

Pwyllgor Pensiynau a Buddsoddi

Man Cyfarfod
**Ystafell Bwyllgor A - Neuadd y Sir,
Llandrindod, Powys**

Dyddiad y Cyfarfod
Dydd Gwener, 29 Medi 2017

Amser y Cyfarfod
10.00 am



Neuadd Y Sir
Llandrindod
Powys
LD1 5LG

I gael rhagor o wybodaeth cysylltwch â
Carol Johnson
01597 826206
carol.johnson@powys.gov.uk

22/09/2017

AGENDA

1.	YMDDIHEURIADAU
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Derbyn ymddiheuriadau am absenoldeb.

2.	DATGANIADAU O DDIDDORDEB
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Derbyn unrhyw ddatganiadau o ddiddordeb gan Aelodau yn ymwneud ag eitemau i'w hystyried ar yr Agenda.

3.	COFNODION
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Awdurdodi'r Cadeirydd i lofnodi cofnodion y cyfarfod diwethaf a gynhaliwyd ar 10 Gorffennaf 2017 fel cofnod cywir.

(Tudalennau 1 - 4)

4.	BWRDD PENSIWN LLEOL POWYS
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Derbyn cyflwyniad gan Gerard Moore, Cadeirydd y Bwrdd.

(Tudalennau 5 - 16)

4.1. **Cofnodion y Bwrdd Pensiynau**

Derbyn cofnodion drafft cyfarfod Bwrdd Pensiynau Powys a gynhaliwyd ar 14 Gorffennaf 2017.

(Tudalennau 17 - 22)

5.	MARCHNADOEDD YN Y GYFARWYDDEB II OFFERYNNAU ARIANNOL - OPTIO I FYNY
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Ystyried adroddiad gan y Cyfarwyddwr Strategol Adnoddau.
(Tudalennau 23 - 26)

6.	GWEITHDREFN PROFI ANSAWDD DATA
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Ystyried adroddiad gan y Cyfarwyddwr Strategol Adnoddau.
(Tudalennau 27 - 36)

7.	RHEOLIADAU GWARCHOD DATA CYFFREDINOL
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Ystyried adroddiad y Cyfarwyddwr Strategol Adnoddau.
(Tudalennau 37 - 40)

8.	DIWEDDARIAD AR GRONNI PARTNERIAETH PENSIWN CYMRU
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Derbyn adroddiad ar lafar.

9.	CYNLLUN BUSNES SY'N EDRYCH TUA'R DYFODOL
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Ystyried cynllun busnes sy'n edrych tua'r dyfodol.
(Tudalennau 41 - 42)

10.	ADOLYGU PENDERFYNIADAU
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Adolygu penderfyniadau a gymerwyd mewn cyfarfodydd blaenorol.
(Tudalennau 43 - 44)

11.	EITEM WEDI'I HEITHRIO
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Mae'r Swyddog Monitro wedi penderfynu bod yr eitemau canlynol yn destun categori 3 y Rheolau Trefn Mynediad at Wybodaeth. Ei farn o ran prawf lles y cyhoedd (wedi ystyried darpariaethau Rheol 14.8, Rheolau Mynediad at Wybodaeth y Cyngor), oedd y byddai gwneud y wybodaeth hon yn gyhoeddus yn datgelu gwybodaeth ynglyn â materion ariannol neu fusnes unrhyw unigolyn penodol (gan gynnwys yr awdurdod yn cadw'r wybodaeth honno). Yn ei farn ef, mae'r ffactorau hyn yn fwy pwysig na diddordeb y cyhoedd wrth ddatgelu'r wybodaeth. Gofynnir i Aelodau ystyried y ffactorau hyn wrth benderfynu ar brawf lles y cyhoedd, a dylent benderfynu hyn wrth iddynt ystyried eithrio'r cyhoedd o'r rhan hon o'r cyfarfod.

12.	DIWEDDARIAD BUDDSODDIAD CHWARTEROL - CHWARTER 2
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Ystyried adroddiad gan Aon Hewitt.
(Tudalennau 45 - 72)

13.	DIWEDDARIAD AR DDYRANIAD ASED AU TYMOR CANOLIG [MTAA]
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Derbyn adroddiad gan Aon Hewitt.
(Tudalennau 73 - 98)

14.	MANDAD CRONFEYDD O GRONFEYDD RHAGFANTOLI
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Derbyn cyflwyniad gan Aon Hewitt.

15.	ECWITI PREFAT
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Derbyn cyflwyniad gan Habourvest.

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS,
POWYS ON MONDAY, 10 JULY 2017**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, DW Meredith, JG Morris and A W Davies and Mr M Weale.

Strategic Director Resources, Pension Fund Manager, Head of Business Services, Pension Administration Manager and the Financial Reporting & Policy Accountant.

Richard Antrobus and Simon Mayne Aon Hewitt

1.	APOLOGIES
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Apologies for absence were received from County Councillor T Van-Rees and Mr G Moore, Chair of the Powys Pensions Board.

2.	DECLARATIONS OF INTEREST
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Members of the Committee [excluding the Chair] declared interests as members of the Local Government Pension Scheme [LGPS]. These are personal interests only, but are not a prejudicial interest in accordance with Paragraph 12(b)(iv) of the Members' Code of Conduct 2016. County Councillor D M Meredith also declared a personal interest as he was in receipt of a Local Government Pension as a former officer of the Council.

3.	MINUTES
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3.1. Minutes 9th February, 2017

The minutes of the meeting held on 9th February, 2017 were noted.

3.2. Minutes 18th May, 2017

The Chair was authorised to sign the minutes of the meeting held on 18th May, 2017 as a correct record.

4.	REVISED COMMUNICATIONS STRATEGY STATEMENT
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The Committee considered the revised Communications Strategy Statement.

RESOLVED	Reason for decision
To approve the revised Communications Strategy Statement.	Statutory requirement

5. REVISED GOVERNANCE POLICY & COMPLIANCE STATEMENT

The Committee considered the revised Governance Policy & Compliance Statement and noted that it had been reviewed by the Pension Board.

It was noted that the Committee would attend ongoing training.

RESOLVED	Reason for decision
That the Committee approved the revised Governance Policy and Compliance Statement.	As per report.

6. NEW ADMISSION BODY - MINERS WELFARE YSTRADGYNLAIS

The Committee was advised that Miners Welfare Ystradgynlais had become a Pension Fund employer following the transfer of a member of staff from the Arts and Cultural Service of Powys County Council.

