.3 – the report showed replies received by the Local Government Association in response to abolishing the lifetime allowance and explained the difficulties in making any changes clear for members understanding.

A recent survey carried out by the Pensions Section with Council staff reflected that staff understood that the local government pension scheme was very good, but did not understand fully how it worked, which was a key focus and challenge for communications, the Pension Fund Manager explained how the All Wales Communication Group were able to provide support and demonstrated collaboration across Wales.

4.2 – link provided to the results of the independent review of the Pensions Regulator TPR.

5.0 - a high level data review had been carried out in preparation for the introduction of the dashboard and work was ongoing.

9. RISK MANAGEMENT POLICY

The Board considered the draft policy.

The Pension Fund Manager explained that the draft Risk Management Policy demonstrated best practice and provided clarity around the processes conducted before a risk was published, and how it was aligned to the risk register and Council policy.

The policy was broken down into four levels, each possible risk was seriously considered, and a robust scoring process completed. The Board carries out routine deep dives with recommendations being presented to the Committee.

The Board were assured that risks were not in the high risk areas of the heat map and felt that the document demonstrated clarity and requested that the Committee were made fully aware of the scoring process to gain full understanding of the risk register.

The Chair had previously written to the Group Leaders to retain Committee membership if possible due to training and expertise held by members.

Recommendations from the Board.

titles to be amended to provide clarity on the risk register pillars.

to reference the retention of Committee membership.

to emphasise elected and board member training.

to define a process to identify what risks could be significant to the Council and other Employers.

the Pension Fund Manager would recirculate the document once updated.

10. REVIEW OF RISK REGISTER

The Board noted the Risk Register.

The Pension Fund Manager made the Board aware that the format of the report had been improved to provide more detail of the latest update and commented that a new risk INVEST0012 around climate change had been added. The deep dives carried out by the Board had helped to consolidate risks, and the next cycle

would begin at the next quarterly meeting and an overview provided at the fourth meeting of the year.

Artificial Intelligence was raised as a possible potential risk for software providers, the Pension Fund Manager explained that considerations had been taken by the Council. It was further suggested that the risk may fall towards investment fund decision making and more understanding how investment managers were using artificial intelligence would be looked into.

11. DATA QUALITY TESTING

The Board noted the report.

The Pension Fund Manager explained that the report and data quality testing was a requirement of the Pensions Regulator in which data was tested against set criteria and provided on an annual basis with updates to be provided in January 2024 which would also feed into the Data Improvement Plan.

The regulator required the data to be tested against common (all pensions schemes) and scheme specific (LGPS) criteria.

The overall percentage of tests passed for Powys' common data was 98.5% (98.3% in 2022 and 97.7% in 2021).

It was explained that the address bar showed 97.48% within the graph, due to boxes within address fields being held in an incorrect format, and over 90% of data was received by the service electronically each month.

It was noted that data quality had improved within the team and that more data was managed due to scheme membership growth.

The overall percentage of tests passed for Powys' scheme specific data was 93.37% (91.95% in 2022 and 91.87% in 2021).

The members benefits bar 85.6% reflected how records were held historically for staff internal transfers with multiple roles, assurance was given to the Board that all records were checked at the time of the scheme member retiring or leaving. Comments had been received from the Actuaries that data quality had been of a good standard.

The Pension Fund Manager answered a query around the need for a data cleansing exercise and explained that resource and prioritisation was an issue, and the focus was on those leaving the scheme and receiving the correct benefits at the correct time. Data fields were corrected as soon as identified.

12. WALES PENSION PARTNERSHIP UPDATE

The Board noted the Wales Pension Partnership (WPP) update.

The Pension Fund Manager highlighted:

2.1 –The Wales Pension Partnership (WPP) annual report had been published for 2022-2023.

Attendance at WPP meetings impacted on staff time but benefits gained in administrative governance policies, investments, and opportunities to different asset classes which could not otherwise be accessed.

A query was answered that both the operator contract/procurement process and the Stewardship code report (page 109) had both been completed and deadlines were met.

The Pension Fund Manager would let the WPP know that the Powys Pensions Board expressed gratitude and were firmly reassured with ongoing progress made and deadlines were being achieved.

13. STANDING ITEMS WITH NO UPDATES REQUIRED
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The Board noted the following in respect of standing items and suggested the wording be re-considered as breaches would need to be reported at each meeting.

a. Breaches Register – a recordable breach around the statutory requirement of the submission of employer contributions and returns to the fund within set timeframes was added previously and the Pensions Investment Committee have been informed.

It was agreed that the Administration Strategy Statement would be reviewed once the Code of Practice 14 had been replaced by the General Code.

b. Audit Reports – An internal report was published in March 2023 and findings were of a low priority and caused no concern. Work had progressed with Welsh Audit to finalise the Council and Pension Fund accounts in order for the Annual Report to be approved at the Pension and Investment Committee on the 29 November 2023.

The Pension Fund Manager was awaiting a response from Internal Audit for confirmation of the internal audit programme for the coming year.

c. Board Communications Log – noted.

d. Internal Dispute Resolution Procedure [IDRP] – A stage two dispute in relation to a transfer has been received for reconsideration.

14. FUTURE BOARD MEETINGS

The Board noted the 2024 meeting dates.

15. 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.

16. UPDATE BY CHAIR OF PENSIONS BOARD
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The Chair provided a written update to the Board prior to the meeting which gave feedback from a recent training event for Board members.

Research was being undertaken by the LGPS to develop a clearer career path and the possible introduction of a pensions qualification.

It was discussed that a Cost Transparency and Climate Risk reporting template would be developed by the SAB and LGPS which would greatly assist smaller funds.

17. PERFORMANCE MEASUREMENT

The Board received the Performance Management Report (July to September 2023).

The Pension Fund Manager explained that work was ongoing with the new reporting system which interrogates databases to provide reports, an improved report was presented to Board, and noted that progress on developments had slowed due to staff absence and other prioritisation.

A bulk exercise to update the 'gone away' records would be carried out, and different approaches and providers would be investigated further.

The Board were reassured that a proposal for consideration to carry out and manage the overseas proof of life checking process on behalf of the Pension Fund had been received.

It was emphasised that the reports were an important part of the Pension Board responsibility and felt that the format could be made more user-friendly by providing more visual feedback.

