

Draft Annual Report of Powys LGPS Pension Board for 2019/2020

1 Constitution, Representation and Attendance

- 1.1 The Powys County Council LGPS Local Pension Board (“the Board”) was constituted under the Public Service Pensions Act 2013. As such, the Board is not a Committee of the Council.
- 1.2 It held its first meeting on 31 July 2015. It consists of two representatives of the Scheme employers, and two representatives of the Scheme members, all of whom are voting members. There is also a non-voting independent Chair.
- 1.3 The Board met on five occasions during the year on the following dates: 3 April, 10 July, 11 September, 26 November 2019 and 26 March 2020. Each meeting was quorate, with the overall attendance level at 88%. The March meeting was held virtually, due to the Covid-19 virus.

	3.4.19	10.7.19	11.9.19	26.11.19	26.3.20
Gerard Moore: Independent Chair	√	√	√	√	√
John Byrne: Scheme Member representative	√	√	x	√	√
Mick Hutchinson: Scheme Member representative	√	√	√	√	√
Wayne Thomas: Scheme Employer representative	√	√	√	x	x
Nigel Brinn: Scheme Employer representative	√	√	√	√	√

- 1.4 Board meetings are open to the public, other than when considering exempt items.
- 1.5 To facilitate the operation of the Board, the Chair is invited as an observer to meetings of the Powys County Council Pensions and Investment Committee (“the Committee”).

2 Functions and Operation of the Board

- 2.1 The two primary functions of a Local Pension Board (LPB) are to assist the Administering Authority to:
- ensure effective and efficient governance and administration of the LGPS;
 - ensure compliance with relevant laws and regulations.
- 2.2 It therefore has a monitor/assist/review/scrutinize purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend. It sets its own agenda, and can be selective and probe particular topics in more depth than the Committee, which has a wider range of statutory responsibilities. As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies, that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above. It can and does commission its

own reports, and where appropriate, makes recommendations to the Committee and to officers.

- 2.3 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available.
- 2.4 The Board is supported by the Board Secretary and operates under Terms of Reference which were initially agreed by Powys County Council in January 2015 and reviewed following the September 2018 Board meeting. The url for current Terms of Reference is shown in paragraph 7.1. The Board has requested a change in its Terms of Reference, as detailed in paragraph 3.12.
- 2.5 In 2019/2020 the direct costs of operating the Board, covering travel and training expenses relating to Board members and the fees and expenses of the Independent Chair amounted to £XXX. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council. There was a specific budget of £XXX. Board members are covered by indemnity insurance. Mindful of delivering value for money, the Board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

3 Detailed Work of the Board

3.1 Overview

- 3.1.1. This is the fifth Annual Report produced by the Board. Since their inception, Local Pension Boards have become increasingly visible and pro-active, as was expected by both TPR and the Scheme Advisory Board (SAB).
- 3.1.2. As such, Boards are in a continuous state of evolution. This has manifested itself in a number of ways. There is an increasing dialogue between Board members between formal meetings. This is especially true between the Board Chair and the Board Secretary.
- 3.1.3 There are excellent communication links between the Board and the Committee, as the Board Chair now produces and formally presents to the Committee an Executive Summary from each Board meeting showing any specific recommendations made by the Board, what assurances it has gained on behalf of the Committee, and any other matters considered to be relevant.
- 3.1.4. The main elements of the work programme of the Board are governance, and oversight of the pensions administration function, which is run by an in-house team. A draft of the revised Governance Compliance Statement was previewed.
- 3.1.5 Amongst other objectives, the Board is endeavouring to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their complete, accurate, timely and secure supply of information

and data is critical. Provision of such quality data prevents a chain reaction of poor key performance indicators, breaches of the law, inaccurate payment of pensions, inaccurate employer contribution rates and inappropriate investment decisions. With these objectives in mind, the Board previewed a draft Pensions Administration Strategy, primarily from the viewpoints of process, procedures and communications, and made a number of recommendations. In addition, the Board Chair made a presentation at the annual meeting with scheme employers.

