

## Bwrdd Pensiynau Powys

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

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Dyddiad y Cyfarfod  
**Dydd Gwener, 8 Tachwedd 2019**

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Amser y Cyfarfod  
**10.00 am**

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Neuadd Y Sir  
Llandrindod  
Powys  
LD1 5LG

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

02/11/19

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Mae croeso i'r rhai sy'n cymryd rhan ddefnyddio'r Gymraeg. Os hoffech chi siarad Cymraeg yn y cyfarfod, gofynnwn i chi roi gwybod i ni erbyn hanner dydd ddau ddiwrnod cyn y cyfarfod

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### AGENDA

<b>1.</b>	<b>YMDDIHEURIADAU</b>
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I dderbyn ymddiheuriadau am absenoldeb.

<b>2.</b>	<b>DATGANIADAU O DDIDDORDEB</b>
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I dderbyn unrhyw ddatganiadau o ddiddordeb.

<b>3.</b>	<b>COFNODION Y BWRDD</b>
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I awdurdodi'r Cadeirydd i lofnodi cofnodion cyfarfod y Bwrdd a gynhaliwyd ar 11 Medi 2019 fel cofnod cywir.

(Tudalennau 1 - 6)

<b>4.</b>	<b>MATERION YN CODI</b>
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a) Diweddariad llafar gan y Cadeirydd.

<b>5.</b>	<b>CYHOEDDIADAU'R CADEIRYDD</b>
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a) Hyfforddiant

- i) Adborth o ddigwyddiad CIPFA Barnett Waddingham yng Nghaerdydd
  - ii) Prisiad Tair Blynedd
- b) Arolwg gweinyddu a llywodraethu'r Rheoleiddiwr Pensiynau ar gynlluniau pensiwn gwasanaethau cyhoeddus.

<b>6.</b>	<b>COFNODION Y PWYLLGOR PENSIYNAU A BUDDSODDIADAU</b>
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Nodi cofnodion drafft y Pwyllgor Pensiynau a Buddsoddiadau a gynhaliwyd ar 4 Hydref 2019.

(Tudalennau 7 - 12)

<b>7.</b>	<b>ADOLYGU CYDYMFFURFIAD Â CHOD 14 Y TPR</b>
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I ystyried y cynllun gweithredu i fynd i'r afael ag eitemau coch ac oren.

(Tudalennau 13 - 38)

<b>8.</b>	<b>COFRESTR O DORRI AMODAU</b>
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Nodi'r adroddiad.

(Tudalennau 39 - 40)

<b>9.</b>	<b>ADOLYGU'R GOFRESTR RISGIAU (EITEMAU SEFYDLOG)</b>
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Nodi'r adroddiad.

(Tudalennau 41 - 50)

<b>10.</b>	<b>CANLLAWIAU AC ADNODDAU DIWEDDAR GAN Y RHEOLEIDDIWR PENSIYNAU [TPR]</b>
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Nodi'r adroddiad.

(Tudalennau 51 - 70)

<b>11.</b>	<b>DIWEDDARIAD AR Y PROSIECT LLIF GWAITH A DELWEDDU DOGFENNAU.</b>
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Nodi'r adroddiad..

(Tudalennau 71 - 72)

<b>12.</b>	<b>RISGIAU GWEINYDDU A LLYWODRAETHU'R TPR YNG NGHYNLLUNIAU PENSIWN Y GWASANAETHAU CYHOEDDUS.</b>
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Ystyried adroddiad adborth gan Gadeirydd y Bwrdd ar Arolwg Carfan Cynllun Pensiwn Llywodraeth Leol y Rheoleiddiwr Pensiynau.

(Tudalennau 73 - 78)

<b>13.</b>	<b>PARTNERIAETH PENSIWN CYMRU – DIWEDDARIAD AR GYFUNO BUDDSODDIADAU (EITEM SEFYDLOG)</b>
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Nodi'r adroddiad.

(Tudalennau 79 - 80)

<b>14.</b>	<b>ADRODDIAD AR WEITHGAREDDAU GWEINYDDU (EITEM SEFYDLOG)</b>
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Nodi'r adroddiad.

(Tudalennau 81 - 82)

<b>15.</b>	<b>GORFFEN CONTRACTIO ALLAN (EITEM SEFYDLOG)</b>
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Nodi'r adroddiad.

(Tudalennau 83 - 86)

<b>16.</b>	<b>DEDDFWRIAETH A CHANLLAWIAU NEWYDD (EITEM SEFYDLOG)</b>
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Derbyn adroddiad llafar.

<b>17.</b>	<b>COFNOD CYFATHREBU'R BWRDD (EITEM SEFYDLOG)</b>
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Nodi'r cofnod cyfathrebu.

(Tudalennau 87 - 88)

<b>18.</b>	<b>ADRODDIADAU ARCHWILIO (EITEM SEFYDLOG)</b>
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Derbyn adroddiad llafar.

<b>19.</b>	<b>DIWEDDARIAD AR WEITHDREFNAU DATRYS ANGHYDFODAU MEWNOL (EITEM SEFYDLOG)</b>
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Derbyn adroddiad llafar.

<b>20.</b>	<b>CYFARFODYDD NESAF Y BWRDD</b>
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**2020 – cyfarfodydd am 10.00a.m.**

13 Chwefror

22 Mai

14 Medi

9 Tachwedd



**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT  
COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON  
WEDNESDAY, 11 SEPTEMBER 2019**

PRESENT

Gerard Moore, Independent Chair  
Nigel Brinn (Employers Representative)  
Wayne Thomas (Employers Representative)  
Nick Hutchnson (Member Representative)

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

<b>1. APOLOGIES</b>
---------------------

Apologies were received from John Byrne [Member Representative]. It was noted that Nigel Brinn [Employers Representative] would be arriving late, due to other Council business.

<b>2. DECLARATIONS OF INTEREST</b>
------------------------------------

The Chair advised he was an Associate in The Chartered Institute of Public Finance and Accountancy [CIPFA] and declared an interest if reference was made to CIPFA when discussing the Board's training. The Board accepted that this did not constitute a conflict of interests.

<b>3. MINUTES OF THE BOARD</b>
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The minutes of the last meeting held on 10 July, 2019 were agreed as a correct record. The Chair advised that an Executive Summary, for this meeting, would be included in the next Pensions & Investment Committee agenda.

<b>4. MATTERS ARISING</b>
---------------------------

There were no matters arising.

<b>5. CHAIR'S ANNOUNCEMENTS</b>
---------------------------------

- a) SAB [Scheme Advisory Board] survey - the Chair advised that the survey was due for circulation soon.

**The Board agreed that it would submit a collective response to the survey. A response would be drafted by the Chair and Pension Fund Manager and circulated to the Board for comment.**

The Chair advised that the SAB may be considering the number of scheme member and employer representatives on Boards. Rather than the minimum membership requirement of two plus two, consideration was being given to three plus three, which would make the Boards more resilient. It was noted that appointment dates could be staggered to ensure continuity of knowledge and experience.

**The Board agreed to recommend to the Administering Authority that the membership of the Board should**

- i) be increased from two scheme members plus two employer representatives to three plus three of each to ensure the resilience of the Board and**
- ii) that the appointments of each should be staggered to ensure the continuity of knowledge and experience.**

b) The Chair advised that at the July SAB meeting it had been reported to the latter that the Pension Regulator [TPR] had recently fined a Local Authority Pension Fund for not advising the relevant scheme members its employer had not paid over its contributions. It transpired that no fine had been levied. SAB had met with TPR and advised that such course of action was not required, as Local Government Pension Scheme [LGPS] pensions funds are guaranteed in the event of the demise of an employer.

<b>6. MINUTES OF PENSIONS AND INVESTMENT COMMITTEE</b>
--

The Board noted the minutes of the Pensions & Investment Committee held on 21 June, 2019 and the draft minutes of the meeting held on 1 July, 2019.

<b>7. REVIEW OF COMPLIANCE WITH TPR CODE 14</b>
---

Following a red, amber and green analysis, the Board noted that there were no red indicators. The Board reviewed the following sections and made the following comments [numbers refer to the Compliance indicator]:

**Conflicts of interest and representation [62 - 91]**

70 & 73 – the Board noted the procedures and documentation in place to comply with these. **The Board was therefore assured that the Authority complied with the Code and agreed that these should change to green.**

76 & 77 – The Board noted the potential conflict of interest of Pension & Investment Committee Members, where they had to act in the interest of the Pension Fund and also their roles as Councillors who need to manage the Council's budget. The Pension Fund Manager advised that further work would be done for the next Board meeting.

84 & 91 - the Pension Fund Manager advised that these were to be reviewed.

The Board noted that 81 had changed up to amber and 82 and 83 were now green.

**Managing Risks**

114 – the Board noted that an exercise on strength of employer's covenants would be undertaken as part of the current valuation.

115 - the Board considered that this should change up to amber as the Investment Strategy Statement was currently under review and the MIFID II [The Markets in Financial Instruments Directive II] needed to be taken into account.

Nigel Brinn arrived at the meeting.

116 – the Board noted that an Audit would be undertaken in October 2019. The Board recommended that a date for the receipt of the Audit report should be requested due to the delay in receipt of the previous report.

### **Maintaining contributions**

147 to 171 – the Board noted the procedures and documentation in place to comply with these. **The Board was therefore assured that the Authority complied with the Code and agreed that these were now green.**

<b>8. BREACHES REGISTER</b>
-----------------------------

The Board received the report regarding the two breaches and that there were no new breaches, since the last meeting.

**The Board agreed that the two breaches were correctly deemed as recordable only.**

<b>9. REVIEW OF RISK REGISTER AND CONSIDERATION OF ANY NEW RISKS [STANDING ITEMS]</b>
---

The Pension Fund Manager advised that the Register had been updated taking into account the comments at the last meeting. He indicated that no new risks had been added.