Discussions took place in regard to the key performance indicators set internally against the statutory legal targets within the report and how they were achieved including the growth and the movement of membership and classification.

90% of all monthly electronic data was provided by the Council, however it was noted that due to scheme complexities manual checks were required.

Resolved: The Board were pleased with progress and felt that improvements to presentation would help with further understanding and security.

18. EMPLOYER PERFORMANCE

The Board received the Performance Management Report (July to September 2023).

The Pension Fund Manager would provide an update to its 09 February 2024 meeting in relation to the employers that do not comply with legislation, it was emphasised that the guidance within the Administration Strategy was being followed and further steps if needed would be presented to Board. The Board recommended that the Administration Strategy be reviewed once the Pensions Regulator's General Code of Practice was issued. The aim would be to achieve consistency between the requirements of General Code, the Administration Strategy, and the on-going working relationships and procedures with scheme employers.

Independent Chair Moore (Chair)

CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee
15th December 2023****REPORT BY: Head of Finance****SUBJECT: Administration and Governance Update**

REPORT FOR: Information

1. Summary

1.1 This report has been produced to provide Committee with an update on Local Government Pension Scheme (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
- Update on the Fund's breaches register

2. Scheme Advisory Board Updates

2.1 This section provides an update on the Scheme Advisory Board (SAB) notifications since the last meeting.

2.2 DLUHC Consultation on investment reforms

The Board published its response to the above consultation on the 2nd of October 2023 which can be read [here](#).

Committee will be aware that the Powys Pension Fund and Wales Pension Partnership submitted a response to this consultation.

2.3 Knowledge and Skills Survey

The SAB launched a survey for completion by Pension Committee and Board members, which closed on the 6th of November. This was

circulated with Committee and Board members, who hopefully found the time to complete.

The survey seeks to gather information on the experience of pension committee and local pension board members in obtaining the required knowledge and skills for their role. It builds on a survey issued earlier this year which also captured the views of officers.

2.4 Website

For Committee's information, the SAB [website](#) provides more information on the Board's work and meeting agendas/papers.

3. LGPS Updates

3.1 DLUHC LGPS Statistics for England and Wales

On 25th October 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the [2022/23 LGPS Statistics for England and Wales](#).

Some highlights from the report include:

- total expenditure was £15.2 billion, an increase of 5.1 per cent on 2021/22
- total income was £17.3 billion, an increase of 8.5 per cent on 2021/22
- employers' contributions amounted to £8.4 billion, an increase of 7.8 per cent on 2021/22
- employee contributions were £2.8 billion, an increase of 9.5 per cent on 2021/22
- the market value of the LGPS funds at the end of March 2023 was £357.2 billion, a decrease of 1.9 per cent
- there were 6.2 million scheme members on 31 March 2023: 2 million active members, 1.9 million pensioners and 2.3 million deferred members
- there were 87,129 retirements, a decrease of 8 per cent compared with 2021/22.

3.2 McCloud

On 8 September 2023, DLUHC laid [The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023](#) which took effect from 1st October 2023.

The regulations implement the McCloud remedy and amend the underpin rules to make sure they work correctly. Part 2 of the regulations replaces the underpin rules in the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. It also makes some related changes to the LGPS Regulations 2013. Part 3 requires administering authorities to check past calculations for events that happened between 1 April 2014 and 30 September 2023.

After the regulations come into force, administering authorities will need to consider McCloud affected cases. To encourage a broadly consistent approach, DLUHC will shortly provide statutory guidance on how authorities should prioritise this work.

The Government Actuary's Department is updating actuarial guidance to reflect the changes and DLUHC will publish this as soon as it is available.

The Powys Pension Fund has commenced work on McCloud cases and is performing the appropriate checks on those current retirement cases in scope. We are monitoring the impact of these amendments to processes on the administration team. The initial impact is that calculating pay figures is taking longer, which also filters through to an increase in time taken to check these figures.

Committee will be updated accordingly on the impact.

3.3 HMRC – Abolishing the Lifetime Allowance

The Government announced in the Spring Budget 2023 that it will abolish the LTA completely from April 2024. HMRC then released draft legislation and a policy paper on 18 July 2023 to achieve this and asked for responses by 12 September 2023.

The LGA responded and covered the following:

- they do not think the proposals simplify the pension tax regime for the local authority workforce and other LGPS employers
- having two limits for lump sums will be confusing for members
- the limit for pension commencement lump sums should go up with inflation (instead of being frozen)
- trivial commutation lump sums should not be part of the £1.073 million limit
- it will be difficult to get relevant information from members
- there is no rule on how to value lump sums paid before 6 April 2006
- there is not enough time to implement the changes for April 2024, especially for public service schemes who are already busy implementing the McCloud remedy
- it will be tough to explain the changes to members as the policy, in the LGA's view, is confusing and unclear.

4. The Pensions Regulator (TPR)

4.1 New Blog

On 13 September 2023, TPR [published a blog](#) entitled "Why are we building relationships with pension administrators".

The blog emphasises the importance of building close relationships with administrators, as it allows TPR to gain a better understanding of the challenges administrators face and address risks more effectively.

The blog also highlights several instances of TPR's work in this area.

4.2 Independent review of TPR

The Department for Work and Pensions (DWP) has carried out an independent review of TPR and has [published](#) its findings.

The review found that TPR is broadly well-run and well-regarded, with notable achievements, such as automatic enrolment.

It also made seventeen recommendations across three themes: risk and growth, compliance and enforcement, digital transformation and value for money.

4.3 Annual Scheme Return

The Fund has received the formal request for completion and return of the TPR annual scheme return and will ensure that it is duly completed ahead of the required date towards the end of January 2024.

5. Pension dashboards

The [Pensions Dashboard Programme](#) (PDP) regularly publishes a newsletter which includes updates on:

- their new connection hub, which provides useful resources and information to prepare for connection to the ecosystem
- their pensions dashboards myth busting video
- understanding the dashboards available

Pensions Dashboards Blog on common questions

The PDP [published a blog](#) addressing some of the common dashboard questions, which covers:

- How is connection guidance different to the connection deadline?
- When will guidance be published, and how will P D P engage with industry?
- Are there any examples of how dashboards will look?
- Will smaller schemes, 1 to 99 members, be required to connect to dashboards in the future?

“Why are Dashboards needed” article

On 13 September 2023, the Pensions Dashboards Programme (PDP) [published an article](#) reiterating the reasons why dashboards are needed.