The Committee noted that the cost of entering into an admission agreement, with a body which provides a service that was formerly provided by a Scheme employer, is incorporated into the employer's cost for the scheme and the County Council does not incur any costs.

RESOLVED	Reason for Decision:
To note the admittance of the Miners Welfare Ystradgynlais to the Powys Pension Fund.	As per report

7. NEW RESOLUTION BODY - HEART OF WALES PROPERTY SERVICES

The Committee was advised that Heart of Wales Property Services had become a Pension Fund employer following the transfer of staff from the County Council to the newly created joint venture company that the Council has entered into with Keir Facilities Services Ltd.

In response to a question the Pension Fund Manager advised that an admission agreement can "closed" or "open". If "closed" only those employees who are transferred into the scheme under the agreement have access to the Fund, whereas an "open" agreement means that any employees of an organisation that is admitted can access the Fund.

RESOLVED	Reason for Decision:
To note the admittance of Heart of Wales Property Services to the Powys Pension Fund.	As per report

8. WALES PENSION PARTNERSHIP

The Chair advised that he and the Strategic Director Finance had attended the first meeting of the Wales Pension Partnership meeting in June. It was noted that Carmarthenshire County Council provided the secretarial support to the Partnership and it would meet on a quarterly basis across Wales.

9. SECURITY OF PENSION FUND ASSETS

The Committee received a report on the Investment Managers Internal Controls rather than the Security of Pension Funds assets.

The Committee noted that it was an Audit requirement that Investment Managers have appropriate controls.

RESOLVED	Reason for Decision:
That Carnegie and Schrodgers be asked to present to the Pension and Investment Committee.	To reassure Members that sufficient internal controls are in place to safeguard the pension fund's assets.

10. POWYS PENSIONS BOARD MINUTES

The Committee received the minutes of the meeting of the Powys Pensions Board held on 10th March, 2017.

The Chair of the Board had sent apologies to the Pension and Investment Committee Induction held in the morning and as a result he would provide information about the Board's role at a future Committee meeting. The Pension Fund Manager advised that all Local Government Pension funds were required to have a Pension Board.

11. INVESTMENT ISSUES

Richard Antrobus from Aon Hewitt presented their report to the Committee which covered the following:

- Decision Review
- Quarterly Monitoring Report Q1 2017 – it was noted that the Total Expense Ratio column shown on page 18 Appendix – Manager Mandates had been included at the request of the Pension Board.
- Investment Values as at 30th May, 2017
- Medium Term Asset Allocation [MTAA] Update – Quarterly update to 31 March 2017 – the Committee noted that this was an additional services provided by Aon Hewitt to the Powys Pension Fund.

The Committee received Hedge Fund training from Aon Hewitt.

County Councillor P E Lewis (Chair)

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

Background and Legislation

Recommendations of Lord Hutton's Review March 2011

- Advisory boards be established for each public service pension scheme with expanded role for Pensions Regulator
- A Local Pension Board (LPB) to be established for each LGPS Fund (properly constituted, trained & competent)

Public Service Pensions Act 2013 (PSPA)

- Hutton recommendations to be implemented by 1 April 2015
- Pension boards fully operational before August 2015
- Guidance on LPBs published October 2015

Impact of Legislation

- Under PSPA 2013 the administering authority becomes the scheme manager
- The full Council responsible for establishing pensions board and agreeing terms of reference
- The LPB is not a Committee of the Council (not established under the Local Government Acts)
- The LPB is not a separate legal entity
- TPR becomes a second regulator of the LGPS (joins CLG)

LOCAL PENSION BOARDS

BOARD FUNCTIONS

Assist the Administering Authority (AA):

- To secure compliance with Regulations, other legislation and requirements of Pensions Regulator
- To ensure effective and efficient governance and administration of LGPS

NB and to do so avoiding actual conflicts of interest

LOCAL PENSION BOARDS

LPB “shall have the power to do anything which is calculated to facilitate, or is conducive to, the discharge of any of its functions”

- Knowledge and Understanding (K & U) are obligatory for Board members (minimum 15 scheme documents, minimum 73 aspects of pensions law)
- Training is a KEY requirement (using CIPFA knowledge & Skills and / or TPR On Line Toolkit)
- NB: most Board members are volunteers, who must have the capacity to fulfil the role.
- Issue of insurance for members of LPBs
- BUT Board is NOT a decision making body (assist Scheme Manager: support/ review /scrutinize/recommend)

LOCAL PENSION BOARDS

Membership and aspirations

- Equal number employer and member reps with voting powers: minimum of 4 in total **Powys 2 + 2**
- An independent Chair, or a voting Chair? **Powys Independent**
- Open to Public? **Powys YES**
- Minimum 2 meetings a year **Powys 3 +**
Observer status at Committee? **Powys YES for LPB Chair**
- Reciprocated at LPB? **YES, (as an Open meeting)**
- No conflicts of interest
- Protect Reputational Risk of Administering Authority
- Recommend improvements & justify own existence!
- Important relationships with Committee & LPB Secretary, and within the LPB
- Opportunities to network

LPBs Work Programme

- Topics that follow the annual / triennial cycles
e.g. Fund Annual Report, Triennial Valuation
- Topics with external deadlines
e.g. GMP reconciliation, Annual Benefit Statements
- Risk Register/Scheme documents updates
- Priorities of The Pension Regulator & COP 14 and of the Scheme Advisory Board
e.g. recorded & reported breaches, record keeping
- Priorities & business of the Pensions & Investment Committee
- Requirements under LPB's Terms of Reference
e.g. production of an annual report from LPB
- New legislation
- Ideas from Board members
e.g. cash flow management and unauthorised payments
NB there is a budget for the costs of the Board

LPBs: operations

- Do not make LPB agenda merely a re-run of Committee agenda i.e. Committee >>>> LPB
- Identify topics on which LPB can do a deep dive and then present summary recommendations to Committee, thus adding value and freeing up valuable Panel time i.e. LPB >>>>> Committee

LPBs may seek assurances from a number of sources:

- The Pension Committee: via reports & minutes
- An Audit Committee and Internal Audit reports
- Any specially commissioned report
- Presentations by officers or external experts

LPBs should be prepared to challenge assumptions and reports

Scheme Advisory Board (SAB)

- The purpose of the Scheme Advisory Board is to both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.
- Makes recommendations on scheme design (cost caps, accrual rate): may be passed to the DCLG or other bodies.
- It is increasing its liaison role with the [Pensions Regulator](#). Guidance and standards may be formulated for local scheme managers and pension boards (e.g. training).
- Current survey of LPBs!! (responses from all parties: Board, Committee, Administering Authority)

The Pensions Regulator (TPR)

- Expanded role (Public Service Pensions Act 2013) now covers governance and administrative aspects of LGPS schemes but **not** funding and investment of funds: (but there is an expectation of LPB members being conversant with investment issues, especially investment processes)
- Code of Practice 14 now applies to LGPS
- Each Fund is reported and monitored as separate 'scheme'
- 3 levels of engagement: educate/enable/enforce
- Direct engagement with LPB Chairs and Board members

Powers of Pensions Regulator include:

- Issue Improvement notices
- Replace Board members
- Impose civil penalties on Board members and corporate body for breaches of the law (recent example of a fine levied on a LGPS fund!)