The following was considered [the numbers shown are the Risk Reference numbers]:

PEN 003 – the Pension Fund Manager advised that as the valuation was currently underway it would be an appropriate time to review the cash flow after this was completed.

PEN 007/008/009/010 – it was noted that these were related to the covenant review and conflicts of interest, with further work planned.

PEN014 – the Chair advised that he was discussing this with the Pension Fund Manager.

PEN030 – the Pension Fund Manager advised that he would establish the procedure for appointment of asset managers at the Wales Pension Partnership level, to ascertain whether there was evidence to justify reducing the inherent risk [red] to a residual risk of amber [medium].

PEN033 – the Pension Fund Manager updated the Board on the progress on the Transfer of Workflow and Imaging Systems and advised that an update report would be made to the next meeting.

**The Board agreed to recommend that a risk should be added in respect of ongoing compliance with MIFID.**

<b>10. TRIENNIAL VALUATION</b>
--------------------------------

The Chair updated the Board on the Triennial valuation process, explaining the role of the Board in this exercise.

<b>11. RESPONSIBLE INVESTMENT</b>
-----------------------------------

The Board noted the report regarding Responsible Investment for the Powys Pension Fund.

The Board considered the issues of responsible investment and the fiduciary responsibilities placed on the Pension and Investment Committee. It was noted that officers would look at how to keep Councillors informed of the progress being made on this issue.

**The Board agreed that it should seek assurances that the Pension and Investment Committee has considered all issues including climate change when developing both its Responsible Investment Policy and its Investment Strategy Statement.**

Nigel Brinn left the meeting for other Council business.

<b>12. WALES PENSION PARTNERSHIP - INVESTMENT POOLING UPDATE [STANDING ITEM]</b>
--

The Board noted the report regarding the Wales Pension Partnership [WPP]. The Pension Fund Manager advised that investment performance work was ongoing. It is hoped that the WPP website would go “live” as soon as possible after the Joint Governance Committee meeting on 20 September, 2019. The Board noted that the WPP’s communications had improved.

<b>13. 2019 ANNUAL BENEFIT STATEMENT EXERCISE</b>
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The Pension Fund Manager advised that the Annual Benefits Statements had been completed within the required timescales. The Board thanked the officers involved, for their work and for maintaining their 100% achievement in this area of work.

<b>14. ADMINISTRATION ACTIVITY REPORT [STANDING ITEM]</b>
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The Board noted the report which showed a snapshot of fund activity. The Board noted that the number of scheme members had increased. The Board was mindful that the Fund was cash flow negative on a month by month basis, with the benefits paid out exceeding the inflows from scheme member and scheme employer contributions and investment income.

<b>15. CESSATION OF CONTRACTING OUT - UPDATE [STANDING ITEM]</b>
--

The Pension Fund Manager advised the Board that revised timescales had been received from third parties and that the project would be completed by May/June 2020. Although this was a delay to the original timescale, it was important that the work is completed correctly. The testing of “live” data would take place toward the end of 2019. It was noted that several funds that had appointed third parties to complete this project, causing delays when working towards similar timescales.



**16. NEW LEGISLATION AND GUIDANCE (STANDING ITEM)**

Officers apologised for not adding this document to the agenda. The report would be circulated to the Board.

Post meeting note –

The report was circulated to the Board on 12 September, 2019. The Board noted and understood these changes and gained assurance that they will be implemented appropriately.

**17. BOARD COMMUNICATIONS LOG (STANDING ITEM)**

The Board noted the list of communications issued to it between meetings. As part of its obligations for appropriate knowledge and skills, the Board studies such information.

**18. AUDIT REPORTS [STANDING ITEM]**

As previously advised the internal Audit would take place in mid-October.

**19. INTERNAL DISPUTE RESOLUTION PROCEDURE [IDRP] UPDATE [STANDING ITEM]**

The Board noted that there were no on-going or new disputes.

**20. BOARD MEMBER TRAINING [STANDING ITEM]**

The Board would undertake training on cyber security.

**21. CONFIDENTIAL ITEM**

**RESOLVED that the public be excluded for the following items of business otherwise there would be disclosure to them of information relating to the financial or business affairs of any particular person or organisation.**

**22. CYBER SECURITY TRAINING**

The Board was taken through Cyber security training.

The Pension Fund Manager advised that as a result of the training, he was drafting a Fund Incident response procedure, which would complement the Council's ICT procedures, already in place.

The Board moved back into public session.

**23. FUTURE BOARD MEETINGS**

The Board noted the meeting dates:  
8 November, 2019

**2020**

13 February

22 May

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9 November

**Gerard Moore**  
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**Gerard Moore**  
**Chair**



## PENSION REGULATOR CODE OF PRACTICE 14 - COMPLIANCE ANALYSIS

Powys Pension Fund

		Action Required	Current Position	
22	Scheme manager - each public service pension scheme has one or more persons responsible for managing or administering the scheme. Public service pension schemes can have different persons acting as scheme manager for different parts of the pension scheme. For the locally administered schemes, the scheme managers may be the local administering authorities or a person representing an authority or police force.		<i>The Administering Authority is designated scheme manager under the regulations.</i>	
23	Pension board – the scheme manager (or each scheme manager) for a scheme has a pension board with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The pension board must also assist the scheme manager with such other matters as the scheme regulations may specify. It will be for scheme regulations and the scheme manager to determine precisely what the pension board’s role, responsibilities and duties entail.		<i>A Local Pension Board has been established and operates under a prescribed Terms of Reference. The Board was established on</i>	
<b>Governing your Scheme</b>				
Tudalen 13	38	Schemes <b>should</b> establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes <b>should</b> designate a person to take responsibility for ensuring that a framework is developed and implemented.		Training Log kep. Maintened by Secretary to the Board
	39	However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.		Carry out an up to date skills and knowledge analysis. Ongoing Feb 2019
	40	Pension board members <b>must be conversant with their scheme rules</b> , which are primarily found in the scheme regulations, and documented administration policies currently in force for their pension scheme. Being ‘conversant’ means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.		Analyse results of Training needa assessment
	41	They <b>must also have knowledge and understanding of the law</b> relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.		Analyse results of Training needs assessment

Mar-19

42	<p>In terms of documented administration policies, specific documents recording policy about administration will vary from scheme to scheme. However, the following are examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable. This list is not exhaustive and other documented policies may fall into this category:</p> <p>any scheme-approved policies relating to:  conflicts of interest and the register of interests  record-keeping  internal dispute resolution  reporting breaches  the appointment of pension board members  maintaining contributions to the scheme  risk assessments/management and risk register policies for the scheme</p> <p>scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures</p> <p>the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members</p> <p>In terms of reference, structure and operational policies of the pension board and/or any sub-committee</p> <p>statements of policy about the exercise of discretionary functions, statements of policy about communications with members and scheme employers  the pension administration strategy, or equivalent, and</p> <p>any admission body (or equivalent) policies.</p>		Available. Ongoing.
43	<p>For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.</p>		Available on website
44	<p>Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:</p> <p>the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme</p> <p>statements of assurance (for example, assurance reports from administrators)</p>		
45	<p>Where DC or DC AVC options are offered, pension board members should also be familiar with the requirements for the payment of member contributions to the providers, the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>		AVC Training has been carried out. New AVC Risk documentation introduced.
46	<p><b>Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant.</b> This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.</p>		

47	The roles, responsibilities and duties of pension boards and their individual members will vary between pension schemes. Matters for which the pension board is responsible will be set out in scheme regulations. Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.		
48	Schemes <b>should assist individual pension board members</b> to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.		Carry out Training needs questionnaire. Done Feb 2019
49	Pension board members <b>must have a working knowledge of their scheme regulations and documented administration policies</b> . They <b>should understand their scheme regulations and policies</b> in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.		Regular Training reviews in place
50	Pension board members <b>must have knowledge and understanding of the law relating to pensions</b> (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.		Regular Training reviews in place
51	Pension board members <b>should be able to identify and where relevant challenge any failure to comply with:</b>  the scheme regulations  other legislation relating to the governance and administration of the scheme  any requirements imposed by the regulator, or  any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator.		Noted
52	Pension board members' breadth of knowledge and understanding <b>should be sufficient</b> to allow them to understand fully and challenge any information or advice they are given. They <b>should understand</b> how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.		Regular Training reviews in place
53	Pension board members of funded pension schemes <b>should ensure that</b> they have the appropriate degree of knowledge and understanding of funding and investment matters relating to their scheme to enable them to effectively carry out their role. This includes having a working knowledge of provisions in their scheme regulations and administration policies that relate to funding and investment, as well as knowledge and understanding of relevant law relating to pensions.		Training Needs Self Assessment carried out feb 2019
54	All board members <b>should attain appropriate knowledge</b> so that they are able to understand the relevant law in relation to their scheme and role. The degree of knowledge and understanding required of pension board members may vary according to the role of the board member, as well as the expertise of the board member. For example, a board member who is also a pensions law expert (for instance, as a result of their day job) <b>should have a greater level of knowledge</b> than that considered appropriate for board members without this background.		Training Needs Self Assessment carried out feb 2019
55	Pension board members <b>should invest sufficient time in their learning and development</b> alongside their other responsibilities and duties. <b>Schemes should provide</b> pension board members with the relevant training and support that they require. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.		Training Needs Self Assessment carried out feb 2019
56	Newly appointed pension <b>board members should be aware</b> that their responsibilities and duties as a pension board member begin from the date they take up their post. Therefore, they <b>should immediately start to familiarise</b> themselves with the scheme regulations, documents recording policy about the administration		Training Needs Self Assessment carried out feb 2019