Risk Register

6.1 Committee will recall that the risk register has been consolidated 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.

There have been no new risks identified and added since the last meeting.

The Pension Board will recommence the deeper dives into each pillar individually from the February 2024 meeting.

7 Breaches Register

7.1 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.

7.2 The latest version of the breaches register is attached, for information.

Further to the report presented at the last meeting on Employer performance, work continues on measuring the timeliness of submission of contributions and supporting paperwork to the Fund.

8 Recommendation

8.1 To note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the content of the report		As per report	
Person(s) To Action	Pension Fund Manager		
Decision:			
Date By When Decision To Be Actioned:	Immediately		

Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

Relevant Portfolio Member(s):	Cllr David Thomas
Relevant Local Member(s):	N/A

Risk Register

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 and potential impact on scheme members and employers. Latest Review: 17/01/2023 Data Improvement Plan maintained and regularly updated. Constant data cleansing taking place	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.	<i>Cllr David Thomas</i> Chris Hurst	9	6	<ul style="list-style-type: none"> Pensions team work with employer payrolls to ensure data quality; data validation checks undertaken & training 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. Additional data validation and quality checks to be implemented as required by the TPR code of practice. 	Control In Place	
ADMIN0010	Payments to overseas pensions. Latest Review: 17/07/2023 Existence Exercise planned for 2023	Payments continuing to potentially deceased pensioners	<i>Cllr David Thomas</i> Jane Thomas	4	4	<ul style="list-style-type: none"> Conduct Existence Check Carry out an overseas existence check 	Control In Place	
ADMIN0009	Cessation of Service Contract for Pensions Administration System Latest Review: 12/12/2022 Work ongoing	Failure to meet legislative requirements and administer the LGPS. Risk of intervention by the Pensions Regulator, legal challenges, reputational risk.	<i>Cllr David Thomas</i> Chris Hurst	10	4	<ul style="list-style-type: none"> Monitor Contract Position Work with the Administering Authority Commercial Services to conduct an appropriate procurement exercise at the appropriate time 	Control In Place	
ADMIN0005	Failure to communicate effectively with stakeholders. Latest Review: 03/07/2023 Communications regularly reviewed and amended to reflect changing legislation/landscape. Updated Welsh website now available.	Scheme members unaware of their rights under the LGPS and make poor decisions in relation to pension rights. Employers unaware of the scheme regulations, the procedures and their responsibilities, resulting in poor or inappropriate decision-making and may adversely effect the flow of pensions data to the Pension Fund.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> communications policy 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. 	Control In Place	
ADMIN0006	Pensioners living longer and, changing retirement patterns. Latest Review: 17/01/2023 Considered during valuation	Increased employer contribution rates.	<i>Cllr David Thomas</i> Chris Hurst	6	4			

Administration Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
						<p>The Fund actuary investigates these matters at each valuation or more frequently where appropriate. 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.</p> <p>The Fund produces a Funding Strategy Statement which considers long term funding.</p>	Control In Place	
ADMIN0001	<p>Failure to pay pensions and lump sums on time</p> <p>Latest Review: 17/01/2023</p> <p>No current change to process. Constantly reviewed for efficiencies and improvements</p>	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	8	4	<p>Maintenance and update of Altair and Trent systems, sufficient staff resources and training. Quality assurance processes Maintenance and update of Pension Administration and Trent systems, sufficient staff resources and training. Quality assurance processes in place to check work done.</p> <p>Continuing Review of processes and procedures Ongoing review of process as part of continuous pensions administration workflow assessment</p>	Control In Place	
ADMIN0003	<p>Failure to hold scheme member's personal data securely.</p> <p>Latest Review: 27/09/2023</p> <p>Data improvement plan in place and data quality testing imminent.</p>	Poor data quality; compromised data; fines	Cllr David Thomas Chris Hurst	8	4	<p>Compliance with Powys County Council Data Protection and ICT policies. Compliance with Powys County Council Data Protection and ICT policies.</p> <p>07/12/2023 Initial pension dashboards data testing done and data quality is very good. Some gone away addresses identified, so a process to investigate those is underway. TPR Data Quality Testing conducted and scores are positive. Board and Committee notified in Nov/De</p> <p>Data protection audit in conjunction with TPR data quality standards to be undertaken</p>	Action In Progress	07/03/2024
ADMIN0007	<p>Deteriorating patterns of ill health or other early retirements.</p> <p>Latest Review: 17/01/2023</p> <p>Considered by Actuary during latest valuations</p>	Increase in employer contribution rates and deficit recovery payments.	Cllr David Thomas Chris Hurst	6	2	<p>Employers are required to pay the capital costs of early retirements (pension strain), upfront for all cases. 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.</p> <p>Certain Employers pooled together to share experience and help manage contribution rates (as per the Funding Strategy Statement)</p>	Action In Progress	16/10/2024

Administration Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
						16/10/2023	Considered at actuarial valuation and changes considered in accordance with actuarial recommendations	
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>Latest Review:</u> 13/07/2023 Cashflow work to be completed in 2023. reassurances received from Pensions administration software provider	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	8	2	<ul style="list-style-type: none"> • business continuity planning and systems providers assurance 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. • Business Continuity Plan under review. Periodic review by the Pension Board of provider assurances in respect of cyber security 	Control In Place	Control In Place

