

**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT  
COMMITTEE ROOM B - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON  
FRIDAY, 10 MARCH 2017**

PRESENT

Gerard Moore (Chair)  
John Byrne and Mick Hutchison (Member Representatives)  
Geoff Petty and Wayne Thomas (Employers Representatives)  
Joe Rollin (Secretary to the Board)  
Chris Hurst, Pension Administration Manager

<b>1.</b>	<b>APOLOGIES</b>	<b>1</b>
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Apologies for absence were received from Dan Paley Financial Reporting and Policy Accountant.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	<b>2</b>
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The Chair advised he was an Associate in The Chartered Institute of Public Finance and Accountancy [CIPFA] and declared an interest if reference was made to CIPFA when discussing the Board's training.

<b>3.</b>	<b>MINUTES</b>	<b>3</b>
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The minutes of the last meeting held on 6<sup>th</sup> January, 2017 were agreed as a correct record.

<b>4.</b>	<b>MATTERS ARISING</b>	<b>4</b>
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4.1. Pensioner Payroll

The Board received a report on the arrangements in place to ensure pensioners were paid where there was a failure of the payroll system and mechanisms in place to cover any costs incurred by pensioners in such situations.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>That the Board notes the risk controls in place to ensure the payment of pensioners and the arrangements for dealing with additional costs incurred by pensioners where failures occur.</b>	<b>As per report.</b>

4.2. Review of Governance Policy and Compliance Statement

The Committee received the Governance Policy and Compliance Statement.

The Chair stated that the governance process of the Board having an opportunity to consider such documents prior to their consideration by the Pensions and Investment Committee was an appropriate function of the Board. The Board noted the document.

4.3. Review of Appendix A to the Investment Strategy

The Secretary advised that Appendix A of the Investment Strategy would be considered at the next Pension and Investment Committee. The Myners Compliance specified a number of principles which set a minimum standard for Funds. It was noted that this version of Appendix A would replace the first section of Appendix A [page 62 of the agenda pack] of the Investment Strategy Statement [ISS].

The Board noted that the ISS as currently drafted had been approved by the Pensions and Investment Committee at its last meeting and that the latter had agreed that it be delegated to the Section 151 Officer to make any minor changes, prior to publication on 1<sup>st</sup> April, 2017.

After discussion it was agreed that cross references should be included in the document to relevant sections of the ISS and Fund Strategy Statement [FSS]. It was agreed that the last sentence of Principle 4 needed to be reworded.

<b>RESOLVED</b>	<b>Action:</b>
<p><b>That the Secretary:</b></p> <ul style="list-style-type: none"> <li><b>i. redrafts Appendix A to include cross references to relevant sections of the ISS the FSS and that the last sentence of Principle 4 be reworded and</b></li> <li><b>ii. circulates the new draft to the Board for checking prior to its inclusion in the ISS from April 2017.</b></li> </ul>	<b>Secretary</b>

The Chair advised he would provide an Annual Report at the next meeting.

4.4. Board Member Indemnity

The Board received a report on Board Member Indemnity. The Secretary advised that the Welsh Funds had discussed the issue and each was addressing the issue in its own way. The Secretary recommended to the Board the proposed solution.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<p><b>That the Board notes that the Pension Fund is to purchase an insurance indemnity policy to cover Board members against loss up to a value of £5M.</b></p>	<b>As per report</b>

4.5. Reference to the Board in the Constitution

The Board noted that as it was not a committee of the Council it was not referred to in the Council's Constitution.

<b>5.</b>	<b>CHAIRMAN'S ANNOUNCEMENTS</b>	<b>5</b>
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The Chair reported on the following:

- The Scheme Advisory Board was undertaking a review of Local Pension Boards. The review would be sent to both Administering Authorities and Boards.
- The Pension Regulator had undertaken its second review of Local Government Pension Schemes between November 2016 and January 2017. The report on the review would be available soon. The Secretary advised that the Fund had participated in this review and had also completed the Regulators self-assessment tool.
- The Chair, as Chair of the Mid and West Wales Fire Authority Pensions Board had received a telephone call from the Pension Regulator seeking assurances that the Authorities' website was compliant with the Code of Practice 14.
- A meeting of the Chairs of the Welsh Pension Boards would take place on 28<sup>th</sup> March, 2017 and it was noted that the meeting was open to all Board members.