57	Pension board members <b>should undertake a personal training needs analysis</b> and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They <b>should use a personalised training plan</b> to document and address these promptly.		Training Needs Self Assessment carried out feb 2019
58	Learning <b>programmes should be flexible</b> , allowing pension board members to update particular areas of learning where required and to acquire new areas of knowledge in the event of any change. For example, pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		
59	The regulator will provide an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning. If schemes choose alternative learning programmes they should be confident that those programmes:  cover the type and degree of knowledge and understanding required  reflect the legal requirements, and  are delivered within an appropriate timescale.		Group Training during 2019
60	Schemes <b>should keep appropriate records of the learning activities of individual pension board members and the board as a whole</b> . This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.		records kept
<b>Conflicts of Interest and Representation</b>			
62	In relation to the pension board, <b>scheme regulations must include provision</b> requiring the scheme manager to be satisfied:  that a person to be appointed as a member of the pension board does not have a conflict of interest and  from time to time, that none of the members of the pension board has a conflict of interest.		COI declared at every Board meeting
63	Scheme <b>regulations must require</b> each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.		COI declared at every Board meeting
64	Scheme <b>regulations must include provision</b> requiring the pension board to include employer representatives and member representatives in equal numbers.		Equal numbers appointed and each Board meeting is quorate

70	Some, if not all, of the 'Seven principles of public life' (formerly known as the 'Nolan principles') will already apply to people carrying out roles in public service pension schemes, for example through the Ministerial code, Civil Service code or other codes of conduct. These <b>principles should be applied to all pension board members</b> in the exercise of their functions as they require the highest standards of conduct. <b>Schemes should incorporate the principles into</b> any codes of conduct (and across their policies and processes) and other internal standards for pension boards.		
73	Scheme regulations will set out matters for which the pension board is responsible. <b>Schemes should set out</b> clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards in scheme documentation. This <b>should cover</b> , for example, whether they have responsibility for administering or monitoring the administration of the scheme; developing, delivering or overseeing compliance with requirements for governance and/or administration policies; and taking or scrutinising decisions relating to governance and/or administration. Regardless of their remit, potential conflicts of interest affecting pension board members need to be identified, monitored and managed effectively.		Chairman meets with new members to provide guidance and explanation of expectations
74	<b>Schemes should consider</b> potential conflicts of interest in relation to the full scope of roles, responsibilities and duties of pension board members. It is recommended that all those involved in the management or administration of public service pension schemes take professional legal advice when considering issues to do with conflicts of interest.		
76	<b>Schemes should ensure</b> that there is an agreed and documented conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest. They should keep this under regular review. Policies and procedures should include examples of scenarios giving rise to conflicts of interest, how a conflict might arise specifically in relation to a pension board member and the process that pension board members and scheme managers should follow to address a situation where board members are subject to a potential or actual conflict of interest.		
77	Broadly, <b>schemes should consider potential conflicts</b> of interest in three stages:  identifying  monitoring, and  managing.		
78	<b>Schemes should cultivate a culture of openness and transparency. They should recognise</b> the need for continual consideration of potential conflicts. Disclosure of interests which have the potential to become conflicts of interest should not be ignored. Pension <b>board members should have a clear understanding of their role</b> and the circumstances in which they may find themselves in a position of conflict of interest. They should know how to manage potential conflicts.		COI declared at every Board meeting
79	<b>Pension board members</b> , and people who are proposed to be appointed to a pension board, <b>must provide</b> scheme managers with <b>information</b> that they reasonably require to be satisfied that pension board members and proposed members do not have a conflict of interest.		
80	<b>Schemes should ensure</b> that pension board members are appointed under procedures that require them to disclose any interests, including other responsibilities, which could become conflicts of interest and which may adversely affect their suitability for the role, before they are appointed.		Identified at interview/appointment

81	All terms of engagement, for example appointment letters, <b>should include a clause requiring disclosure</b> of all interests, including any other responsibilities, which have the potential to become conflicts of interest, as soon as they arise. All interests disclosed should be recorded. See the section of this code on 'Monitoring potential conflicts'.		
82	<b>Schemes should take time to consider</b> what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts of interest that may arise in the future. <b>Pension board members should be notified as soon as practically possible and mitigations should be put in place</b> to prevent these conflicts from materialising.		Would be identified in the workplan
83	As part of their risk assessment process, <b>schemes should identify, evaluate and manage dual interests</b> which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. <b>Schemes should evaluate</b> the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.		Would be identified in the workplan
84	<b>A register of interests should provide</b> a simple and effective means of recording and monitoring dual interests and responsibilities. <b>Schemes should also capture decisions</b> about how to manage potential conflicts of interest in their risk registers or elsewhere. The register of interests and other relevant <b>documents should be circulated to</b> the pension board for ongoing review and published, for example on a scheme's website.		Work ongoing Oct 2019
85	<b>Conflicts of interest should be included as an opening agenda item</b> at board meetings and revisited during the meeting, where necessary. This provides an opportunity for those present to declare any interests, including other responsibilities, which <b>have the potential to become conflicts of interest</b> , and to minute discussions about how they will be managed to prevent an actual conflict arising.		COI declared at every Board meeting
86	<b>Schemes should establish and operate procedures</b> which ensure that pension boards are not compromised by potentially conflicted members. They <b>should consider</b> and determine the roles and responsibilities of pension boards and individual board members carefully to ensure that conflicts of interest do not arise, nor are perceived to have arisen.		
90	While scheme regulations <b>must require pension boards to have an equal number</b> of employer and member representatives, there is flexibility to design arrangements which best suit each scheme.		Equal numbers appointed and each Board meeting is quorate

91	Arrangements should be designed with regard to the principles of proportionality, fairness and transparency, and with the aim of ensuring that a pension board has the right balance of skills, experience and representation (for example, of membership categories and categories of employers participating in the scheme). <b>Those responsible for appointing members to a pension board should also consider the mix of skills</b> and experience needed on the pension board in order for the board to operate effectively in light of its particular role, responsibilities and duties.		On-going traing needs analysis and training required
<b>Publishing Information about Schemes</b>			
92	<b>The scheme manager for a public service scheme must publish information</b> about the pension board for the scheme(s) and <b>keep that information up-to-date.</b>		<a href="#">Available on website</a>
93	The information <b>must include:</b> who the members of the pension board are representation on the board of members of the scheme(s), and the matters falling within the pension board’s responsibility.		See above
94	Scheme members will want to know that their scheme is being efficiently and effectively managed. Public service pension <b>schemes should have a properly constituted</b> , trained and competent pension board, which is responsible for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and requirements imposed by the regulator.		<a href="#">Powy Pension Board terms of reference provides the detail</a>
95	<b>Scheme managers must publish the information required about the pension board</b> and keep that information up-to-date. This will ensure that scheme members can easily access information about who the pension board members are, how pension scheme members are represented on the pension board and the responsibilities of the board as a whole.		<a href="#">Available on website</a>

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96	<p>When publishing information about the identity of pension board members, the representation of scheme members and matters for which the board is responsible, <b>schemes should also publish</b> useful related information about the pension board such as:</p> <p>the employment and job title (where relevant) and any other relevant position held by each board member</p> <p>the pension board appointment process</p> <p>who each pension board member represents</p> <p>the full terms of reference for the pension board, including details of how it will operate, and</p> <p>any specific roles and responsibilities of individual pension board members.</p>		Discussed at Pension Board and happy to leave in current state.
97	<p>Schemes <b>should also consider publishing information</b> about pension board business, for example board papers, agendas and minutes of meetings (redacted to the extent that they contain confidential information and/or data covered by the Data Protection Act 1998). They <b>should consider any requests for additional information</b> to be published, to encourage scheme member engagement and promote a culture of transparency.</p>		Link to Corporate website where agendas and reports are held
98	<p><b>Scheme managers must ensure that information published about the pension board is kept up-to-date. Schemes should have policies</b> and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete.</p>		Minutes regularly uploaded and documentation reviewed.
<b>Managing Risks</b>			
104	<p>Good internal controls are an important characteristic of a well-run scheme and one of the main components of the scheme manager's role in securing the effective governance and administration of the scheme. Internal controls can help protect pension schemes from adverse risks, which could be detrimental to the scheme and members if they are not mitigated.</p>		Discussed at each Board meeting
105	<p><b>Scheme managers must establish and operate internal controls. These should address</b> significant risks which are likely to have a material impact on the scheme. Scheme managers <b>should employ a risk-based approach</b> and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They <b>should seek advice, as necessary.</b></p>		Discussed at each Board meeting



106	Before implementing an internal controls framework, <b>schemes should carry out a risk assessment.</b> They should begin by:  setting the objectives of the scheme  determining the various functions and activities carried out in the running of the scheme, and  identifying the main risks associated with those objectives, functions and activities.		Discussed at each Board meeting
107	An effective risk assessment process will help schemes to identify a wide range of internal and external risks, which are critical to the scheme and members. When identifying risks, <b>schemes should refer to relevant sources</b> of information, such as records of internal disputes and legislative breaches, the register of interests, internal and external audit reports and service contracts.		Discussed at each Board meeting
108	Once schemes have identified risks, they <b>should record them in a risk register and review them regularly. Schemes should keep appropriate records</b> to help scheme managers demonstrate steps they have taken to comply, if necessary, with legal requirements.		Discussed at each Board meeting
109	<b>should consider both these areas</b> when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high.		Discussed at each Board meeting
110	administering authority. <b>Schemes should review their existing arrangements and procedures</b> to determine whether they can prevent and detect errors in scheme operations and help mitigate pension scheme-related risks. For example, schemes could obtain assurance about their existing controls through direct testing or by obtaining reports on controls. <b>Any such review should be appropriate to the outcome of the risk evaluation.</b>		Discussed at each Board meeting
111	<b>Schemes should consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them.</b> For example, the scheme manager(s) for a funded scheme should establish and operate internal controls that regularly assess the effectiveness of investment-related decision making. Scheme managers for all pension schemes should establish and operate internal controls that regularly assess the effectiveness of data management and record-keeping.		Discussed at each Board meeting
113	Risk assessment is a <b>continual process and should take account of a changing environment</b> and new and emerging risks, including significant changes in or affecting the scheme and employers who participate in the scheme.		Discussed at each Board meeting
114	For example, where relevant, <b>schemes should put in place systems and processes for making an objective assessment of the strength of an employer's covenant</b> (which should include analysis of their financial position, prospects and ability to pay the necessary employer contributions).		In Place - exercise to be undertaken to co-ordinate with Funding Strategy Statement review and Valuation
115	An effective risk assessment process will provide a mechanism to detect weaknesses at an early stage. <b>Schemes should periodically review the adequacy of internal controls in:</b>  mitigating risks  supporting longer-term strategic aims, for example relating to investments  identifying success (or otherwise) in achieving agreed objectives, and  providing a framework against which compliance with the scheme regulations and legislation can be monitored.		Investment Strategy Statement was currently under review and the MIFID II [The Markets in Financial Instruments Directive II] needed to be taken into account.