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Governance Risk Register

Governance Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
GOVERN0002	<p>Insufficient Fund cashflow to meet liabilities as they fall due. Potential Reputational Risk.</p> <p>Latest Review: 05/05/2023 Cashflow work to take place in Spring/Summer 2023.</p>	<p>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.</p>	<p><i>Cllr David Thomas</i> Chris Hurst</p>	9	6	<ul style="list-style-type: none"> cashflow forecast in place Funding strategy statement in place review strategic asset allocation to keep positive cashflow 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. 	<p>Control In Place</p> <p>Control In Place</p>	
GOVERN0016	<p>Pension Fund Personnel and/or key suppliers are unable to work due to extreme weather, fire, epidemics</p> <p>Latest Review: 03/07/2023 Business Continuity Plans regularly reviewed and updated as required</p>	<p>Inability to deliver administration services or investment of the Fund. Impact of welfare of Pensions Section Staff.</p>	<p><i>Cllr David Thomas</i> Chris Hurst</p>	9	6	<ul style="list-style-type: none"> Business Continuity Plan Business Continuity Plan, assessment of Pensioner Payroll services. Electronic implementation of paperwork. 	<p>Control In Place</p>	
GOVERN0008	<p>Failure to comply with LGPS and other statutory regulations. Potential Reputational Risk.</p> <p>Latest Review: 03/07/2023 Processes regularly reviewed and updated as required</p>	<p>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.</p>	<p><i>Cllr David Thomas</i> Chris Hurst</p>	8	6	<ul style="list-style-type: none"> rigorous checking/authorisation procedures for pension benefit calculations and payments, review governance policy; Rand, regular review of governance compliance policy. Staff training and development. Closer partnership working with employer payrolls to facilitate accurate data receipts; Closer partnership working with employer payrolls to facilitate accurate data receipts; increased compliance oversight provided by well established Pensions Board. 	<p>Action Completed</p> <p>Control In Place</p>	
GOVERN0009	<p>Lack of expertise of Pension Fund Officers and expertise of members of the Pensions & Investment Committee</p> <p>Latest Review: 03/07/2023 Training needs assessments conducted and plans put in place accordingly</p>	<p>Poor decision making in relation to principal functions of the Pension Fund, particularly in relation to investments.</p>	<p><i>Cllr David Thomas</i> Chris Hurst</p>	8	6	<ul style="list-style-type: none"> training and performance reviews, conferences, seminars to upskill and develop knowledge 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. 	<p>Control In Place</p>	

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"> Training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both PIC & PB Formalised Officer training via individual training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both Pensions & Investment Committee and the Pensions Board. <p>Knowledge & 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)</p>	Control In Place	
GOVERN0011	<p>Failure to provide the pensions service in accordance with principles of equality.</p> <p>Latest Review: 03/07/2023 Welsh website recently updated and relaunched (June 2023)</p>	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.	<i>Cllr David Thomas</i> Chris Hurst	9	4	<ul style="list-style-type: none"> The Fund maintains a Welsh Language register in respect of scheme members and employers. The Fund maintains a Welsh Language register in respect of scheme members and employers. To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc. To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc. 	Control In Place	
GOVERN0015	<p>Appointment of new Pension Board Chair and membership of the Local Pension Board</p> <p>Latest Review: 01/03/2023 Chair Continuing in position.</p>	Non compliance with Public Services Pension Act. Challenge and scrutiny from the Pensions Regulator. Reduced quality of governance.	<i>Cllr David Thomas</i> Chris Hurst	12	4	<ul style="list-style-type: none"> Pension Board Terms of Reference stipulate membership periods 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. 	Control In Place	
GOVERN0001	<p>Failure to collect and account for pension contributions being paid over to the Fund on time by Fund employers. Potential Reputational Risk.</p> <p>Latest Review: 17/07/2023 This is currently being reviewed and performance monitored and fed back to Board and Committee as required.</p>	Adverse audit opinion, potential delays to Fund employer financial reporting; and potential delay to production of annual report and accounts.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> Contributions received monitored on a monthly basis by Fund accounting staff. Contributions received monitored on a monthly basis by Fund accounting staff. Requirement that each end of scheme year, Fund employers certify they have paid over contributions at the correct rates and time Requirement that each end of scheme year, Fund employers certify that they have paid over contributions at the correct rates and on time. regular Communications to Employers to remind them of their responsibilities. production of the Employer Policy to help Employers. 	Control In Place	

Governance Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
GOVERN0003	Inability to deliver service as a result of the loss or over reliance of key personnel. <u>Latest Review:</u> 05/05/2023 Consideration given towards succession planning and knowledge sharing. The recent restructure was designed with that in mind, so need to ensure implementation	Failure to provide service at all, or at an acceptable level	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> Business Continuity Plan in place 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. 07/12/2023 <i>Business Continuity Plan Updated in Dec 2023</i> Keep Business Continuity Plan under review Knowledge Gaps In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance. In the longer term, ensure succession plans are in place and appropriate. 	Action In Progress	07/03/2024
GOVERN0012	Failure to collect payments due from ceasing employers with no active members. <u>Latest Review:</u> 13/07/2023 Monitoring continuing	Failure to collect cessation payments from ceasing employers results in relevant liabilities being funded by the Powys Pension Fund and the active employers.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> employer covenants, guarantor bonds, risk sharing agreements 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. 	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. <u>Latest Review:</u> 13/07/2023 Monitoring continues	Unfunded pension liabilities being orphaned without sufficient funding/guarantees in place, resulting on increased liabilities falling on other Fund employers.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> Regular review of admitted body covenants and financial health. Regular review of admitted body covenants and financial health. 07/12/2023 <i>Work to be picked up with Fund Actuary in 2024.</i> To seek funding guarantees wherever possible, from other Scheme employers or outside bodies 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. 	Action In Progress	07/03/2024
GOVERN0006	Significant rises in employer contribution rates for Fund employers with weak covenants as a consequence of increases in liabilities. <u>Latest Review:</u> 11/10/2023 Work to progress in 2023 using valuation data.	Employer contribution rates rise to unsustainable levels that cause employers to become insolvent	<i>Cllr David Thomas</i> Chris Hurst	8	4			

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"> In process of developing risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty 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 <p>Consider risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty over the level of employer contribution rates. control.</p> <p>13/07/2023 Ongoing and regularly reviewed.</p>	Action In Progress	13/01/2024
GOVERN0004	Loss of funds through fraud or misappropriation <u>Latest Review:</u> 03/07/2023 No change to process and continues	Financial loss to the Fund	Cllr David Thomas Chris Hurst	6	2	<ul style="list-style-type: none"> audit and control tests, due diligence done when new manager appointed 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. 	Control In Place	
GOVERN0005	Significant rise in employer contribution rates for Fund employers with strong covenants, as consequence of increases in liabilities. <u>Latest Review:</u> 03/07/2023 Valuation was positive and contribution rates reviewed and revised accordingly	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"> insurance options investigated 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. <p>05/05/2023 2022 Valuation Completed and deficit recovery period reduced</p> <ul style="list-style-type: none"> Employers have Discretionary Powers Policies that help to control liability 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. <p>07/12/2023 Employer Policies and Discretions will be covered at the Employer Meetings in February 2024</p>	Action In Progress	05/05/2024
GOVERN0007	Significant rises in employer contribution rates for employers with strong covenants as a result of poor/negative investment returns. <u>Latest Review:</u> 03/07/2023 Work with actuary to commence on covenant assessments in summer 2023	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"> Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets. <p>16/10/2023 Deeper dive into performance monitoring to take place in next few months</p>	Action In Progress	16/04/2024