The Pension Regulator's Code of Practice 14

Governing your scheme

- Knowledge and understanding required by pension board members
- Conflicts of interest and representation
- Publishing information about schemes

Managing risks

- Internal controls

Administration

- Scheme record-keeping
- Maintaining contributions
- Providing information to members

Resolving issues

- Internal dispute resolution
- Reporting breaches of the law

The Pensions Regulator (con't)

TPR focus 2016 and 2017

Risk assessment and intelligence gathering

Focus on:

- Basic compliance
- Top 3 risks:
 - Record-keeping
 - Internal controls
 - Poor and ineffective communications

"We will use our educate/enable/enforce regulatory approach to help schemes comply and address key risks"

Source: The Pensions Regulator 29 June 2016

LPB Recommendations for Powys

Some examples

- Improvements to content of investment monitoring presentations
- Recommendations regarding compliance with TPR Code of Practice 14
- Improvements to the Risk Register
- Expanded analysis of compliance with Myners Principles
- Enable the Committee to gain assurances from the LPB's reviews of unauthorised payments and of cash flow management and liquidity

**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT
COMMITTEE ROOM B - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON
FRIDAY, 14 JULY 2017**

PRESENT

Gerard Moore (Chair)

Mick Hutchison (Member Representatives)

Geoff Petty and Wayne Thomas (Employers Representatives)

Joe Rollin (Secretary to the Board)

Chris Hurst, Pension Administration Manager

Dan Paley Financial Reporting and Policy Accountant

1.	APOLOGIES
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Apologies for absence were received from John Byrne, Member Representative.

2.	DECLARATIONS OF INTEREST
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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.

3.	MINUTES OF THE BOARD
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The minutes of the meeting held on 10th March, 2017 were agreed as a correct record.

4.	MATTERS ARISING
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4.1. Review of Appendix A to the Investment Strategy Statement

The Secretary advised that the changes recommended by the Board to the Investment Strategy Statement had been approved by the S151 Officer. The Statement had been published on the Pension Fund's website in early April. The Board welcomed the fact that its recommendations had been accepted.

The Chair asked whether at the next review paragraph 9.2 in the Investment Strategy Statement regarding the investment of part of the Fund's assets on a passive basis and the Fund's approach to ESG matters could be considered. The Secretary advised that the Statement would be reviewed as a consequence of the establishment of the Wales Pool.

4.2. Further Explanation re advice received in relation to Hedge Funds

The Board noted the Secretary's email which had clarified the advice in relation to Hedge Funds.

4.3. Board Member Indemnity

The Board noted that it was now covered by an insurance indemnity. The Secretary advised that the Scheme Advisory Board had asked in its survey of

Funds about the provision of indemnity and assumed it would promote this as best practice in the future.

4.4. Review of Communications Strategy Statement

The Secretary advised that the Board's comments on the Communications Strategy Statement had been incorporated into the revised version, which had been approved by the Pensions & Investment Committee at its recent meeting.

4.5. Exercise of Voting Rights

As information was not available on this item, it was agreed that it be deferred to the next meeting.

5.	CHAIRMAN'S ANNOUNCEMENTS
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The Chair reported on the following:

- The Local Pensions Board survey results had been released by the Pension Regulator. 65% of responses stated that there was no involvement of Pension Boards with Pensions & Investment Committees, which was a concern, but this is not an issue at Powys.
- Scheme Advisory Board's survey of Local Government Pension Schemes [LGPS] Local Pension Boards – completion of the survey was required by the end of July. It was agreed that the Secretary would draft the factual responses and discuss the draft response to Sections 1 and 2 with the Chair. The final draft would then be emailed to the Board for its comments prior to the final response being submitted.
- Data Protection – the implications for organisations to comply with the Data Protection legislation by May 2018 was noted. The Secretary advised that a report would be considered at the next Pensions & Investment Committee on this issue and the implications in respect of data retention.
- Work Programme – this would be added to the next Agenda.
- Scheme activity and promotion of the scheme – the Chair advised that in another organisation the Pension Board received activity reports providing the details of the number of active members, joiners, reasons for opt outs etc. The Board agreed that such information would be interesting as long as it was reasonable to produce. The Board discussed whether the responsibility for promoting the LGPS lay with the Fund itself or with the employer.
- Pension Board's Annual report – the Chair had circulated the draft report and as there had been no changes, the report had been endorsed.
- The Annual Benefits Statement would be delivered by 31st August, 2017.

RESOLVED	Action
That in respect of the Scheme Advisory Board's survey of Local Government Pension Schemes [LGPS] Local Pension Boards the Secretary would provide the draft factual responses and discuss the draft response to Sections 1 and 2	Secretary and Chair and Board Members.

with the Chair. The final draft would then be emailed to the Board for its comments prior to the final response being submitted.	
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6. MINUTES OF PENSIONS AND INVESTMENT COMMITTEE

The Board received the draft Pensions & Investment Committee minutes for the meeting held on 10th July, 2017. The Board noted that the Committee meeting had followed Induction training.

7. REVIEW OF COMPLIANCE WITH TPR CODE 14

The Board received the Pensions Regulator’s Code of Practice no. 14 – Governance and administration of public service pension schemes. Compliance had previously been reviewed by the Board and the Chair questioned how the issues raised would be tracked. It was noted that the Pensions Regulator had produced a self-assessment tool.

RESOLVED	Reason for decision
<p>That the</p> <ul style="list-style-type: none"> • review of compliance with TPR Code 14 be added to the Work Programme, • Pensions Regulator’s self-assessment tool be used, • January 2016 TPR resource be used as the baseline and • review of compliance with TPR Code 14 be added to the next Agenda. 	<p>To ensure that compliance is monitored.</p>

The Chair asked the Members bring pages 37 – 104 to the next meeting.