116	<b>Internal or external audits and/or quality assurance processes should ensure that adequate internal controls are in place and being operated effectively.</b> Reviews should take place when substantial changes take place, such as changes to pension scheme personnel, implementation of new administration systems or processes, or where a control has been found to be inadequate.		Audit Commenced Oct 2019. Results Expected December 2019
119	The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme. <b>Providers should be required to demonstrate that they will have adequate internal controls in their tenders</b> for delivering services. <b>The requirements should be incorporated in the terms of engagement</b> and contract between the scheme and service provider. Outsourced services may include, for example, the maintenance of records and data, calculation of benefits and investment management services. Where services are outsourced, <b>scheme managers should be satisfied that internal controls associated with those services are adequate and effective.</b>		
120	An increasing number of service providers are obtaining independent assurance reports to help demonstrate their ability to deliver quality administration services. <b>Schemes should ask their service providers to demonstrate</b> that they have adequate internal controls relating to the services they provide. <b>It is vital that schemes ensure they receive sufficient assurance from service providers.</b> For example, the information from providers should be sufficiently detailed and comprehensive and the <b>service level agreements should cover all services that are outsourced. Schemes should also consider including provisions in contracts for outsourced services requiring compliance with appropriate standards.</b> This should help to ensure effective administration.		
<b>Administration</b>			
124	Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and ultimately paying members incorrect benefits. For funded schemes, it may lead to schemes managing investment risks ineffectively. There is also the potential for the maladministration of members' contributions and failure to identify any misappropriation of assets. <b>Schemes 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 their pension scheme efficiently.</b>		Data Quality testing Undertaken in 2018 and due in May 2019
125	<b>Scheme managers must 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.</b>		Monthly and annual data checking exercise
126	<b>Scheme managers must ensure that member data across all membership categories specified in the Record Keeping Regulations is complete and accurate. Member data should be subject to regular data evaluation.</b>		Monthly and annual data checking exercise

127	<b>Scheme managers must keep specific member data, which will enable them to uniquely identify a scheme member and calculate benefits correctly.</b> This is particularly important with the establishment of career average revalued earnings (CARE) schemes. <b>Scheme managers must be able to provide members with accurate information regarding their pension benefits (accrued benefits to date and their future projected entitlements)</b> in accordance with legislative requirements, as well as pay the right benefits to the right person (including all beneficiaries) at the right time.		Final Salary and CARE data held in Admin system accordingly
128	<b>Schemes should require participating employers to provide them with timely and accurate data in order</b> for the scheme manager to be able to fulfil their legal obligations. <b>Schemes should seek to ensure that processes are established by employers</b> which enable the transmission of complete and accurate data from the outset. Processes will vary from employer to employer, depending on factors such as employee turnover, pay periods, number of employees who are members and the timing and number of payroll processing systems.		Finance check monthly. Annual letter of compliance issued to employers.
129	<b>Schemes should seek to ensure that employers understand the main events</b> which require information about members to be passed from the employer to the scheme and/or another employer, such as when an employee:  joins or leaves the scheme  changes their rate of contributions  changes their name, address or salary  changes their member status, and  transfers employment between scheme employers.		Guidance and training provided at time of Admission into Fund. Iconnect allows electronic input and updating.
130	<b>Schemes should ensure that appropriate procedures and timescales are in place for scheme employers to provide updated information when member data changes,</b> for checking scheme data against employer data and for receiving information which may affect the profile of the scheme. If an employer fails to act according to the procedures set out above, meaning that they and/or scheme managers may not be complying with legal requirements, those under a statutory duty to report breaches of the law to the regulator under section 70 of the Pensions Act 2004 should assess whether there has been a relevant breach and take action as necessary.		Guidance and training provided at time of Admission into Fund
131	<b>Schemes should be able to trace the flow of funds into and out of the scheme and reconcile these against expected contributions and scheme costs.</b> In doing so, they will have clear oversight of the core scheme transactions and <b>should be able to mitigate risks swiftly.</b>		Finance Section carry out checks
132	Scheme managers <b>must keep records of transactions made to and from</b> the scheme and any amount due to the scheme which has been written off. They <b>should be able to demonstrate</b> that they do so.		Audit trails available in Admin system and quarterly reconciliation with Finance.
133	<b>Scheme managers must keep records of pension board meetings including any decisions made. Schemes should also keep records of key discussions,</b> which may include topics such as compliance with policies relating to administration of the scheme.		Available in Minutes and held on fund website

134	<b>Scheme managers 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 scheme.</b>		Available in Minutes
135	<b>Schemes should retain records for as long as they are needed.</b> It is likely that data will need to be held for long periods of time and schemes will need to retain some records for a member even after that individual has retired, ensuring that pension benefits can be properly administered over the lifetime of the member and their beneficiaries. <b>Schemes should have in place adequate systems and processes to enable the retention</b> of records for the necessary time periods.		Currently 15 years following GDPR review.
136	<b>Schemes should have policies and processes that monitor data on an ongoing basis to ensure it is accurate and complete,</b> regardless of the volume of scheme transactions. This <b>should be in relation to all membership categories</b> , including pensioner member data where queries may arise once the pension is being paid.		Data Improvement Plan in place on fund website
137	<b>Schemes should adopt a proportionate and risk-based approach to monitoring,</b> based on any known or historical issues that may have occurred in relation to the scheme's administration. This is particularly important for the effective administration of CARE pension schemes, which requires schemes to hold significantly more data than needed for final salary schemes.		Monthly and annual data monitor and cleanse processes in place.
138	<b>Schemes should continually review their data and carry out a data review exercise at least annually.</b> This <b>should include an assessment of the accuracy and completeness</b> of the member information data held. Schemes should decide the frequency and nature of the review in light of factors such as the level of data quality, any issues identified and key scheme events.		Data Quality Testing and Improvement Plan in place
140	Where there has been a change of administrator or the administration system/platform, <b>schemes should review and cleanse data records and satisfy themselves</b> that all data are complete and accurate.		Ongoing April 2019
141	Where schemes <b>identify poor quality or missing data, they should put a data improvement plan in place</b> to address these issues. The plan <b>should have specific data improvement measures</b> which schemes can monitor and a defined end date within a reasonable timeframe when the scheme will have complete and accurate data.		Data Quality testing and Improvement Plan, but monitored Annually
142	<b>Schemes should ensure that member records are reconciled with information held by the employer,</b> for example postal address or electronic address (email address) changes and new starters. Schemes should also ensure that the numbers of scheme members is as expected based on the number of leavers and joiners since the last reconciliation. Schemes should be able to determine those members who are approaching retirement, those who are active members and those who are deferred members.		Monthly/Annual Reconciliation
143	<b>Schemes 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.</b>		reviewed under GDPR May 2018

144	<p>Schemes <b>should understand:</b></p> <ul style="list-style-type: none"> <li>• their obligations as data controllers and who the data processors are in relation to the scheme</li> <li>• the difference between personal data and sensitive personal data (as defined in the Data Protection Act 1998)</li> <li>• how data are held and how they should respond to data requests from different parties</li> <li>• the systems which need to be in place to store, move and destroy data, and</li> <li>• how data protection affects member communications.</li> </ul>		reviewed under GDPR May 2018
146	Where applicable, schemes should be able to demonstrate that they keep records in accordance with these and any other relevant legal requirements. Schemes should read the relevant legislation and any guidance in conjunction with this code where applicable.		reviewed under GDPR May 2018
<b>Maintaining Contributions</b>			
147	<b>Employer contributions must be paid to the scheme in accordance with any requirements in the scheme regulations.</b> Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable.		Breaches Log and procedure in place. Ongoing risk requiring monitoring
148	<b>at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically</b> (the 'prescribed period'), or earlier if required by scheme regulations. References to 'days' means all days. References to 'working days' do not include Saturdays, Sundays or Bank Holidays.		Breaches Log and procedure in place. Ongoing risk requiring monitoring
149	<b>failure is likely to be of material significance</b> to the regulator in the exercise of any of its functions, they <b>must give notice of the failure to the regulator</b> and the member within a reasonable period after the end of the prescribed period. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, <b>schemes should also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law.</b> For more information about reporting breaches of the law, see this section of the code.		Breaches Log and procedure in place.
150	As part of the requirement to establish and operate adequate internal controls, <b>scheme managers should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator.</b> A 'payment failure' is where contribution payments are not paid to the scheme by the due date(s), or within the prescribed period and a 'materially significant payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.		Breaches Log and Policy in place
151	Schemes <b>should monitor pension contributions, resolve payment issues and report payment failures, as appropriate,</b> so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.		Breaches Log and procedure in place. Ongoing risk requiring monitoring
152	Adequate procedures and processes are likely to involve: <ul style="list-style-type: none"> <li>developing a record to monitor the payment of contributions</li> <li>monitoring the payment of contributions</li> <li>managing overdue contributions, and</li> <li>reporting materially significant payment failures.</li> </ul>		
153	These procedures and processes <b>should help scheme managers to meet their statutory duty to report materially significant payment failures to the regulator,</b> as well as ensuring the effective management of scheme contributions and payment of the right pension.		Breaches Log and Policy in place