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"> • Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. 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. 	Control In Place	

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Investment Risk Register

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. <u>Latest Review:</u> 09/01/2023 Considered by Investment Consultant and at each Committee meeting	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	<ul style="list-style-type: none"> diversification of investment managers, limits for individual investments mandates 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. <p>Managers closely monitored at the Pool Level. Any issues would be fast tracked in line with the process in place at the WPP.</p> <ul style="list-style-type: none"> Increased investment manager diversification facilitated via the Wales Pension Partnership Increased investment manager diversification facilitated via the Wales Pension Partnership. 	Control In Place	
INVEST0008	Pooling of Pension Fund assets with other LGPS Pension Funds. <u>Latest Review:</u> 04/05/2023 Risk updated following Pension Board meeting on the 3rd of May 2022	Investment of Fund Officer and Committee time. Front loaded costs before potential savings are realised on a per-sub fund basis; Transition Risk and costs.	Cllr David Thomas Chris Hurst	9	6	<ul style="list-style-type: none"> Due diligence on all pooling proposals; full transparency of all pool proposals and costs; full participation of Pension Fund Due diligence on all pooling proposals by Pool oversight Adviser, Investment Consultants and Legal Advisers; full transparency of all pool proposals and costs with local input from each of the investing funds advisers; full participation of the Pension Fund in all pooling development. <p>Regular Officer meetings via working groups; Quarterly Joint Governance Committee meetings; 6 monthly meetings with the Board Chairs to ensure good governance.</p> <p>Regular Training provided to Committee and Board Members by the Pool.</p>	Control In Place	

Page 3 of 4

Investment 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"> Pooling vehicle to be structured so that each participating Fund has full representation the pool Each participating Fund has full representation in the pool at officer and Committee level; the pool structure enables full strategic decisions to be retained by each individual Fund; 	Control In Place	
INVEST0009	MIFID II ongoing compliance to ensure retention of Institutional Investor Status Latest Review: 11/07/2022 Current process continues, but updated as required when new manager appointed or training needs identified.	Financial implications of not being treated as an institutional investor. Restricted Investment opportunities and diversification. Reputational Risk	<i>Cllr David Thomas</i> Chris Hurst	12	6	<ul style="list-style-type: none"> Regular Review of MIFID Status Regular Review of MIFID Status by Investment Managers. Training provided (and logged) to decision makers (Pensions and Investment Committee). Good Governance project expected to increase governance around this risk. 	Control In Place	
INVEST0012	The Fund fails to adequately account for climate change, climate risk and Environmental, Social and Governance (ESG) factors. Latest Review:	Financial loss to assets held within the Fund and potential for stranded assets. Failure to achieve desired investment returns leading to a fall in funding level and increased Employer contribution rates. Environmental and ecological impact on scheme members.	<i>Cllr David Thomas</i> Chris Hurst	8	6	<ul style="list-style-type: none"> Mitigations <ul style="list-style-type: none"> Development of suitable Climate Change, Climate Risk and ESG reporting metrics via the WPP Appointment of a proxy voting and engagement provider, who engages with managers and companies on how they manage Climate Change, Climate Risk and ESG factors at the WPP Publication of a local Responsible Investment policy and Climate Risk Policy (WPP) Constant engagement and challenging of Managers on how they account for Climate Risk/ Change and ESG factors Annual Climate Change, Climate Risk or ESG related training event on the WPP Training Plan Quarterly climate risk reporting via the WPP Annual stewardship code reporting at the WPP 	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. Latest Review: 13/07/2023 Reviewed at Committee meetings and performance challenges made to advisers where required.	Increased employer contribution rates.	<i>Cllr David Thomas</i> Chris Hurst	9	4	<ul style="list-style-type: none"> anticipate long-term returns on a relatively prudent basis to reduce the risk of under-performance. 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. At the 2022 Valuation, prudence was increased further by a reduction to the deficit recovery period and an increase in the probability of funding success. 	Control In Place	

Investment Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
INVEST0006	Pay and price inflation significantly more than anticipated. <u>Latest Review:</u> 13/07/2023 Considered during valuation and shorter term allowances for high inflation included (inflation expected to come down in the short to mid-term)	Increased employer contribution rates and deficit recovery payments.	<i>Cllr David Thomas</i> Chris Hurst	9	4	<ul style="list-style-type: none"> • Employers responsible for salary awards and are reminded of effect on salary-linked pension liabilities 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. <p>Actuary is able to consider inflation within their methodology when in a high inflation environment (such as during the 2022 valuation)</p>	Action Completed	
INVEST0010	Fall in the returns on Government bonds. <u>Latest Review:</u> 13/07/2023 Regularly monitored 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"> • Allowing for a risk-based approach should limit the impact of short-term changes in returns on Government bonds 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. 	Control In Place	
INVEST0005	Permitting contribution rate changes to be introduced by annual steps (down as well as up) rather than immediately, introduces a risk that action to restore solvency is insufficient between successive measurements. <u>Latest Review:</u> 11/10/2022 Work with actuary as required	Instability in employer contribution rates.	<i>Cllr David Thomas</i> Chris Hurst	6	4	<ul style="list-style-type: none"> • Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted as appropriate Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted to three years, or 6 years, in very exceptional circumstances. 	Control In Place	
INVEST0002	Inappropriate long-term investment strategy. <u>Latest Review:</u> 04/05/2023 Local and regular monitoring of strategy to ensure it remains appropriate. Review conducted as a result of the 2022 Valuation outcome and adjustments made as required.	Failure to meet funding objectives.	<i>Cllr David Thomas</i> Chris Hurst	8	4	<ul style="list-style-type: none"> • Use of a Fund specific benchmark, as recommended by the Fund's investment consultant. Use of a Fund specific benchmark, as recommended by the Fund's investment consultant. Strategy regularly reviewed and adjusted following the outcome of valuations. 	Control In Place	
INVEST0003	Active investment manager under-performance relative to the benchmark. This includes active management within the Wales Pension Partnership. <u>Latest Review:</u> 03/07/2023 Quarterly review carried out by Fund and WPP performance reported to each JGC.	Failure to meet funding objectives.	<i>Cllr David Thomas</i> Chris Hurst	4	2	<ul style="list-style-type: none"> • Regular investment monitoring analyses market performance and active managers relative to their index benchmark. Regular investment monitoring analyses performance of active managers relative to their index benchmark at the Pool level and locally with the Pensions and Investment Committee. <p>Regular Performance Updates presented by the WPP to officers where Managers present and detail latest performance. Regular reports to the WPP Joint Governance Committee and also local Pensions and Investment Committee.</p>	Control In Place	