3.2 Risk management

A separate Risk Register is produced for the Pension Fund. The detailed assessment of the likelihood of each risk occurring and its impact have been judged in the light of the existence of the Board as an additional scrutiny resource. Review of the Risk Register and seeking out any new risks is a standing item at Board meetings. During the year, the Board made various recommendations regarding the Risk Register. These included adding compliance with MiFID II and Covid-19 and pandemics generally to the Register, as well as the temporary risks involved in the transition of documents and data to a new software system.

3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Local Government Pension Scheme on an ongoing basis and has, for example, highlighted delays across LGPS Funds in producing Annual Benefit Statements (ABS's). The Board was pleased to note that Powys Pension Fund once again produced its ABS's by the due date but nevertheless continues to seek assurances that the next set of ABS's will once again be delivered on time.

3.3.2 The Board, together with the Board Secretary, during the year conducted a phased review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14. Using a "red, amber, green" approach the Board identified areas in which the Fund can make improvements. When examining improvements that have been achieved, the Board seeks assurance that the evidence supports the revised assessment levels.

3.3.3 The Board monitors TPR's annual review of its priorities, and studies its guidance, intervention reports and the reasons behind any fines it levies, and reflects these in agenda setting. Powys was not in the LGPS cohort of 10 Funds visited by TPR. Our local review of the TPR's report and recommendations was initially scheduled for a special meeting in March meeting, but will now be considered at the May 2020 meeting. A particular focus of TPR is cyber security, which has featured appropriately on Board agendas.

3.3.4 The Board continues to be mindful of TPR's Scheme Annual Return, which is an statutory, factual document to be returned within a set deadline, with which Powys complied. The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". Using 2018/2019 data as a baseline, TPR will be measuring and seeking annual improvements in data quality. Whilst data quality for Powys is at a high level, nevertheless a Data Improvement Plan is in place, which the Board will continue to monitor as a key part of its Work Programme.

3.3.5 In addition to the statutory Scheme Annual Return, the Pensions Manager and Board Chair also completed the Regulator's voluntary annual survey, which is more subjective than the Annual Return. The Board made a number of recommendations that would improve the quality and consistency of responses.

3.4 Reporting and Recording Breaches

The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. The Board reviews any breaches of the law as a standing item on its agenda. During 2019/2020 none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority. A fast track reporting system is in place for reporting breaches of material significance to TPR in a timely manner.

3.5 Scheme Advisory Board (SAB)

3.5.1. The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings. Increasingly the SAB is issuing guidance to pension funds.

3.5.2. The SAB commissions periodic surveys of local pension boards. The survey scheduled for 2019/2020 was postponed.

3.6 Review of Investment Issues

Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.

3.6.1 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement. The revised UK Stewardship Code 2020 will be considered on a future agenda.

3.6.2. The Board continues to receive updates on progress by the Wales Pensions Partnership on pooling of assets. The eight Chairs of the Wales pension boards participate in half yearly engagement meetings with the host authority and external providers. The relationship between the responsible investment policy of the Wales Pool compared with that at each individual Fund is monitored.

3.6.3 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.

3.6.4 The Board receives reports on cash flow predictions, which help the Board gain assurances that pensions and lump sums will be paid on time, and that there is sufficient flexibility in its cash management arrangements that avoid any forced fire-sale of assets.

3.7 Scheme documents

3.7.1 The Board examines the range of scheme documents expected to be in place, and with which Board members are expected to be conversant. To facilitate that

requirement the Board recommended that all relevant documents are listed and easily accessible on the Fund's website.

- 3.7.2 The Board pays particular regard to those standard letters and documents which are sent to scheme members and has made recommendations regarding their content.

3.8 Triennial Valuation 2019

Completion of the Triennial Valuation, which sets the rates of employers' contributions for the next three years, was one of the key achievements of the Pensions and Investments Committee over the last financial year. The Board Chair presented a training event focussing on the role of the Board in this major exercise. This enabled the Board to gain assurances regarding the accuracy of the data provided to the Fund Actuary, the timeliness of the data submission, the management of employer risk, the level of prudence in the assumptions regarding the discount rate chosen and the manner in which the dual interests of Powys County Council as both Administering Authority and as a scheme employer were managed, in accordance with the principles of good governance.