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155	Public service pension schemes which meet these exemptions <b>should nonetheless develop a record for monitoring the payment of contributions to the scheme</b> (a contribution monitoring record, which must reflect any requirements in scheme regulations where relevant). <b>Schemes should prepare the contributions monitoring record in consultation with employees.</b>		
156	A contributions monitoring record will enable schemes to check whether contributions have been paid on time and in full, and, if they have not, provide a trigger for escalation for schemes to investigate the payment failure and consideration of whether scheme managers need to report to the regulator and, where relevant, members.		
157	A <b>contributions monitoring record should include the following information:</b> <ul style="list-style-type: none"> <li>• contribution rates</li> <li>• the date(s) on or before which employer contributions are to be paid to the scheme</li> <li>• the date by when, or period within which, the employee contributions are to be paid to the scheme</li> <li>• the rate or amount of interest payable where the payment of contributions is late.</li> </ul>		
158	The date when employer contributions must be paid is the date on or before which they are due under the scheme in accordance with the scheme regulations (or other scheme documentation). Schemes should assess the timing of payments against the date specified.		
161	Schemes <b>should monitor contributions on an ongoing basis for all the membership categories within the scheme. Schemes should regularly check payments due against the contributions monitoring record.</b>		
162	Schemes <b>should apply a risk-based and proportionate approach to help identify employers and situations which present a higher risk of payment failures</b> occurring and which are likely to be of material significance and require the scheme manager to intervene.		
163	Schemes <b>should be aware of what is to be paid in accordance with the contributions monitoring record</b> or other scheme documentation, which may be used by the pension scheme. Schemes <b>should also have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all.</b>		
165	Schemes <b>should have adequate internal controls in place to monitor the sharing of payment information between the employer, pension scheme and member.</b> Where the necessary payment information is not automatically available or provided by employers, <b>schemes should request the additional information</b> they need. Schemes may not need to obtain payment information as a matter of course, only where it is required for effective monitoring.		Procedure in place within the Finance Section
166	Scheme managers must record and retain information on transactions, including any employer and employee contributions received and payments of pensions and benefits, which will support them in their administration and monitoring responsibilities.		Procedure in place within the Finance Section
167	Where the <b>administration of scheme contributions is outsourced</b> to a service provider, <b>schemes should ensure that there is a process in place to obtain regular information on the payment of contributions to the scheme</b> and a <b>clear procedure in place</b> to enable them to identify and resolve payment failures which may occur.		Procedures and policy in place

168	<p>When schemes identify or are notified of a problem, they <b>should assess whether a payment failure has occurred before taking steps to resolve and, if necessary, report it.</b> During their assessment, <b>schemes should take into account:</b></p> <ul style="list-style-type: none"> <li>• legitimate agreed payments made directly by an employer for scheme purposes, ie where the scheme has agreed that a contributions payment can be made late due to exceptional circumstances</li> <li>• legitimate agreed payment arrangements made between an employee and employer, ie where the employer has agreed that a contribution payment can be made late due to exceptional circumstances</li> <li>• contributions paid directly to a pension provider, scheme administrator or investment manager</li> <li>• any AVCs included with an employer's overall payment.</li> </ul>		Procedures and policy in place
169	<p>Where schemes identify a payment failure, they should follow a process to resolve issues quickly. This should normally involve the following steps:</p> <ol style="list-style-type: none"> <li>Investigate any apparent employer failure to pay contributions in accordance with the contributions monitoring record or legal requirements.</li> <li>Contact the employer promptly to alert them to the payment failure and to seek to resolve the overdue payment.</li> <li>Discuss it further with the employer as soon as practicable to find out the cause and circumstances of the payment failure.</li> <li>Ask the employer to resolve the payment failure and take steps to avoid a recurrence in the future.</li> </ol>		Breaches Log and procedure in place.
<b>Providing information to Members</b>			
188	Scheme regulations must require scheme managers to provide an annual benefit information statement to each active member of a DB scheme established under the 2013 Act or new public body scheme. The statement must include a description of the benefits earned by a member in respect of their pensionable service.		Procedures in place
189	The first statement must be provided no later than 17 months after the scheme regulations establishing the scheme come into force. Subsequent statements must be provided at least annually after that date.		Procedures in place
190	Statements must also comply with HM Treasury directions in terms of any other information which must be included and the manner in which they must be provided to members.		Annual Review exercise on All Wales basis
191	Managers of a scheme must also provide a benefit statement following a request by an active, deferred or pension credit member of a DB scheme if the information has not been provided to that member in the previous 12 months before that request.		Procedures in place
192	These benefit statements must include information about the amount of benefits by reference to a particular date and how they are calculated. The full details depend on the type of member making the request.		Compliant
193	The information must be given as soon as practicable but no more than two months after the date the request is made.		Procedures in place

196	<p>Under the Disclosure Regulations 2013, managers of a scheme must provide other information to members and others in certain circumstances (for example, on request). The Regulations set out the information which must be given, the timescales for providing such information and the methods that may be used. Not all information must be provided in respect of all public service pension schemes (there are some exemptions for specified public service schemes or according to the type of benefit offered), but information which scheme managers may need to provide includes:</p> <ul style="list-style-type: none"> <li>• basic scheme information</li> <li>• information about the scheme that has materially altered</li> <li>• information about the constitution of the scheme</li> <li>• annual report (this requirement will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers) information about funding principles, actuarial valuations and payment schedules (these requirements will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers)</li> <li>• information about transfer credits</li> <li>• information about lifestyling (this requirement will not apply in respect of DB benefits in public service pension schemes)</li> <li>• information about accessing benefits, and</li> <li>• information about benefits in payment.</li> </ul>		Compliant. Misc regs require notification to members within timescales
197	<p>The detail of the information that must be provided to scheme members and others and any exemptions are set out in the Disclosure Regulations 2013. Managers must provide the required information, along with confirmation that members may request further information and the postal and email addresses to which a person should send those requests and enquiries.</p>		
198	<p>Managers of a scheme must ensure that scheme members and others are given information in accordance with the Disclosure Regulations 2013, unless they are an 'excluded person' (as defined above).</p>		



199	<p>The Disclosure Regulations 2013 make provision for scheme members and others to receive information that is relevant to their pension rights and entitlements under the scheme. The categories of people who are entitled to receive information vary according to the different types of information, and there are exemptions where information has already been provided in a specified period. The detail of who is entitled to any particular type of information is set out in the Disclosure Regulations 2013 but may include any of the following ('a relevant person'):</p> <ul style="list-style-type: none"> <li>• active members</li> <li>• deferred members</li> <li>• pensioner members</li> <li>• prospective members</li> <li>• spouses or civil partners of members or prospective members</li> <li>• other beneficiaries, and</li> <li>• recognised trade unions.</li> </ul>		
200	<p>Managers must disclose certain basic information about the scheme and the benefits it provides to a prospective member (if practicable to do so) or a new member. Where the manager has received jobholder information for the member or prospective member they must provide the information within a month of the jobholder information being received. Where they have not received jobholder information, they must provide the information within two months of the date the person became an active member of the scheme.</p>		procedures in place. Compliant.
201	<p>Managers must also provide information on request to a relevant person within two months of the request being made, except where the same information was provided to the same person or trade union in the 12 month before the request.</p>		Compliant. Procedures in place in workflow system.

203	<p>Generally, schemes may choose how they provide information to scheme members, including by post, electronically (by email or by making it available on a website) or by any other means permitted by the law. For benefit statements issued under the 2013 Act, HM Treasury directions may specify how the information must be provided. Where schemes wish to provide information required under the Disclosure Regulations 2013 by electronic means there are important steps and safeguards that must first be met. These include:</p> <ul style="list-style-type: none"> <li>• scheme members and beneficiaries being provided with the option to opt out of receiving information electronically by giving written notice to the scheme</li> <li>• managers being satisfied that the electronic communications have been designed: <ul style="list-style-type: none"> <li>– so that the person will be able to access and either store or print the relevant information and</li> <li>– taking into account the requirements of disabled people</li> <li>• ensuring that members and beneficiaries who were members or beneficiaries of the public service pension scheme on 1 December 2010 (where the scheme had not provided information electronically prior to that date) has been sent a written notice (other than via email or website), informing them that: <ul style="list-style-type: none"> <li>– it is proposed to provide information electronically in the future and</li> <li>– scheme members and beneficiaries may opt out of receiving information electronically by sending written notice.</li> </ul> </li> </ul> </li> </ul>		Exercise carried out and majority of scheme documentation delivered electronically, except to those who have opted out of e-communications
204	<p>Where schemes make information or a document available on a website for the first time, they must give notice (other than via a website) to the recipient. They must ensure that the notice includes:</p> <ul style="list-style-type: none"> <li>• a statement advising that the information is available on the website</li> <li>• the website address</li> <li>• details of where on the website the information or document can be read, and</li> <li>• an explanation of how the information or document may be read on the website.</li> </ul>		Compliant

205	<p>When any subsequent information is made available on a website, managers of a scheme must give a notice (other than via a website) to recipients informing them that the information is available on the website. This notice will not be required where:</p> <ul style="list-style-type: none"> <li>• at least two documents have been given to the recipient by hand or sent to the recipient's last known postal address</li> <li>• each of those letters asks the recipient to give their electronic (email) address to the scheme and informs the recipient of their right to request (in writing) that information or documents are not to be provided electronically</li> <li>• a third letter has been given to the recipient by hand or sent to the recipient's last known postal address and includes a statement that further information will be available to read on the website and that no further notifications will be sent to the recipient and</li> <li>• the managers of the scheme do not know the recipient's email address and have not received a written request that information or documents are not to be provided to the recipient electronically.</li> </ul>		Exercise carried out and majority of scheme documentation delivered electronically, except to those who have opted out of e-communications
206	<p>In some cases, the Disclosure Regulations 2013 specify that information must be made available by one of the following methods:</p> <ul style="list-style-type: none"> <li>• available to view free of charge, at a place that is reasonable having regard to the request</li> <li>• published on a website (in which case the procedure to be followed before making information available on a website does not apply, except that the person or trade union must be notified of certain details)</li> <li>• given for a charge that does not exceed the expense incurred in preparing, posting and packing the information, or</li> <li>• publicly available elsewhere.</li> </ul>		Compliant
207	<p>Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. It is important that members are able to understand their pension arrangements and make informed decisions where required.</p>		Ongoing Exercise
208	<p>Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date.</p>		Numbers of "Gone Away" members identified. Address tracing exercise to be undertaken mid 2019
209	<p>Where a person has made a request for information, schemes should acknowledge receipt if they are unable to provide the information at that stage. Schemes may encounter situations where the time period for providing information takes longer than expected. In these circumstances, schemes should notify the person and let them know when they are likely to receive the information. Scheme managers and managers (where different) must provide information in accordance with the time periods specified in the 2013 Act and Disclosure Regulations 2013.</p>		Compliant
210	<p>To promote transparency, schemes should make information readily available at all times to ensure that prospective and existing members are able to access information when they require it.</p>		Website, Intranet