Investment Risk			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
INVEST0004	<p>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.</p> <p>Latest Review: 13/07/2023 Recovery period reduced due to improved funding levels</p>	Increased employer deficit recovery payments.	Cllr David Thomas Chris Hurst	4	2	<ul style="list-style-type: none"> • Consider every such situation with the Pension Fund actuary, for each individual employer. 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. <p>At the 2022 Valuation the recovery period was reduced at the whole of Fund level to increase prudence and reduce the risk.</p>	Control In Place	

Breach No	YEAR	Breach Type	Nature of Breach	Breach Description	Action	Material Significance (Y/N)	P & I Committee Notified	Pension Board Notified	TPR Notified	RAG Status
1	2018/19	Administration	Late Notification of deferred Benefits	Disclosure Regulations state that any deferred leaver should be notified of their deferred benefit options within two months of the fund receiving complete leaver information from the employer. Due to the backlog of casework in the fund these deadlines have not been met for a number of historic deferred members. Cause: The backlog has occurred through the introduction of the new LGPS and the increased complexity around administration (aggregations, final salary links etc). An increase in the numbers of deferred pensioners who have left employment through reorganisations in recent months has also had an impact. Effect: although a breach, it is not considered material, as the information is not critical when making future decisions. Where a deferred member reaches retirement age their calculation will be completed at that point. This is a national issue for most funds across the LGPS.	New letter produced and issued to leavers upon notification of leaving, stating their entitlements upon leaving membership of the LGPS (i.e. under 2 years = refund, over 2 years = Deferred)	N	N	Y	N	
2	2018/19	Administration	Automatic payment of refund after 5 years for post 2014 leavers	Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. Regulations require submission of contributions from employers within statutory timescales. A thorough review of the process has identified two employers who have failed to meet this statutory requirement on more than one occasion.	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	
3	2023/24	Administration	Late receipt of Contributions from Employers	Regulations require submission of contributions from employers within statutory timescales. A thorough review of the process has identified two employers who have failed to meet this statutory requirement on more than one occasion.	Employers written to and process followed as per the published Administration Strategy Statement	N	Y	Y	N	

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CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee
15th December 2023

REPORT BY: Head of Finance

SUBJECT: Risk Management Policy

REPORT FOR: Information

1 Introduction

- 1.1 The Pensions Board have recently conducted several deep dives into the Fund's risk register, spending time focussing on each of the individual risk pillars (Administration, Governance and Investment). In an effort to further strengthen the governance around risk management and operate best practice, a draft Risk Management Policy that clearly outlines how the Fund manages risk, is presented to Committee for consideration and subsequent approval.

2 Background

- 2.1 A draft version policy is enclosed and the most pertinent points from the policy can be summarised as follows:
- **Risk management approach** - the acknowledgement that risk cannot be eliminated entirely, but the utilisation of an appropriate risk management process will result in better decision-making, improved performance and delivery of services, more effective use of resources and the protection of the Funds reputation.
 - **Risk management process** - the Fund adopts a risk management process consisting of risk identification, analysis, control and monitoring. This process is a continuous approach which systematically looks at risks surrounding the Fund.
 - **Monitoring of the policy** - the Fund will review the delivery of the requirements of this policy on an annual basis, taking into consideration any feedback from the Local Pension Board.
 - **Key risks to the effective delivery of the policy** - there are an array of risks that could affect the extent to which the Fund is able to deliver the objectives of the policy. The Pensions and Investment Committee, with assistance from the Local Pension Board, will monitor these and other key risks and consider how to respond to them.

- 2.2 This policy has been considered by the Pensions Board at their meeting of the 20th of November 2023 and their comments included accordingly.

3. **Recommendation**

- 3.1 To approve the Risk Management Policy to support the risk register and demonstrate best practice in the management of risk within the LGPS.

Recommendation:		Reason for Recommendation:	
To approve the Risk Management Policy to support the risk register and demonstrate best practice in the management of risk within the LGPS.		As per report	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:	Immediately		
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk
Relevant Portfolio Member(s):	Cllr David Thomas		
Relevant Local Member(s):	N/A		



Powys

**CRONFA BENSIWN
POWYS PENSION FUND
Risk Management Policy**

x 2023

Introduction

This is the Risk Management Policy for the Powys Pension Fund (the Fund) which is managed and administered by Powys County Council (the Administering Authority).

The Policy details the risk management strategy for the Fund, including:

- The approach towards risk management for the Fund, and in particular attitudes to, and appetite for risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process

The Administering Authority recognises that effective risk management is an essential element of good governance in the Local Government Pension Scheme (LGPS). By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- Demonstrate best practice in governance
- Improve financial management of the fund and minimise the risk and effect of adverse conditions of the Fund
- Anticipate and respond appropriately to emerging risk and threats
- identify and maximise opportunities that may arise
- Ensure a high quality of Pensions Administration

The Fund will adopt best practice risk management, which will support a structured and focused approach to managing risks and ensure that risk management is an integral part in the governance of the Fund, at a strategic and operational level.

This policy will be implemented alongside the Powys County Council (the Council) risk management policy and approach. The Fund utilises the Council's risk management process to identify, analyse, control and monitor risk.

To whom this policy applies

This Policy applies to all members of the Pensions and Investment Committee and the Local Pension Board, including scheme members and employer representatives. It also applies to senior officers involved in the management of the Fund.

Senior officers involved in the daily management of the Fund and administration of the LGPS are also integral to managing risk and will be required to have appropriate understanding of risk management relating to their roles.

Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Pension and Investment Committee members and Pension Board members as required, in meeting the objectives of this Policy.