8. REVIEW OF RISK REGISTER [STANDING ITEMS]

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

- PEN30 – amended to include additional controls including the role of a custodian,
- Legal status of Pooled funds – no further action as waiting for advice,
- Desktop Review of current Investment Managers – the review of existing contracts was considered by the Section 151 Officer but no further action had been taken. The Board noted and accepted the views of the S151 Officer, that a review would result in significant costs and the imminent pooling arrangements of Funds,
- PEN011 – amended as recommended by the Board,
- PEN013 - amended as recommended by the Board,
- PEN019 - amended as recommended by the Board,

- PEN032 - Admitted Body Insolvency Risk was an additional risk added to the register.

In response to questions regarding the pension administration system's ability to withstand cyberattacks, it was noted that numerous updates had been provided to the Council's IT network due to the recent cyberattacks on the NHS system. It was considered that there should be a cross reference from the Council's IT risk register to the Pensions Risk Register. The Board sought assurances that the risks were being addressed.

RESOLVED	Reason for decision
That the Risk Register includes an entry regarding cyber risk and periodic reports be made to the Board on how risks are addressed.	To assure the Board that the risk of cyberattacks on the pensions administration system is addressed.

9. DATA QUALITY TESTING PROCEDURE POLICY

The Chair advised that the Pension Regulator, Scheme Advisory Board and The Department for Communities and Local Government [DCLG] were emphasising the importance of Data Quality Testing Procedures. The Secretary advised that the draft document was based on the Regulator's guidance. In respect of participating employers providing member data, the Board welcomed the move from an annual to a monthly system.

RESOLVED	Reason for decision
That the Board receives the draft Data Quality Testing Procedure document.	As per report.

10. WEBSITE CONTENT RE BOARD

The Board noted that the Pension Board website could be accessed via the Pension Fund website. The Pensions Support Manager updated the website.

11. WALES POOL - INVESTMENT POOLING UPDATE [STANDING ITEM]

The Secretary advised that the Wales Pension Partnership was now a legal entity. The first formal Joint Governance Committee meeting, of the Chairs of the eight Pensions & investment Committees took place on 29th June. It was noted that an operator would be in place by the end of September. The Officer Working Group was chaired by Carmarthenshire's S151 officer. Governance arrangements would be considered by the Joint Governance Committee.

12. AUDIT REPORTS [STANDING ITEM]

There were no reports for this meeting.

13. CESSATION OF CONTRACTING OUT - UPDATE [STANDING ITEM]

The Board was advised that due to the year-end work only 15 cases had recently been checked but completion of this work was still on course for completion by December 2018. The Board noted the good progress being made in Powys and that 45 LGPS Funds in the UK had not yet started this work.

14. BOARD MEMBER TRAINING [STANDING ITEM]

The Chair noted that the Pensions & Investment Committee training was open to Board members.

Members were asked to contact the Secretary if they wished to attend training or conferences.

15. FUTURE BOARD MEETINGS

Future meeting dates of 20th October, 2017 and 12th January 2018 were noted.

The Board agreed the following items for the next Agenda:

- Work Programme
- Clarity on member communications
- Activity analysis of Pension Fund
- Pension Regulator self-assessment tool.

Gerard Moore (Chair)

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee
29th September 2017****REPORT BY: Strategic Director of Resources****SUBJECT: Markets in Financial Instruments Directive II – Opting Up**

REPORT FOR: Decision

1 Introduction

- 1.1 Under the terms of the Markets in Financial Instruments Directive II (“MIFID II”) on 3rd January 2018 LGPS Funds will be classified as ‘Retail Investors’. This will mean that Aon would be no longer able to provide investment advice to the Pension Fund and that investment managers would be unable to offer the Fund certain types of investment products. In order to avoid this situation, the Financial Conduct Authority (“FCA”) in partnership with the Local Government Association (“LGA”) have devised a process to enable LGPS Funds to ‘opt up’ to professional client status. This process must be completed by 3rd January 2018.

2 Background

- 2.1 MIFID II is the European Union’s second Markets in Financial Instruments Directive. Examples of poor investment decisions and mis-selling by local and public authorities across Europe have resulted in provisions within MIFID II which aim to give greater protection to such authorities by re-classifying them as retail clients from their current Professional client status with effect from 3rd January 2018.
- 2.2 This reclassification will mean that all financial services firms like banks, brokers, advisers and fund managers will have to treat local authorities in the same way they do individuals and small businesses. That includes ensuring that investment products are suitable for the customer’s needs, and that all the risks and features have been fully explained. This increased level of protection will both restrict the firms, assets and vehicles available to the client and also increase the reporting and disclosure requirements paperwork for both the firm and the client, to prove to the regulator that all the necessary steps have been taken, and as evidence in case of alleged mis-selling.
- 2.3 MIFID II does include an option for retail clients to ‘opt up’ provided certain tests are passed which are designed to ensure the client has sufficient knowledge, expertise and experience to understand the additional risks they will be taking as a professional client.

- 2.4 Therefore the Council will need to apply to be opted up to professional status, as it is difficult to see how an LGPS authority could manage an effective investment strategy without doing so. The application to opt up will be assessed by each relevant firm which provides MIFID business (asset management, consultancy etc). The decision to allow opt up will be made on a firm-by-firm basis. Part of the assessment includes an FCA requirement for the applicant to have a legal entity identifier (“LEI”).

3 The Way Forward

- 3.1 On 3rd July, the FCA published its policy statement setting out the final rules for the MIFID II implementation. The policy statement incorporates a lot of the comments that the sector made in response to the original consultation; the rules for opt up for professional status now better recognise how local government works in practice.
- 3.2 The Scheme Advisory Board (“SAB”) and LGA are now working with the Investment Association (“IA”), the British Venture Capital Association (BVCA), the Alternative Investment Managers Association (AIMA), the Association of Real Estate Funds (AREF) and the Chartered Institute of Public Finance and Accountancy (CIPFA) in order to develop standardised opt up processes for use across the sector. The process will include standard letters and a template which will contain a series of questions which the local authority will need to answer should they wish to opt-up.
- 3.3 The Opting up process will entail:
- The local authority informing the firm that they are willing to relinquish their protection rights under MIFID II and wish to be treated as a professional rather than as a retail client.
 - The template to opt up is completed by the authority and included with the application.
 - The application is assessed by the firm and a decision is made.
 - The firm communicates the result of the assessment back to the applicant and if successful, reminds the applicant of the protections that they are foregoing.
- 3.4 Once a local authority has been opted up, they will need to disclose any material change that could affect their status. This could be done via their web-site and Annual Report. Material changes are those that fundamentally change their status i.e. a change in membership of the Committee or officer or advisor; a change in training policy etc.