216	Dispute resolution arrangements may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. The specified person's decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters.		Pensions Decision - Pensions Administration Manager. Employer decision - HR Manager
217	Scheme managers and specified persons (if used as part of a scheme's procedure) must take the decision required on the matters in dispute within a reasonable period of receiving the application. They must notify the applicant of the decision within a reasonable period of having taken it.		IDRP information made available to Specified Person
218	Internal dispute resolution procedures must state the manner in which an application for the resolution of a pension dispute is to be made, the particulars which must be included in such an application and the manner in which any decisions required in relation to such an application are to be reached and given. The procedure must specify a reasonable period within which applications must be made by certain people.		Detail in Letter.
219	Scheme managers must provide information about the scheme's dispute resolution procedure as well as information about The Pensions Advisory Service (TPAS) and the Pensions Ombudsman to certain people at certain stages.		Included in letters
220	Scheme members expect their pension scheme to be managed effectively. Where a person with an interest in the scheme is not satisfied with any matter relating to the scheme (for example a decision which affects them), they have the right to ask for that matter to be reviewed.		Included in letters
222	Schemes can operate a two-stage procedure with a 'specified person' undertaking the first-stage decision. Alternatively, they may adopt a single-stage procedure if they consider that is more appropriate for their scheme.		Two-stage adopted. Stage 1 - Pensions Administration Manager. Stage 2 - Pension Fund Manager
223	With the exception of certain matters outlined below, the law does not prescribe the detail of the dispute resolution procedure. Schemes should decide on this and ensure it is fit for purpose.		Noted.
224	Schemes may choose to specify time limits within which the following people must apply for a dispute to be resolved, following notification to them: <ul style="list-style-type: none"> <li>• scheme members</li> <li>• widows, widowers, surviving civil partners or surviving dependants of deceased scheme members</li> <li>• surviving non-dependant beneficiaries of deceased scheme members, and</li> <li>• prospective scheme members.</li> </ul>		Within 6 months of being notified of decision

225	If schemes decide to specify time limits, they should publish and make those time limits readily available to ensure that those with an interest in the scheme are aware that they must submit an application within a prescribed time limit.		Within 6 months of being notified of decision
226	<p>Scheme managers must ensure their scheme's procedure specifies a reasonable period within which applications by the following people must be made:</p> <ul style="list-style-type: none"> <li>• a person who has ceased to be within the categories in paragraph 224 above</li> <li>• a person who claims that they were a person within the categories in paragraph 224 above and has ceased to be such a person, and the dispute relates to whether they are such a person.</li> </ul>		Noted.
227	A reasonable period would be six months beginning immediately after the date on which the person ceased to be, or claims they ceased to be, a person with an interest in the scheme. However, schemes have the flexibility to exercise their judgement and take an application outside a specified time period, if appropriate.		6 months applied
228	Managers and specified persons (where applicable) must decide the matter in dispute within a reasonable period of receiving the application. A reasonable period is within four months of receiving the application. In the case of a two-stage dispute resolution procedure, the reasonable period applies to each stage separately. Where a dispute is referred to scheme managers for a second-stage decision, the reasonable period begins when the managers receive the referral. However, there may be cases where it will be possible to process an application sooner than the reasonable time given. Where this is the case, there should not be a delay in taking the decision.		Matter to be acted upon quickly but within 4 months
229	There may be exceptional circumstances of a particular dispute which may prevent the process being completed within the reasonable time period stated above. For instance, where the dispute involves unusually complex and labour-intensive calculations or research, or delays occur that are outside the control of the scheme manager (or specified person), or because they need to obtain independent evidence.		Noted.
230	The regulator recognises that the circumstances of each dispute are different and decision times may vary. Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary.		Procedure is documented and evidenced
231	Applicants must be notified of the decision made by a scheme manager and specified person (where applicable) within a reasonable time period after the decision has been made <sup>123</sup> . Schemes should usually notify applicants of the decision no later than 15 working days after the decision has been made. However, there may be cases where it is possible to notify an applicant sooner than the reasonable time given. Where this is the case, there should not be a delay in notifying them of the decision.		Procedures in place to notify
232	Applicants must be notified of the decision made by a scheme manager and specified person (where applicable) within a reasonable time period after the decision has been made <sup>123</sup> . Schemes should usually notify applicants of the decision no later than 15 working days after the decision has been made. However, there may be cases where it is possible to notify an applicant sooner than the reasonable time given. Where this is the case, there should not be a delay in notifying them of the decision.		Procedures in place to notify

233	Scheme regulations or other documents recording policy about the administration of the scheme should specify internal dispute resolution arrangements. Schemes should focus on educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented.		Included in correspondence.
234	Schemes should ensure that the effectiveness of the arrangements is assessed regularly and be satisfied that those following the process are complying with the requirements set, which includes effective decision making. This is particularly important where the arrangements require employers participating in the pension scheme to carry out duties as part of the process, for example where schemes have implemented the two-stage procedure and employers are acting as the specified person for the first stage		Guidance provided to Employers and individuals where appropriate
235	Schemes should confirm and communicate their arrangements to members, for example, in the joining booklet. Schemes should make their arrangements accessible to potential applicants, for example by publishing them on a scheme website.		Information readily available
236	<p>Scheme managers must provide the following information about the procedure and processes the scheme has in place for the internal resolution of disputes to certain people in certain circumstances<sup>124</sup>:</p> <ul style="list-style-type: none"> <li>• prospective members, if it is practicable to do so</li> <li>• any scheme members who have not already been given the information</li> <li>• certain relevant people who request the information and who have not been given that information in the previous 12 months, and</li> <li>• members or prospective members when schemes receive jobholder information, or when a jobholder becomes an active member, in connection with automatic enrolment.</li> </ul>		Information available.
237	Scheme managers must also provide the postal or email address and job title of the person to contact in order to make use of the internal dispute arrangements.		Included in correspondence
238	In addition, scheme managers must provide information about TPAS and the Pensions Ombudsman at certain stages <sup>125</sup> . Upon receiving an application for the resolution of a pension dispute, scheme managers (or the specified person) must make the applicant aware as soon as reasonably practicable that TPAS is available to assist members and beneficiaries of the scheme and provide contact details for TPAS. When notifying the applicant of the decision, scheme managers must also inform the applicant that the Pensions Ombudsman is available to investigate and determine complaints or disputes of fact or law relating to a public service pension scheme and provide the Pension Ombudsman's contact details.		Included in correspondence

239	<p>Schemes can decide what information they need from applicants to reach a decision on a disputed matter and how applications should be submitted. Schemes should ensure they make the following information available to applicants:</p> <ul style="list-style-type: none"> <li>• the procedure and processes to apply for a dispute to be resolved</li> <li>• the information that an applicant must include</li> <li>• the process by which any decisions are reached, and</li> <li>• an acknowledgement once an application has been received.</li> </ul>		Information available.
240	<p>When reviewing an application, scheme managers and specified persons (where relevant) should ensure that they have all the appropriate information to make an informed decision. They should request further information if required. Scheme managers and specified persons should be satisfied that the times taken to reach a decision and notify the applicant are appropriate to the situation and that they have taken the necessary action to meet the reasonable time periods. Scheme managers should be able to demonstrate this to the regulator if required.</p>		Noted.
<b>Reporting Breaches of the Law</b>			
244	<p>Schemes should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and this guidance. Schemes should provide training for scheme managers and pension board members. All others under the statutory duty to report should ensure they have a sufficient level of knowledge and understanding to fulfil that duty. This means having sufficient familiarity with the legal requirements and procedures and processes for reporting.</p>		Reporting Breaches Policy produced and available on Fund website
245	<p>Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters. It is important that procedures allow reporters to decide within an appropriate timescale whether they must report a breach. Reporters should not rely on waiting for others to report.</p>		Reporting Breaches Policy produced and available on Fund website. Traffic light system included for determining seriousness

246	<p>Procedures should include the following features:</p> <ul style="list-style-type: none"> <li>• a process for obtaining clarification of the law around the suspected breach where needed</li> <li>• a process for clarifying the facts around the suspected breach where they are not known</li> <li>• a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board</li> <li>• a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the regulator</li> <li>• an established procedure for dealing with difficult cases</li> <li>• a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable</li> <li>• a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue), and</li> <li>• a process for identifying promptly any breaches that are so serious they must always be reported.</li> </ul>		Reporting Breaches Policy produced and available on Fund website. Traffic light system included for determining seriousness. Breaches Log kept and updated regularly.
253	<p>In deciding whether a breach is likely to be of ‘material significance’ to the regulator. It would be advisable for those with a statutory duty to report to consider the:</p> <ul style="list-style-type: none"> <li>• cause of the breach</li> <li>• effect of the breach</li> <li>• reaction to the breach, and</li> <li>• wider implications of the breach.</li> </ul>		Detailed in Breaches Policy
255	<p>The breach is likely to be of material significance to the regulator where it was caused by:</p> <ul style="list-style-type: none"> <li>• dishonesty</li> <li>• poor governance or administration</li> <li>• slow or inappropriate decision making practices</li> <li>• incomplete or inaccurate advice, or</li> <li>• acting (or failing to act) in deliberate contravention of the law.</li> </ul>		Detailed in Breaches Policy