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, which facilitate informed decision making and are 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

To assist in achieving these objectives in the management, the Fund, the will aim to comply with appropriate legislation and guidance, which include:

- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.
- Any other guidance, such as that produced by professional bodies (for example – CIPFA).

Approach To Managing Risk

The Fund recognises that it is not possible, or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy required for the Fund. A key determinant in selecting the action to be taken in relation to any risk, will be its potential impact on the Fund's objectives in the light of its risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the likelihood or impact of the risk occurring.

In managing risks, the Fund will:

- Ensure that there is a proper balance between risk taking and the opportunities to be gained.
- Adopt a system that will enable the Fund to anticipate and respond positively to change.
- Minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided.
- Make sure that when embarking upon new areas of activity (new investment strategies, joint-working, framework agreements etc.), the

risks they present, their probability and potential impact are fully understood and considered in making decisions.

The Fund also recognises that risk management is not an end, nor will it remove risk from the Fund or the Administering Authority. However, it is a sound management technique that is an essential part of how the Fund is managed. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation. Additionally, there is an understanding by the decision makers of the potential risks, and required controls, that are faced by the Fund.

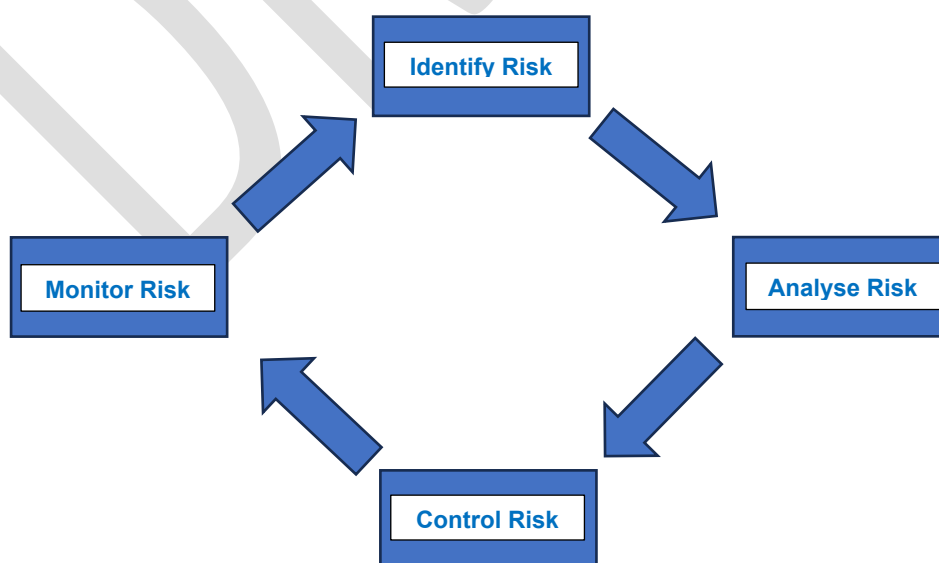
Responsibility

The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, Senior Officers within the Fund are responsible for ensuring the process outlined below is carried out subject to the oversight of both the Pensions and Investment Committee and Local Pensions Board.

However, it is the responsibility of everyone covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

Risk Management Policy

The Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.



Identify Risk

Risk identification involves assessing risks in the context of the objectives and targets of the Fund. The risk identification process is both a proactive and reactive. It requires horizon scanning for new or emerging risks and hazards; and learning from review of how past and current risks have manifested.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis and classification, control and monitoring of those risks.

A full review of the risk register will be conducted annually, with a deeper dive into each of the Administration, Governance and Investment pillars on a more frequent basis by the Pensions Board.

New risks can emerge at any time and risk identification should include allocation of sufficient time and resource identifying these and should therefore be integral to the day-to-day management of the Fund. Such changes to the risk register will be reported to the Pensions Committee and Local Pensions Board on a quarterly basis.

Analyse Risk

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed against the following where the score for likelihood (from one to five) will be multiplied by the score for impact (from one to five) to determine the current risk category, as set out below.

Both "likelihood" and "impact" are multiplied together to arrive at a quantified risk. The higher the number, the higher the risk. The risk evaluation criteria below set out officers assessment of each risk category and their perceived impact on the Fund.

	Insignificant Impact (1)	Minor Impact (2)	Moderate Impact (3)	Major Impact (4)	Severe Impact (5)
Almost certain likelihood (5)					
Likely (4)					
Possibly likely (3)					
Unlikely (2)					
Rare likelihood (1)					

Risk Exposure	Impact/Likelihood	Control
	Catastrophic consequences, almost certain to happen	Unacceptable level of risk exposure which requires immediate corrective action to be taken. Regular monitoring required, at least monthly.
	Major consequences, likely to happen	Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures to be put in place to reduce exposure.
	Moderate consequences, possible occurrence	Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.
	Insignificant consequences, almost very unlikely to happen	Acceptable level of risk subject to periodic passive monitoring measures, at least annually.

Control Risk

Senior officers will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pensions and Investment Committee approval may be required, following considerations made by the Pensions Board. The result of any change to the internal controls could result in any of the following:

TOLERATE a risk – monitor to ensure the impact and likelihood do not change.

TREAT a risk – carry out controls to reduce the likelihood/impact of the risk.

TRANSFER a risk – by insuring or passing the risk to a third party.

TERMINATE a risk – stop doing the activity.

Monitor Risk

Risk monitoring is the final part of the risk management cycle and will be the ultimate responsibility of the Pensions and Investment Committee. In monitoring risk management activity, the Committee will consider whether:

- The risk controls taken achieved the desired outcomes
- The procedures adopted and information gathered for undertaking the risk assessment were appropriate
- Greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- There are any lessons to learn for the future assessment and management of risks

Key Internal Controls

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on a quarterly basis to the Pensions and Investment Committee and Local Pensions Board.

The Pensions and Investment Committee will also be provided with ad hoc updates in relation to any significant changes to risks.

The Pension Board will be provided with an update at each meeting and they will be able to provide comment and input to the management of risks.

The Fund will provide and encourage regular training of all those involved in managing the Fund, which includes Committee and Board members, together with officers.

The Council requires that several mandatory training courses are completed and refreshed regularly.

In order to identify whether the objectives of this Policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis taking into consideration any feedback from the Pension Board.

The risks identified on the Fund's risk register are of significant importance to the pension fund. Where a risk is identified that could be of significance to the Council, it would be included in either the key strategic risk register or the corporate risk register.