4 Proposed Next Steps

- 4.1 On approval of this report:

- An LEI registration will be obtained
- Opting up application form (once an agreed standard is available) will be completed and circulated to relevant firms
- Report progress to Committee at the next meeting scheduled for 15th December.

5 Recommendation

- 5.1 Committee is asked to note the contents of this report and to give authorisation for an LEI Registration.
- 5.2 Committee is asked to give authorisation for opting up to professional client status.
- 5.3 Committee is asked to give delegated authority to the Strategic Director of Resources to take all steps necessary in order to achieve professional client status for the Council as an LGPS fund authority, by 3rd January 2018.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none"> • To note the contents of the report. • To authorise an LEI Registration • To authorise opting up to professional client status • To delegate authority to the Strategic Director of Resources to achieve professional client status by 3rd January 2018. 		To enable the Pension Fund's investment strategy to continue to be managed effectively.	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:	3 rd January 2018		
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk
Relevant Portfolio Member(s):	Councillor Aled Davies		
Relevant Local Member(s):	N/A		

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions & Investment Committee
29th September 2017

REPORT BY: Strategic Director of Resources

SUBJECT: Data Quality Testing Procedure

REPORT FOR: Decision

1. Introduction

- 1.1 As required by the Pensions Regulator's Code of Practice 14 (published in 2015) the Pension Fund should develop a Data Quality Testing Procedure in relation to scheme member data. A draft procedure is attached.
- 1.2 The Pension Board reviewed the procedure on 14th July 2017 and recommend it to Committee for approval.

2. Recommendation

The Committee is asked to approve the attached procedure for ensuring data quality.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none"> To approve the adoption of the Data Quality Testing Procedure 		Statutory guidance.	
Person(s) To Action Decision:			
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:
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Relevant Portfolio Member(s):	Councillor Aled Davies
Relevant Local Member(s):	N/A

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Powys

**CRONFA BENSIWN
POWYS
PENSION FUND**

**DATA QUALITY TESTING &
MONITORING: PROCEDURES**

**Drafted May 2017
Board Approval 14th July 2017**

Introduction

- 1 In April 2015 the Pensions Regulator (the Regulator) published his Code of Practice no 14 (the Code) *Governance and administration of public service pension schemes*.
- 2 The legal requirements that regulate how pension funds should maintain member data and transaction records are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014. To assist, the Code gives practical guidance on the use of suitable internal controls to enable funds to meet their obligations.
- 3 Much of the text herein is drawn from the Code itself. Where it has been, the Regulator's copyright applies. After each of the TPR Requirements set out below, is given the method, system, action or control that is employed by the Powys Pension Fund in order to ensure compliance with the Code.
- 4 If you have any questions about this procedure, please contact:

Pension Fund Manager
Powys Pension Fund
County Hall
Llandrindod Wells
Powys LD1 5LG

Legal requirements

- 5 Regulations 4 and 5 of the Record Keeping Regulations require pension funds to keep accurate and up-to-date information in relation to scheme members and related transactions. Failure to maintain complete and accurate records and put in place effective internal controls can affect the fund's ability to carry out basic functions. Poor record-keeping can also result in fund's failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and ultimately paying incorrect benefits. In addition, inaccurate data in respect of liabilities, may lead to fund's managing investment risks ineffectively.
- 6 Funds should be able to demonstrate to the Regulator, where required, that they keep accurate, up-to-date and enduring records to be able to govern and administer the pension scheme effectively.
- 7 Under the provisions of Section 249B of the Pensions Act 2004, funds are required to establish and operate adequate internal controls, which should include processes and systems to support record-keeping requirements and ensure that they are effective at all times.

Records of Member Information

- 8 Pension funds are required to ensure that member data is complete and accurate; and, subject to regular evaluation.

Powys Pension Fund encourages all scheme member to assist by checking the data held by the Fund, by reviewing their Annual Benefit Statements and advising where data is incorrect.

- 9 Pension funds must keep specific data that enables them to uniquely identify a scheme member and to calculate their benefits correctly. Funds must also be able to provide scheme members with accurate information in respect of benefits accrued to date and future potential benefits; as well as ensuring that they pay the right pension to the right person at the right time.

Powys Pension Fund uses scheme members' individual National Insurance numbers together with their post specific pay numbers in order to identify individual members uniquely and to ensure that the correct benefit information is assigned to the correct pension record. In addition, scheme members' may check their benefits accrued to date and forecast future benefit values, by utilising the 'My Powys Pension' online system, via unique identifiers.

- 10 Funds should require participating employers to provide them with timely and accurate data in order to enable the Fund to fulfil its legal obligations. Funds should seek to ensure that processes are established by employers' that enable the transmission of accurate data between them.

Powys Pension Fund requires all its participating employers to transmit member data to it via the 'i-Connect' data capture and transfer system. This system enables employers not only to transmit accurate data but also reconciles data held by the Pension Fund against that held on the employer's payroll – hence adding an additional opportunity to identify and correct any inaccuracies. The Fund is aiming to move this process from an annual to a monthly one over the coming year (2017/18).

- 11 Funds should seek to ensure that employers understand the main events in relation to members that require information to be passed by them to the Fund.

Powys Pension Fund provides notes of guidance to all the participating employers in relation to their obligations under the terms of the Local Government Pension Scheme.

- 12 Funds should also ensure that appropriate procedures and timescales are in place in order to enable employers to provide updated information where member data changes, for checking Fund data against employer data and, for receiving information that may affect the profile of the Fund's membership. Failures to meet the obligations set out above should be reported to the Regulator as breaches of the law.

See paragraph 11 above.

Records of Transactions

- 13 Funds should be able to trace the flow of monies into and out of pension funds and reconcile these against expected contributions and benefit payments. In doing so, they will have clear oversight of core transactions and should be able to mitigate risks accordingly.

Powys Pension Fund reconciles the receipt of contributions received from employers against the amounts expected to be received based on the employer contribution rates set by the Fund actuary. Benefits paid are monitored to ensure that Fund cashflows remain at levels required to meet needs for cash as they arise.

- 14 Funds must keep records of transactions made and any amount due to the Fund that has been written off.