270	Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.		Detailed in Breaches Policy
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Powys Pension Fund Breaches

2018\_19\_20

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 c200 deferred members. <b>Cause:</b> The backlog has occurred through the introduction of the new LGPS and the increased complexity around administration (aggregations, final salary links etc). An increase in the numbers of deferred pensioners who have left employment through reorganisations in recent months has also had an impact. <b>Effect:</b> although a breach, it is not considered material, as the information is not critical when making future decisions. Where a deferred member reaches retirement age their calculation will be completed at that point. This is a national issue for most funds across the LGPS.	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. 11 members to 30.09.19	The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014.	N	Y	Y	N	

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## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
8<sup>th</sup> November 2019

REPORT BY: Pension Fund Manager

SUBJECT: Risk Register Updates

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REPORT FOR: Information

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1. **Introduction**

1.1 Further to the request made at the meeting of the Board on 11<sup>th</sup> September 2019, the Fund's risk register has been reviewed and updated with the following additions/amendments:

Added

PEN034 – MIFID II ongoing compliance

Amended

PEN003 – Updated

PEN014 – Updated Risk to Head of Service from Director

PEN019 – Updated wording

PEN029 – Updated to reflect current position

PEN030 – Updated Further Actions/Controls

2. **Recommendation**

Note updated risk register ahead of being presented for approval at the Pensions and Investment Committee meeting in the 12<sup>th</sup> of December 2019.

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Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
Tudalen 43	PEN001	01/11/2015		Pensions Administration	Failure to pay pensions and lump sums on time	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.	M	L	Low	Maintenance and update of Altair and Trent systems, sufficient staff resources and training. Quality assurance processes in place to check work done.	Pension Fund Manager	A Davies	Review of process as part of the ongoing review of pensions administration processes following the implementation of the 2014 Scheme.	M	L	Low	
	PEN002	01/11/2015		Finance	Failure to collect and account for pension contributions being paid over to the Fund on time by Fund employers.	Adverse audit opinion, potential delays to Fund employer FRS17/IAS19 reporting; and potential delay to production of annual report and accounts	L	M	Low	Contributions received monitored on a monthly basis by Fund accounting staff.	Section 151 Officer	A Davies	Requirement that each end of scheme year, Fund employers certify that they have paid over contributions at the correct rates and on time.	L	M	Low	
	PEN003	01/10/2019		Finance	Insufficient Fund cashflow to meet liabilities as they fall due.	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.	H	M	Medium	Funding strategy statement. Will this year (2019) commission Fund actuary to undertake a Fund cashflow forecast based on Fund maturity	Section 151 Officer	A Davies	Following completion of the fund actuary's cashflow forecast, review strategic asset allocation 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.	M	L	Low	
	PEN004	01/11/2015		Pensions Administration	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.	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	L	L	Low	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.	Pension Fund Manager	A Davies	Keep Business Continuity Plan under review. Periodic review by the Pension Board of provider assurances in respect of cyber security.	L	L	Low	
	PEN005	01/11/2015		Pension Fund	Inability to deliver service as a result of the loss of key personnel	Failure to provide service at all, or at an acceptable level	L	M	Low	Business Continuity Plan in place for the pensions administration service	Pension Fund Manager	A Davies	Keep Business Continuity Plan under review	L	M	Low	
	PEN006	01/11/2015		Pension Fund	Loss of funds through fraud or misappropriation	Financial loss to the Fund	L	M	Low	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	Pension Fund Manager	A Davies	None	L	M	Low	

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
Tudalen 44	PEN007	01/01/2015	FSS	Pension Fund	Significant rise in employer contribution rates for Fund employers with strong covenants, as consequence of increases in liabilities.	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.	L	M	Low	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.	Pension Fund Manager	A Davies	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.	L	M	Low	
	PEN008	01/01/2015	FSS	Pension Fund	Significant rises in employer contribution rates for Fund employers with weak covenants as a consequence of increases in liabilities.	Employer contribution rates rise to unsustainable levels that cause employers to become insolvent	L	H	Medium	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.	Pension Fund Manager	A Davies	In process of developing risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty over the level of employer contribution rates.	L	M	Low	
	PEN009	01/01/2015	FSS	Pension Fund	Significant rises in employer contribution rates for employers with strong covenants as a result of poor/negative investment returns.	Employer contribution rates rise to unacceptable levels that result in Powys County Council being unable to provide appropriate services for its communities.	L	M	Low	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	Pension Fund Manager	A Davies	Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.	L	M	Low	
	PEN010	01/01/2015	FSS	Pension Fund	Significant rises in employer contribution rates for employers with weak covenants as a result of poor/negative investment returns.	Employer contribution rates rise to unsustainable levels that result in employers with weak covenants becoming insolvent.	L	H	Medium	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	Pension Fund Manager	A Davies	Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.	L	M	Low	
	PEN011	01/01/2015	FSS	Pension Fund	Failure to comply with LGPS and other statutory regulations.	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.	H	L	Medium	Rigorous checking and authorisation procedures in respect of pension benefit calculations and payments; and, regular review of governance compliance policy. Staff training and development.	Pension Fund Manager	A Davies	Closer partnership working with employer payrolls to facilitate accurate data receipts; increased compliance oversight provided by Local Pensions Board.	M	L	Low	



Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
	PEN012	25/01/2016		Pensions Administration	Failure to hold scheme member's personal data securely.	Poor data quality; compromised data; fines	L	M	Low	Compliance with Powys County Council Data Protection and ICT policies.	Pension Fund Manager	A Davies	Data protection audit in conjunction with TPR data quality standards to be undertaken	L	M	Low	
	PEN013	01/04/2015	TPR	Pension Fund	Failure to maintain and hold up to date and accurate pension records.	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.	M	M	Medium	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.	Pension Fund Manager	A Davies	Additional data validation and quality checks to be implemented as required by the TPR code of practice.	L	M	Low	
Tudalen 45	PEN014	25/01/2016	CIPFA	Pension Fund	Lack of expertise of Pension Fund Officers and Head of Service	Poor decision making in relation to principal functions of the Pension Fund, particularly in relation to investments.	L	H	Medium	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.	Pension Fund Manager	A Davies	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.	L	M	Low	
	PEN015	25/01/2016	CIPFA	Pension Fund	Over-reliance on key Officers	When senior Officers leave or are on long term sickness, large knowledge gaps remain.	M	H	Medium	In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance from consultants.	Pension Fund Manager	A Davies	Formalise succession planning by including in Officer individual training plans for less senior Officers.	M	L	Low	
	PEN016	25/01/2016		Pensions Administration	Failure to communicate effectively with stakeholders.	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.	L	M	Low	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.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
	PEN017	26/01/2016		Pensions Administration	Failure to provide the pensions service in accordance with principles of equality.	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.	M	M	Medium	The Fund maintains a Welsh Language register in respect of scheme members and employers.	Pension Fund Manager	A Davies	To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc.	L	M	Low	
	PEN018	01/01/2015	FSS	Pension Fund	Failure to collect payments due from ceasing employers with no active members.	Failure to collect cessation payments from ceasing employers results in relevant liabilities being funded by the Powys Pension Fund and the active employers.	L	M	Low	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.	Pension Fund Manager	A Davies	No further action planned.	L	M	Low	
Tudalen 46	PEN019	25/01/2016	SAB	Pension Fund	Lack of expertise of members of Pensions & Investment Committee	Poor decision making in relation to all aspects of the Fund, particularly those in relation to investment.	M	H	Medium	The Fund adopts the CIPFA Knowledge and Skills Framework to inform its training plans for members of Pensions & Investment Committee (and the Pension Board).	Pension Fund Manager	A Davies	Rollout of individual training plans for all members. After each County Council election, specific training events are put on for new members elected to Pensions & Investment Committee.	L	H	Medium	
	PEN020	01/01/2015	FSS	Pension Fund	Pension Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	Increased employer contribution rates.	L	M	Low	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.	Pension Fund Manager	A Davies	No further action planned.	L	M	Low	
	PEN021	01/01/2015	FSS	Pension Fund	Inappropriate long-term investment strategy.	Failure to meet funding objectives.	L	H	Medium	Use of a Fund specific benchmark, as recommended by the Fund's investment consultant.	Pension Fund Manager	A Davies	Nothing further planned	L	H	Medium	
	PEN022	01/01/2015	FSS	Pension Fund	Active investment manager under-performance relative to the benchmark.	Failure to meet funding objectives.	L	M	Low	Short-term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.	Pension Fund Manager	A Davies	Nothing further planned	L	M	Low	

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
	PEN023	01/01/2015	FSS	Pension Fund	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.	Increased employer deficit recovery payments.	L	M	Low	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.	Pension Fund Manager	A Davies	No further action planned.	L	M	Low	
	PEN024	01/01/2015	FSS	Pension Fund	Permitting contribution rate changes to be introduced by annual steps rather than immediately, introduces a risk that action to restore solvency is insufficient between successive measurements.	Increased employer contribution rates.	L	M	Low	Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted to three years, or 6 years, in very exceptional circumstances.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	
Tudalen 47	PEN025	01/01/2016	FSS	Pension Fund	Pensioners living longer and, changing retirement patterns.	Increased employer contribution rates.	L	M	Low	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.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	
	PEN026	01/01/2016	FSS	Pension Fund	Deteriorating patterns of ill health or other early retirements.	Increase in employer contribution rates and deficit recovery payments.	L	M	Low	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.	Pension Fund Manager	A Davies	No further action proposed.	L	M	Low	