In response to a question regarding the decision of the Employment Tribunal in relation to the new Judicial Pension Scheme 2015 the Secretary advised this issue had been discussed at a national level but he was not aware of any challenges or of any great concern. The Chair advised that he would review the legislation updates on governance issues which he received and forward any information to members.

<b>6.</b>	<b>MINUTES OF THE PENSIONS AND INVESTMENT COMMITTEE 9 FEBRUARY 2017</b>	<b>6</b>
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The Board received the Pensions and Investment Committee's minutes for 9<sup>th</sup> February, 2017.

In response to a question regarding the Committee's decision, being made in public, regarding moving funds from a qualified rated to a buy rated fund manager, the Secretary advised that the policy regarding such changes was a public document and so the decision was made in public.

#### 6.1. Communications Strategy Statement

The Secretary advised that the Communications Strategy Statement had been reviewed and updated taking into account comments from the Board. It was noted that the Statement would refer to on-line access to the Scheme, when this system was "live".

Concerns were raised regarding the quality of pension's communications. It was suggested that the principles underpinning communication should be stated such as clarity, equity and equality and timely communications.

<b>RESOLVED</b>	<b>Action</b>
<b>The Secretary agreed to review the principles underpinning communication and include this in the statement.</b>	<b>Secretary</b>

The Board noted the Communications Strategy Statement.

## 6.2. Investment Strategy Statement

The Secretary advised that the Investment Strategy Statement [ISS], as drafted, had been agreed at the last Pensions & Investment Committee. The Committee had also agreed delegated authority to the Section 151 Officer to make any minor changes to the Strategy, prior to its publication on 1<sup>st</sup> April, 2017.

The Board considered that it should receive details of the investment manager(s) who exercise its voting rights.

<b>RESOLVED</b>	<b>Action</b>
<b>details of the investment manager(s) who exercise its voting rights be reported to the next Board meeting.</b>	<b>Secretary</b>

The Board noted the Investment Strategy Statement.

## 6.3. Funding Strategy Statement

The Secretary advised that the Funding Strategy Statement [FSS] had been agreed at the last Pensions & Investment Committee. In response to a question the Secretary advised that the recovery period for funds is, as agreed with the Fund actuary, set at a limit of 25 years. This limit however, can be extended in exceptional circumstances for employers of sound covenant to an absolute limit of 40 years.

The Board noted the Funding Strategy Statement.

<b>7.</b>	<b>UNAUTHORISED PAYMENTS (VERBAL REPORT)</b>	<b>7</b>
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The Pension Administration Manager advised that unauthorised payments [such as the late payment of a death grant, paid after 12 months of the Fund being notified of a death] are monitored on an annual basis and quarterly reports are made to HMRC. It was noted that no unauthorised payments have been recorded for the Fund.

<b>8.</b>	<b>BREACHES (VERBAL REPORT)</b>	<b>8</b>
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The Secretary advised that at this point in time there had been no recorded or reported breaches. However, there were potential breaches in respect of outstanding deferred benefit awards, which were being investigated. These breaches would be recordable, as the notification of deferred benefits had been made over two months after the Fund had received information about the deferment.

The Board was assured that systems were in place to monitor any breaches.

<b>9.</b>	<b>REVIEW OF COMPLIANCE WITH TPR CODE 14</b>	<b>9</b>
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<b>RESOLVED</b>	<b>Action</b>
<b>To defer consideration of the review of Compliance with TPR Code 14 to the next meeting.</b>	<b>Secretary</b>

<b>10.</b>	<b>REVIEW OF RISK REGISTER (STANDING ITEM)</b>	<b>10</b>
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The Board noted that the Committee had, as recommended by the Board, agreed that where the Fund intends to enter into a contract with a manager to invest Fund assets, that the contract documentation is first scrutinized by the Fund's legal advisers, in relation to the risk associated with investment manager insolvency.