Powys Pension Fund records all transactions in relation to the Fund and maintains a log of amounts written-off.

Records of Pension Board Meetings and Decisions

- 15 Funds must keep records of Pension Board meetings including any decisions made. They should also keep records of key discussions, which may include topics such as compliance with policies relating to administration.

The meetings of the Powys Pension Board are fully minuted, with minutes being published on the Fund's website at www.powypensionfund.org.

- 16 The Fund must also keep records relating to any decision taken by members of the Pension Board other than at a pension board meeting, or taken by a committee/sub-committee, which has not been ratified by the pension board. The records must include the date, time and place of the decision and the names of board members participating in that decision. This will ensure that there is a clear and transparent audit trail of the decisions made in relation to the Fund.

See paragraph 15 above.

Retention of Records

- 17 Records should be retained for as long as they are needed. It is likely that records will need to be retained for long periods and some records will need to be retained in relation to members long after that individual has retired, ensuring that pension benefits can be properly administered over the lifetime of the member and their beneficiaries. Adequate systems and procedures to enable the retention of records for the necessary time periods should be in place.

Powys Pension Fund retains all pensions information for all members of the Fund who joined on or after 1st April 1974 (creation of the Powys Pension Fund). These records are largely held electronically via the Civica EDM system

with a smaller number of records being retained in paper form in the Council's archives.

Ongoing Monitoring of Data

- 18 Policies and processes that monitor data on an ongoing basis, should be in place, to ensure that data is accurate and complete, regardless of the volume of transactions. This should be in relation to all membership categories, including pensioner member data where queries may arise even when the pension is in payment.

Powys Pension utilizes a variety of systems and processes to monitor the accuracy of Fund membership data, including:

- *Participating in the biennial National Fraud Initiative*
- *Reconciling Fund data against DWP death lists*
- *Regularly checking the validity of member names and addresses against national data*

- 19 Funds should adopt a proportionate and risk-based approach to monitoring, based on any known or historical issues that may have occurred in relation to administration. This is particularly important for the effective administration of CARE schemes, which requires the holding of significantly more data than is needed for final salary-related schemes.

Powys Pension Fund considers that its current approach to monitoring its members' data is both proportionate and appropriate.

Data Review Exercise

- 20 Data should be continually reviewed and data review exercises should be carried out at least annually. This should include an assessment of the accuracy and completeness of member information held. Funds should decide on the frequency and nature of reviews in the light of factors such as the level of data quality, any issues identified and key events.

Data is reviewed against Employer data on an annual basis as part of the current Year End procedure. This is scheduled to move to a monthly exercise with the implementation of iConnect in the summer of 2017.

Data Improvement Plan

- 21 Where a Fund identifies poor quality or missing data, they should put a data improvement plan in place to address these issues. The plan should have specific data improvement measures which funds can monitor and a defined end date within a reasonable timeframe when the Fund will have complete and accurate data.

This requirement is noted.

Reconciliation of Member Records

- 22 Funds should ensure that member records are reconciled with information held by the employer, Funds should also ensure that the numbers of scheme members is as expected based on the numbers of leavers and joiners since the last reconciliation. Funds should be able to determine those members who are approaching retirement, those who are active members and those who are deferred members.

Powys Pension Fund reconciles member data against that held by employers annually (due to become monthly during 2017/18) via the Data Capture and Transfer System that is used. In addition, the pensions administration system also holds member records in such a way to enable them to be categorised as appropriate, differentiating between actives, deferreds and pensioners for example.

Data Protection and Internal Controls

- 23 Funds must ensure that processes that are created to manage scheme member data meet the requirements of the Data Protection Act 1998 and the data protection principles. Funds should include:
- Their obligations as data controllers and who the data processors are in relation to the Scheme.
 - The difference between personal data and sensitive personal data (as defined in the Data Protection Act 1998).
 - How data is held and how Funds will respond to data requests from different parties.
 - The systems that need to be in place to store, move and destroy data.
 - How data protection affects member communications.

[Meg – can you come up with some appropriate words for this section please to explain what we do currently in relation to DPA]

Other Legal Requirements

- 24 In addition to the requirements set out in the Record Keeping Regulations, there are various other legal requirements that relate to record-keeping in public service pension schemes. Those requirements apply variously to managers, administrators and employers. Not all requirements apply to all public service pension schemes, but some of the key requirements are set out under the following legislation:
- Pensions Act 1995 and 2004

- Pensions Act 2008 and the Employers' Duties (registration and Compliance) Regulations 2010
- Occupational Pension Schemes (Scheme Administration) Regulations 1996
- Registered Pension Schemes (Provision of Information) Regulations 2006
- Data Protection Act 1998
- Freedom of Information Act 2000.

Where applicable, the Fund should be able to demonstrate that records are kept in accordance with these and any other relevant legal requirements.

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CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee****29th September 2017****REPORT BY: Strategic Director of Resources****SUBJECT: General Data Protection Regulations**

REPORT FOR: Decision

1 Introduction

- 1.1 The General Data Protection Regulations 2017 come into force on 25th May 2018. These regulations apply to all EU member states and the UK Government have confirmed that in spite of the UK's intention to leave the EU in 2019, these regulations will be enforceable in the UK from next May. This paper is the first step in planning to ensure that the Powys Pension Fund is compliant with the requirements of these regulations.

2 Background

- 2.1 Pension schemes necessarily hold and process a large amount of personal data in relation to scheme members. As a matter of good governance it is important that scheme members' data is safeguarded. There is already a legal obligation on the County Council as an LGPS administering authority to keep member data secure, but these regulations will have a significant impact on the obligations of the County Council and the potential financial penalties that can result from failure. The maximum potential fine for breaching these regulations is €20 million.

3 General Requirements

- 3.1 The Pension Fund is required to demonstrate its compliance with these regulations. It should be able to show in a meaningful way that both the overall governance structure for data protection compliance and the individual policies and procedures relating to data processing are compliant.

4 Specific Requirements and Actions To Ensure Compliance**4.1 Maintain Records of Data Processing**

It will be a mandatory requirement for organisations employing more than 250 people, or who process sensitive personal data, to maintain records of all personal data processing activities. The records may

have to be presented to the Information Commissioner's Office (ICO) on demand.

Action:

- Ensure that all personal data processes are recorded

4.2 Review Data Security Measures and Assess Adequacy

These regulations retain the current obligation to have appropriate technical and organisational data security measures in place, but in addition requires that certain specific measures (such as encryption) should be used "where appropriate". There is also a requirement that processes incorporate "privacy by design and default", ie compliance needs to be integrated into all data processing and should be the default position on all privacy matters.