3.9 Covid-19 and pandemics generally

The March Board meeting was held remotely on 26 March 2020, three days after the start of lockdown in the UK. As such there was little time for the Board to seek assurances on the wide-ranging changes necessary to ensure the safe and timely continuation of paying monthly pensions, lump sums, and to consider other administrative and governance issues. These will be examined at the first meeting in 2020/2021. The Board recommended that "pandemics" be added to the Risk Register, including the impact on scheme employers.

- 3.10 As Board Chair, I hold as a minimum an annual discussion with Powys County Council's Section 151 Officer. Appropriate assurances have been received regarding the regarding the appropriate resourcing of the Pensions Team.

3.11 Internal Audit report

At the March 2020 meeting, the Board, in closed session, previewed an internal report which focussed primarily on the pensions administration service. The Board noted the audit conclusions, which will next be considered by the Committee. The Board identified some other dimensions which might usefully be incorporated into future internal audit reports.

3.12 Membership of the Board

As indicated in paragraph 1.2, the current membership of the Board is two scheme member and two scheme employer representatives, plus an Independent Chair. Whilst this meets the legal requirements, I have been concerned that a number of meetings have had to be re-scheduled to ensure quoracy, and that the quality of outcomes would be increased by an additional two Board members. This would also increase resilience and, as board members come towards the end of their term of office, offer opportunities to arrange succession planning. The Board's recommendation at its meeting on 11 September 2019 is still awaiting approval from Powys County Council.

4. Ensuring Compliance with Regulatory Deadlines.

- 4.1 An increasing component of the Board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations. In all cases timely progress reports are received with the Board considering whether any recommendations are needed to help ensure that deadlines are met.
- 4.2 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements, the submission of the Scheme Annual Return to the TPR and publication of the Pension Fund Annual Report and Accounts. The Fund complied with these deadlines.
- 4.3 The Fund complied with the specific deadline of 31 March 2020 for the certification of the employers' contribution rates by the Fund's Actuary resulting from the Triennial Valuation as at 31 March 2019.

5. Training

- 5.1 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge. On appointment, a new Board member receives one to one training with the Board Chair.
- 5.2 The training policy for Board members is based on an individual training needs analysis and is therefore being individually tailored. This allows use of both the CIPFA Framework and TPR Toolkit. Board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference, and are encouraged to attend at least two such seminars or conferences each year.
- 5.3 In addition Board members are invited to internal training events provided for Committee members which are often targeted to specific events. During 2019/2020, the topics covered included the Triennial Valuation 2019, cyber security and data protection, and responsible investment.
- 5.4 During the year the Board adopted a communications log of all relevant guidance and regulatory documents received, to enable Board members to keep their knowledge and skills up to date. An appropriate example is the CIPFA "Guide to Administration in the LGPS".
- 5.5 Further, and potentially more convenient training opportunities are being presented via a significant increase in the availability of webinars, due to the UK lockdown.
- 5.6 As Independent Chair, I attend many industry events, and am able to share some of the learning with Board members, thus adding informal training to the range of opportunities available to the Board.

6. Workplan

- 6.1 The work plan for 2020/2021 covers the following activity areas:

- Pension Fund Annual Report and Accounts
- administration, including Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
- audit and risk management, including the Risk Register
- governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's Code of Practice 14
- investments, including developments with the Wales Pooling Partnership: implications for Administering Authorities
- external deadlines
- training
- member communications
- on-going reviews of cyber security, GDPR and preventing pension scams
- participating in and learning from relevant surveys, e.g. of SAB and TPR.
- A preview of the Forward-Looking Business Plan


6.2 There is flexibility to allow for any additional reviews and developments.

7. Public accountability

7.1 As well as being open to the public, the agendas, minutes and the Board's Terms of Reference are available on the Authority's website at the following address:

<https://www.powyspensionfund.org/powys-pension-fund/about-us/forms-and-publications/>

The Chair of Powys County Council's LGPS Local Pension Board wishes to thank his fellow Board members who have volunteered their time and energies in their roles. Thanks are also expressed to the Board Secretary, the Chair of the Pensions and Investments Committee, the s151 Officer, the Cabinet Manager for Legal, Scrutiny and Democratic Services, and to other support officers.



Gerard Moore
Independent Chair
Powys County Council LGPS Local Pension Board

17 May 2020