Key Risks To The Effective Delivery This Policy

The key risks to the delivery of this Policy are outlined below. The Pensions and Investment Committee, with assistance from the Local Pension Board, will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day-to-day management of the Fund and consequently the objectives of the Policy are not delivered.
- Changes in Pensions and Investment Committee and/or Local Pension Board membership and/or Senior Officers mean key risks are not identified due to lack of knowledge.
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to identified risks.
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls.
- Lack of engagement or awareness of external factors means key risks are not identified.

- Conflicts of interest or other factors leading to a failure to identify or assess risks appropriately.
- Overstating the effectiveness of a particular control measure and subsequently undermining the potential consequences of a given risk

Further Information

If further information about anything in or related to this Risk Management Policy is required, please contact:

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

DRAFT

CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee
15th December 2023****REPORT BY: Head of Finance****SUBJECT: Data Quality Testing 2023**

REPORT FOR: Information

1 Introduction

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

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

This was reviewed in 2020 and again in September 2022.

2 Background

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

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

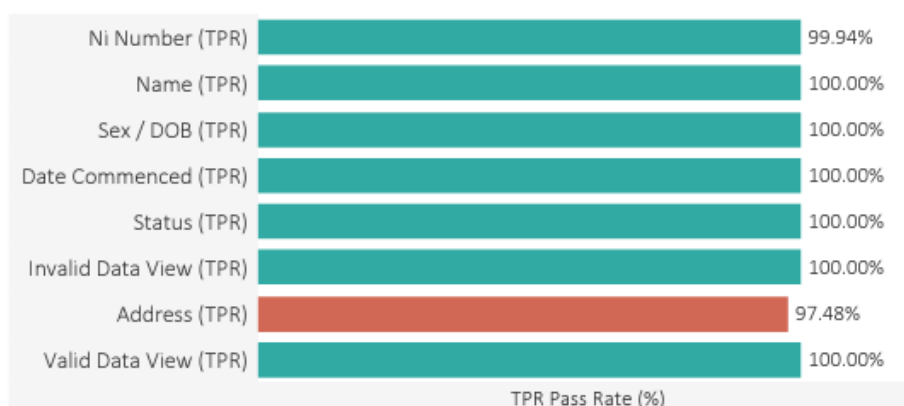
TPR have set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand.

Summary of 2023 Common Data results

The chart below indicates performance for each data category against the TPR benchmarks. The results presented herein are generated from data extracted from the Live Altair service in October 2023 for all tests and used a new reporting tool available to the Fund. The overall

percentage of tests passed for Powys' common data is **98.5%** (98.3% in 2022 and 97.7% in 2021).

TPR Pass Rate % by Test Category



- 3.2 7 of the eight categories met the highest benchmark of greater than 98%. The lowest scoring category concerned member addresses, which returned a score of 97.48%.

This score is impacted on address formatting anomalies where, for example, an address is complete, but a post code sits on address line 4, rather than in the post code field.

The general quality of the common data tested at Powys is of a high standard.

4. Data Quality Testing – Scheme Specific Data

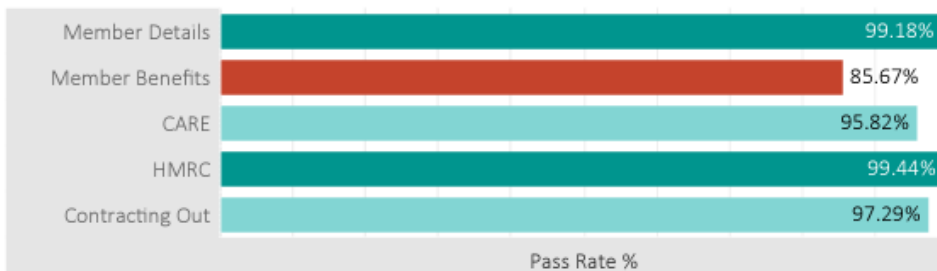
4.1 Benchmark

The graph below indicates performance for each data category against the TPR benchmarks. The results presented herein are generated from data extracted from the Live Altair service in October 2023 for all tests and used a new reporting tool available to the Fund. The overall percentage of tests passed for Powys' scheme specific data is **93.37%** (91.95% in 2022 and 91.87% in 2021).

Grand Total | TPR Pass Rate %



Grand Total | TPR Pass Rate % by Test Category



Work has started on investigating the reasons for the Member Benefits score of 85.67%, but initial indications suggest that it is in relation to a historic way of recording internal aggregations of records, which has no impact on member benefits. A data cleansing exercise will be carried out to update these data fields over time.

5. TPR Annual Return and Data Improvement Plan

5.1 The above scores will be reported to TPR as part of the annual scheme return.

The data improvement plan places a priority on improving those areas of data that can directly impact a scheme member's pension benefits. This plan was approved at the Committee meeting on the 7th of October 2022.

6. Recommendation

6.1 To note the contents of this report.

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

Relevant Portfolio Member(s):	Councillor David Thomas
Relevant Local Member(s):	

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CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee
15th December 2023

REPORT BY: Head of Finance

SUBJECT: Wales Pension Partnership Update

REPORT FOR: Information

1. Introduction

- 1.1 This report has been produced as a covering report to support the quarterly updates provided by the Wales Pension Partnership (WPP), with regards to pooling investments in Wales.
- 1.2 Since the last Pensions and Investment Committee meeting, the Joint Governance Committee (JGC) have met once on the 13th of December 2023. At the time of preparing this report, the papers for that meeting are not yet available. The agenda for the meeting is available for viewing [here](#).

2. Pooling investments in Wales

- 2.1 The latest update reports for the JGC meetings that took place on the 19th of July and 20th of September 2023, were provided to Committee at the meeting of the 6th of October 2023.
- Rather than duplicate, these can be seen at the link to that meeting, available [here](#).

2.2 Annual Report

One item that has been published in the interim period, is the WPP 2022/23 Annual Report, which is available to view on the [WPP website](#).

2.3 Training

The WPP provides regular quarterly training to Committee members, Pension Board members and officers. The last session took place on the 13th of December 2023 and covered Reporting.

The WPP's 2023/24 training plan is available on their [website](#).

3. Recommendation

To note the content of this report.

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

Relevant Portfolio Member(s):	Councillor David Thomas
Relevant Local Member(s):	

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