Action:

- Develop a compliance plan to ensure appropriate technical and organisational data security measures are in place both within the Pension Fund and with third party providers (eg. Pensions admin system software supplier)
- Review existing applications and processes that involve the use of personal data and ensure that they are secure
- Implement a policy to ensure that personal data is only stored for the minimum period necessary
- Consider whether data encryption should be used, especially for sensitive personal data such as that relating to health matters

4.3 Update Service Provider Contracts

The regulations require new content to be inserted into service and data sharing agreements that govern the use of personal data. The regulations also impose direct liability on such service providers for data protection compliance.

Action:

- Work with service providers including any third parties who send/receive data in relation to the Pension Fund (eg LGPS Scheme Employers, Fund Actuary etc) to amend service contracts as required to ensure compliance.

4.4 Review and Update Privacy Notices and Consider Whether Member Consent is Required

The regulations require additional content to be included in all privacy notices regarding how personal data will be used by data controllers. Data controllers must tell anyone whose personal data they collect what information is held, how it is used, who it may be shared with and

what safeguards are in place. The regulations also make it more difficult to obtain valid consent for the use of personal data – consents must be fully informed, specific, unambiguous and freely given by way of a statement or clear affirmative action by the member. In addition, data controllers are required to retain proof of consent.

Action:

- Review and resend all member privacy notices in order to comply with these regulations
- Review the consents that the Council relies on to justify the processing of personal data
- Consider new or revised consent to data processing by the Pension Fund. New joiner information may need to be updated.

4.5 Establish a Breach Management Process

The regulations requires data breaches involving any risks to individuals to be reported to the ICO without delay. And in any case within 72 hours of the data controller becoming aware of the breach. Affected individuals must also be notified directly if the breach is a high risk to their rights or freedoms.

Action:

- Establish an effective data breach response plan that ensures that any breach is addressed and assessed and that any ICO report or member notification can be dealt with in a timely fashion.

4.6 Appoint a Data Protection Officer (DPO)

The European data protection authorities recommend that a DPO is appointed. The DPO is expected to be appropriately qualified; to report directly to senior management; and, will be the contact person for questions related to the processing of personal data.

Action:

- Confirm that this role for the Pension Fund can be met by the County Council's appointed general DPO.

4.7 Ensure that Processes are in Place to Cater for the New Individual Rights

These regulations introduce new rights for individuals, including the new right of data portability, the right to restrict processing, the right to object to processing, the right to object to direct marketing and the right to have personal data deleted.

Action:

- Identify which of the new individual rights may be exercised by members of the LGPS
- Establish procedures to ensure that these rights may be exercised.

4.8 Carry Out Data Protection Impact Assessments (DPIA)

DPIAs must be carried out in relation to “high risk” processing. This is where there is a high risk to rights and freedoms, for example, extensive profiling of individuals using automated processing or large scale processing of sensitive personal data (eg. national information).

Action:

- Assess whether any use of personal data by the Pension Fund would be classified as “high risk”, and if so, complete a DPIA.

5 Proposed Next Steps

- 5.1 On approval of this report, the actions listed above will be carried out by Pension Fund Officers in conjunction with the County Council’s general data protection arrangements. A further report will be submitted to this Committee in Spring 2018 setting out the procedures adopted and actions taken in order to ensure compliance with these regulations.

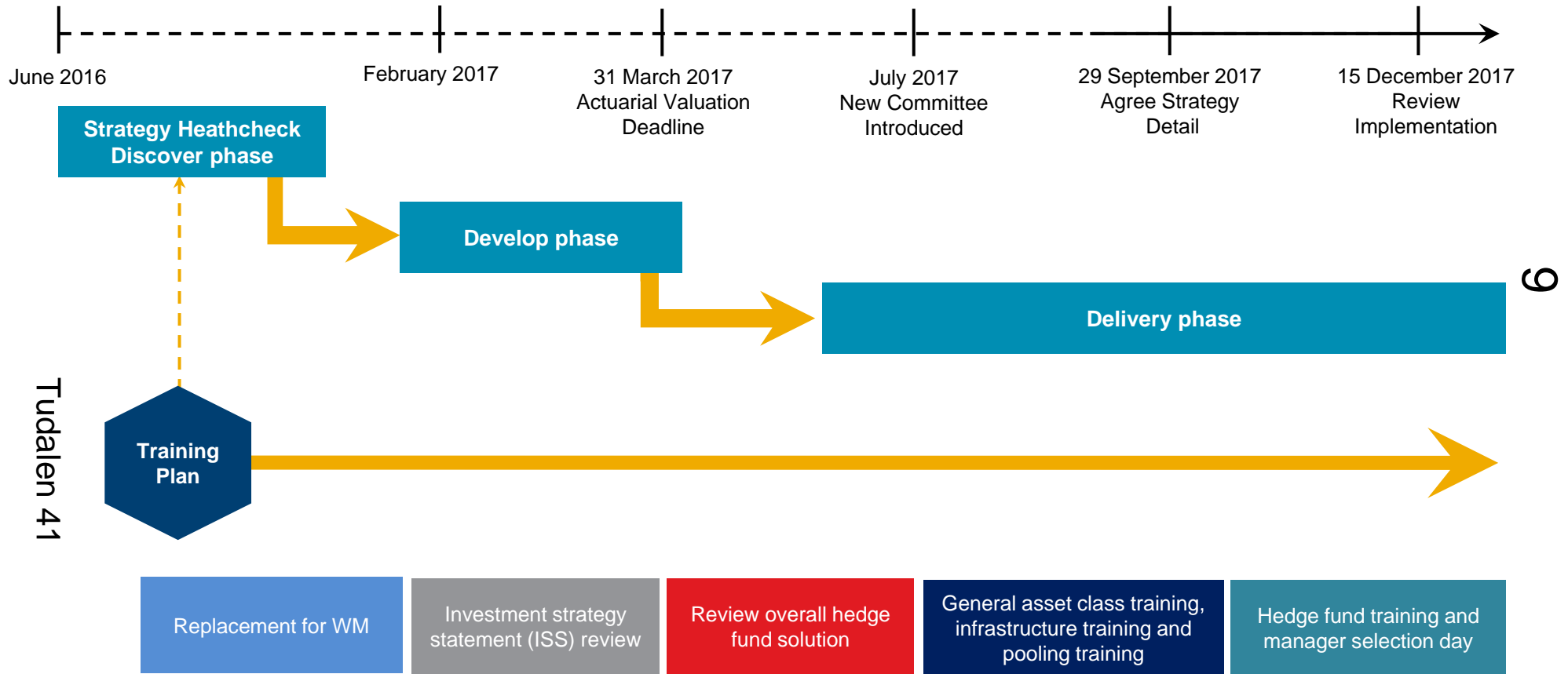
6 Recommendation

- 6.1 Committee is asked to note the contents of this report and to approve the actions contained herein.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none"> • To note the contents of the report. • To approve the actions proposed 		Statutory obligation	
Person(s) To Action Decision:			
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:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Aled Davies
Relevant Local Member(s):	N/A