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

- PEN 030 – It was noted that the Pensions & Investment Committee agreed on 9th February 2017, that when entering into new contractual arrangements with investment managers, contract documentation will be referred to the Fund's legal advisers for review and appropriate due diligence. As a result of this further control it was noted that the risk moved from High to Medium. The Board asked whether the Custodian would feature as a control especially in respect of Pooled Funds. The Secretary advised that further advice would be sought on this issue.
- The legal status of Pooled Funds was questioned and it was agreed that further advice would be sought.
- The Board discussed the merit of asking Burges Salmon to undertake a desktop review of existing contracts to advise on the security of assets if a fund manager were to go into liquidation. The Secretary advised that he would raise this issue with the Pension & Investment Committee due to the cost of such a review. He considered a review could be undertaken and a report be provided by the end of the summer.
- PEN011 Failure to comply with LGPS and other statutory regulations and PEN013 Failure to maintain and hold up to date and accurate pension records – staff training should be included as a control for both of these. Also in respect of PEN013 the consequences of fines by the regulator should be added in as a possible consequence.
- PEN019 Lack of expertise of members of Pensions & Investment Committee – as a control training events should be provided for Committee members after an election.
- It was noted that no reference was included regarding the risk of insolvency of an admitted body. Reference to this would be included in the Risk Register.
- The Risk Register would be updated as required as any strategies etc are updated.

<b>RESOLVED</b>	<b>Action</b>
<b>That advice would be sought on:</b> <b>i. whether the Custodian would feature as a control especially in respect of Pooled Funds.</b>	<b>Secretary</b>

<b>ii. The legal status of Pooled Funds.</b>	
<b>That the Pension &amp; Investment Committee be asked to consider the merit of asking Burges Salmon to undertake a desktop review of existing contracts to advise on the security of assets if a fund manager were to go into liquidation, with a view to receiving assurances by the end of the summer.</b>	<b>Secretary</b>
<b>That the Risk Register:</b> <ol style="list-style-type: none"> <li data-bbox="225 495 954 568">i. in respect of PEN011, PEN013, PEN19 and PEN030 be amended as detailed above</li> <li data-bbox="225 568 863 642">ii. refers to the risk of insolvency of an admitted body and</li> <li data-bbox="225 642 935 712">iii. be updated as required as any strategies etc. are updated.</li> </ol>	<b>Secretary</b>
<b>That the following Excel reports be printed on A3 paper for the Board:</b> <ul style="list-style-type: none"> <li data-bbox="277 792 703 831">• Code of Practice Review</li> <li data-bbox="277 831 536 869">• Risk Register</li> <li data-bbox="277 869 639 904">• Recording breaches</li> </ul>	<b>Clerk</b>

<b>11.</b>	<b>WALES POOL - INVESTMENT POOLING UPDATE (STANDING ITEM)</b>	<b>11</b>
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The Secretary advised that all eight Welsh Authority Pension Funds had formally approved the establishment of a Wales Pool. The formal documentation would now be signed and Carmarthenshire County Council has been appointed as the “host” authority. The Chairs of the eight Welsh Funds will meet and become the Joint Governance Committee. The Secretary explained the bidding and tender process for the appointment of the Pool Operator.

<b>12.</b>	<b>AUDIT REPORT (STANDING ITEM)</b>	<b>12</b>
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The Secretary advised that a report on the Administration of the Pension Fund [processes and procedures] was pending and would possibly be available in July.

The Chair advised that CIPFA was to hold an event on the administration of pension funds.

<b>13.</b>	<b>CESSATION OF CONTRACTING OUT (STANDING ITEM)</b>	<b>13</b>
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The Pension Administration Manager reported that as at 28<sup>th</sup> February, 2017 74.43% of discrepancies had been resolved. Officers were meeting with the company undertaking the review in mid March. As the project was coming to an end the Authority had to decide how to undertake the next stage either internally or externally which needed to be completed by December 2018,

The Board noted the satisfactory progress and asked to receive regular updates.

<b>14.</b>	<b>BOARD MEMBER TRAINING (STANDING ITEM)</b>	<b>14</b>
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The Board raised concerns regarding the level of detail in the Pension Regulator's online training toolkit for members and the Board considered that this was pitched at the wrong level.

The Board had been advised of the post-election Induction training for the Pension & Investment Committee taking place on 30<sup>th</sup> June, 2017.

<b>15.</b>	<b>FUTURE BOARD MEETINGS</b>	<b>15</b>
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The Board noted the following future meeting dates:

14th July 2017

20th October 2017

12th January 2018

Gerard Moore  
Chair