Powys County Council Pension Fund – Forward Looking Business Plan



Forward looking business plan does not include some regular activities carried out by the IC. For example:

- Performance monitoring (quarterly basis). This requirement will diminish with the creation of the Wales Investment Pool.
- Regular discussions with the Pensions Board Chair

Powys County Council Pension Fund – Investment Training Plan

Governance: General

The Pensions Regulator (tPR) Code of Practice

Tudalen 42

- Board already monitoring 90 statements covering broad topics such as good governance and administration
- tPR has their own tool (free) to help assess compliance

The UK Stewardship Code should be reviewed and a decision made as to whether it should be signed up to.

Governance: Role of Investment Committee

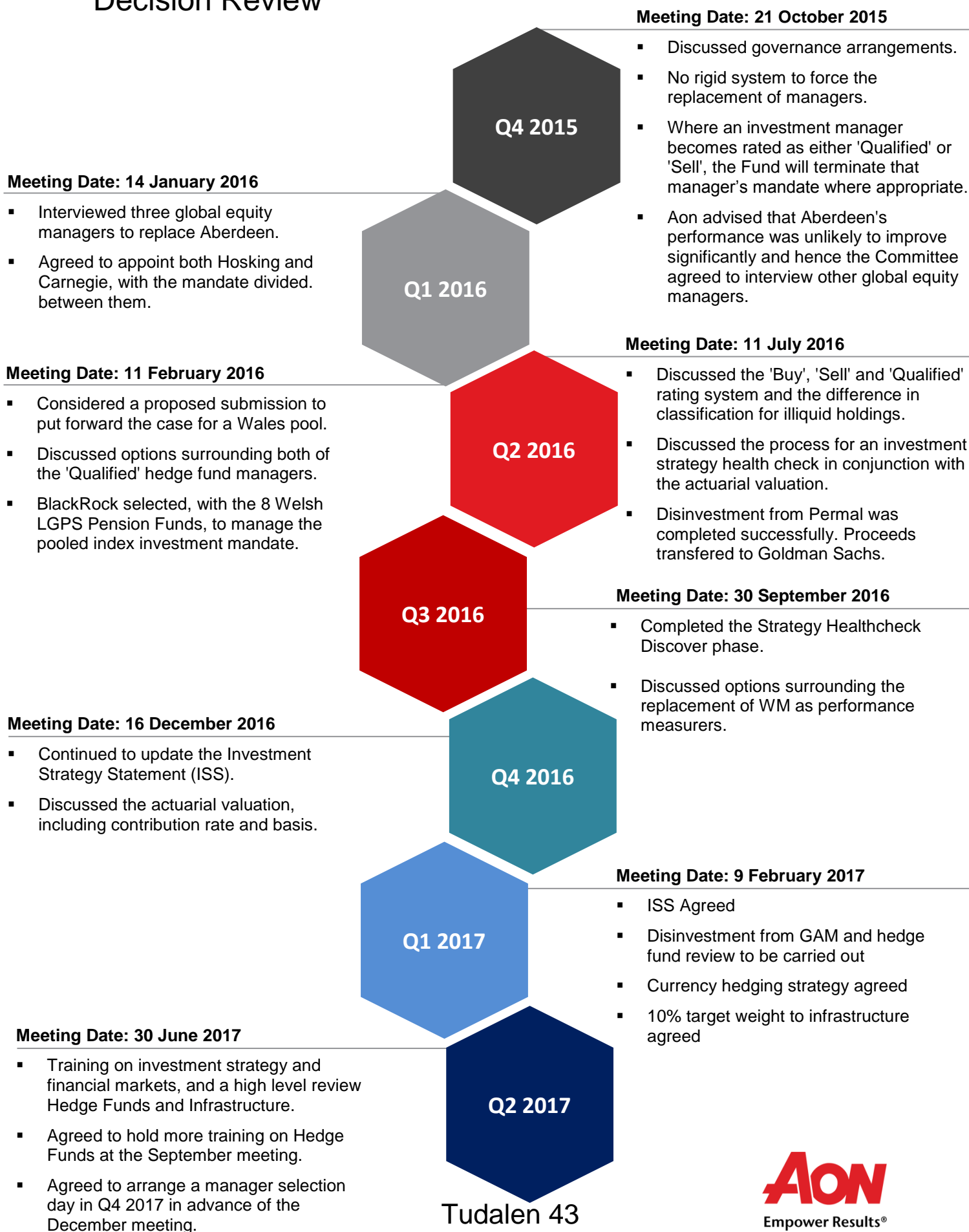
Governance and role of the Committee will change due to pooling.

- Consider how LGPS Pooling is likely to impact governance and oversight requirement e.g.
 - Interaction with the Joint Chairs Group (JCG)
 - Selection, appointment, monitoring of operator.
 - Receiving and considering reports from the JCG perhaps
- CIPFA guidance available to help:
 - Delivering Good Governance in Local Government: Framework (CIPFA/Solace 2016)
 - Principles for Investment Decision making and Disclosure in the Local Government Pension Scheme in the UK (CIPFA 2012)

Investment Strategy

- Review Investment Strategy Statement (ISS), in particular higher focus on risk management
- Illiquid assets training, including the role of illiquid assets within a strategy
- Learn more about the following asset classes:
 - Infrastructure
 - Hedge Funds
- For the new Investment Committee (IC), training on existing asset classes may also be needed

This training plan will evolve over time to incorporate the needs of the Committee and changes due to the Pooling Exercise. For all training that has been completed we would recommend keeping a record or log.

Powys County Council Pension Fund
Decision Review

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Trwy rinwedd paragraff(au) 14 Rhan 1 Atodlen 12A
Deddf Llywodraeth Leol 1972.

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