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
	PEN027	01/01/2015	FSS	Pension Fund	Fall in the returns on Government bonds.	Increase to the value placed on Fund liabilities.	M	M	Medium	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	Pension Fund Manager	A Davies	No further action proposed.	M	M	Medium	
	PEN028	01/01/2015	FSS	Pension Fund	Pay and price inflation significantly more than anticipated.	Increased employer contribution rates and deficit recovery payments.	M	M	Medium	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.	Pension Fund Manager	A Davies	No further action proposed.	M	M	Medium	
	PEN029	26/01/2016	SAB	Pensions Administration	Failure to reconcile all relevant active, deferred and pensioner member GMP records against the data held by DWP in respect of the cessation of contracting out.	Increase in Fund liabilities; increased employer contribution rates and deficit recovery payments; and, payment of incorrect pension benefits.	M	M	Medium	Reconciliation Complete. Work on Rectification due to be complete by June 2020	Pension Fund Manager	A Davies	Appoint external partners to a) identify scale of work required; b) bank 'quick wins' - both now completed. Complete reconciliations by July 2020.	M	L	Low	

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Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
Tudaløen 49	PEN030	04/03/2016	LPB	Pension Fund	Insolvency of an investment manager investing Pension Fund assets.	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.	M	C	High	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.	Section 151 Officer	A Davies	Increased investment manager diversification may be further facilitated by pooling via the Wales Pension Partnership. As agreed by P & I Committee on 9th February 2017, when entering into new contractual arrangements with investment managers, contract documentation is to be referred to the Fund's legal advisers for review and appropriate due diligence.	L	C	Medium	
	PEN031	04/03/2016	LPB	Pension Fund	Pooling of Pension Fund assets with other LGPS Pension Funds.	Investment of Fund Officer and Committee time and other resource with unknown outcomes; front loaded costs before potential savings are realised; potential loss of local accountabilities; and, the loss of the primacy of the Fund and its strategic needs.	M	M	Medium	Due diligence on all pooling proposals; full transparency of all pool proposals and costs; full participation of the Pension Fund in all pooling development.	Pension Fund Manager	A Davies	Pooling vehicles to be structured so that each participating Fund has full representation in the pool; the pool structure enables full strategic decisions to be retained by each individual Fund; and, economies of scale (based on experience to date) indicate that savings will be made by the Fund that will exceed initial costs.	L	M	Low	

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
							P	I	Risk Rating					P	I	Risk Rating	
	PEN032	10/03/2017	LPB	Pension Fund	An admitted body ceasing to exist with insufficient funding or level of a bond available to meet all its Fund liabilities.	Unfunded pension liabilities being orphaned without sufficient funding/guarantees in place, resulting on increased liabilities falling on other Fund employers.	M	L	Low	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.	Pension Fund Manager	A Davies	Regular review of admitted body covenants and financial health.	M	L	Low	
	PEN033	30/11/2018	LPB	Pension Fund	Transfer of Workflow and Imaging System	Unable to deliver the Admisitration Service of the LGPS	H	H	High	Due diligence on migration exercise	Pension Fund Manager	A Davies	Constant monitoring until project completed (31st January 2020)	M	M	Medium	
	PEN034	01/10/2019	LPB	Pension Fund	MIFID II ongoing compliance	Financial implications of not being treated as a retail investor	H	H	High	Regular Review of MIFID Status	Pension Fund Manager	A Davies		M	M	Medium	

## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
8<sup>th</sup> November 2019

REPORT BY: Pension Fund Manager

SUBJECT: The Pensions Regulator Guidance and Resources

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REPORT FOR: Information

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1. **Introduction**

1.1 Periodically, The Pensions Regulator (TPR) will issue new and updated guidance to help schemes carry out effective and efficient pension administration for scheme members. This report has been produced to draw Board's attention to the following for information and discussion:

- i) Avoiding Pension Scams
- ii) Cyber security principles for pension schemes

2. **Avoiding Pension Scams**

2.1 TPR have produced an online resource for administrators [here](#) which provides information on how pension scams work, implications and what to watch out for. To assist scheme members, they have produced a [factsheet](#) which the Powys Fund have made available on its website. They have also produced a [checklist](#) for scheme administrators to follow when processing transfers. Both of the above are enclosed, for your information.

3. **Cyber Security Principles For Pension Schemes**

- 3.1 To follow on from the cyber security training that was delivered to Board during the 11<sup>th</sup> of September 2019 meeting, this report wishes to draw Board members attention to the enclosed "Cyber security principles for pension schemes" which provides additional and supporting information.
- 3.2 Work is continuing on a "Cyber Resilience Action Plan" for the Fund, with a view to it being presented in draft form at the next Board meeting.

4. **Recommendation**

Note the content of report and enclosures.

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# Don't let a scammer enjoy your retirement



Find out how pension scams work, how to avoid them and what to do if you suspect a scam.



Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

## Scam tactics include:



- contact out of the blue



- promises of high / guaranteed returns



- free pension reviews



- access to your pension before age 55



- pressure to act quickly

## If you suspect a scam, report it

- Report to the Financial Conduct Authority (FCA)  
by contacting their Consumer Helpline on **0800 111 6768** or using the reporting form at [www.fca.org.uk](http://www.fca.org.uk)
- Report to Action Fraud  
on **0300 123 2040** or at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)
- If you're in the middle of a transfer, **contact your provider immediately** and then get in touch with The Pensions Advisory Service (TPAS) at [www.thepensionsadvisoryservice.org.uk](http://www.thepensionsadvisoryservice.org.uk)

# Four simple steps to protect yourself from pension scams

1

## Reject unexpected offers

If you're contacted out of the blue about your pension, chances are it's high risk or a scam. Be wary of free pension review offers. A free offer out of the blue from a company you have not dealt with before is probably a scam. Fortunately, research shows that 95% of unexpected pension offers are rejected.\*

2

## Check who you're dealing with

Check the [Financial Services Register \(www.register.fca.org.uk\)](http://www.register.fca.org.uk) to make sure that anyone offering you advice or other financial services is FCA-authorised.

If you don't use an FCA-authorised firm, you also won't have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme. So you're unlikely to get your money back if things go wrong. If the firm is on the FCA Register, you should call the Consumer Helpline on 0800 111 6768 to check the firm is permitted to give pension advice.

Beware of fraudsters pretending to be from a firm authorised by the FCA, as it could be what we call a 'clone firm'. Use the contact details provided on the FCA Register, not the details they give you.

3

## Don't be rushed or pressured

Take your time to make all the checks you need – even if this means turning down an 'amazing deal'. Be wary of promised returns that sound too good to be true and don't be rushed or pressured into making a decision.

4

## Get impartial information and advice

The [Pensions Advisory Service \(www.thepensionsadvisoryservice.org.uk\)](http://www.thepensionsadvisoryservice.org.uk) – Provides free independent and impartial information and guidance.

[Pension Wise \(www.pensionwise.gov.uk\)](http://www.pensionwise.gov.uk) – If you're over 50 and have a defined contribution (DC) pension, Pension Wise offers pre-booked appointments to talk through your retirement options.

**Financial advisers** – It's important you make the best decision for your own personal circumstances, so you should seriously consider using the services of a financial adviser. If you do opt for an adviser, be sure to use one that is regulated by the FCA and never take investment advice from the company that contacted you or an adviser they suggest, as this may be part of the scam.

Be ScamSmart with your pension. Check who you are dealing with.

# Don't let a scammer enjoy your members' retirement



## Scheme transfer checklist

If a member is asking to transfer their pension entitlements, you can use this checklist to find out more about the receiving scheme and how the member came to make the request.

You should also read [Combating Pension Scams](#), the code of good practice for trustees and administrators by the Pension Scams Industry Group.

Answering YES to any of these questions individually does not necessarily indicate a pension scam, but if several features are present there may be cause for concern.



Trustees and administrators should take care to make sure they have the exact name of the scheme correct when carrying out any due diligence – in some instances, schemes used as part of a pension scam have been set up with names that are almost identical to legitimate schemes.

### The nature/status of a scheme

Is the scheme to which the member wishes to transfer:	How to establish:
<ul style="list-style-type: none"><li>newly or not registered for tax purposes with HMRC, whether it is an occupational or personal scheme (including SIPPs)?</li></ul>	Check the scheme is registered with HMRC for tax purposes: ask the pension scheme in question for documentary evidence of their registration You can also write to HMRC for confirmation
<ul style="list-style-type: none"><li>a personal pension (eg a SIPP) where the scheme operator is not authorised by the Financial Conduct Authority (FCA)?</li></ul>	Check the scheme operator is authorised with the FCA <a href="http://www.fca.org.uk/register">www.fca.org.uk/register</a>
<ul style="list-style-type: none"><li>a recently set up small self-administered scheme (SSAS), where the member is a trustee?</li></ul>	Ask the member
<ul style="list-style-type: none"><li>sponsored by a newly registered employer?</li><li>sponsored by a dormant employer?</li><li>sponsored by an employer that is geographically distant from the member?</li></ul>	Obtain employer information from the scheme in question Check with Companies House for details of the employer status <a href="http://www.companieshouse.gov.uk">www.companieshouse.gov.uk</a>
<ul style="list-style-type: none"><li>connected to an unregulated investment company?</li></ul>	Ask the receiving scheme for details of their investment service providers Check these providers with the FCA <a href="http://www.fca.org.uk/register">www.fca.org.uk/register</a>

## The scheme member

Has the member:	How to establish:
<ul style="list-style-type: none"> <li>• been contacted by an 'introducer'?</li> <li>• been advised by a non-regulated adviser, or one that doesn't have the right permissions?</li> <li>• taken no advice?</li> <li>• decided to transfer after receiving cold calls, unsolicited emails or text messages, often from someone claiming to be from the government?</li> </ul>	<p>Ask the member about how he/she became aware of the receiving scheme</p> <p>Check whether the advisers are approved by the FCA at <a href="http://www.fca.org.uk/register">www.fca.org.uk/register</a></p> <p>Does the adviser have the right permissions to give pension transfer advice? The adviser could be authorised to give other financial advice, but not for pension transfers</p> <p>Find out where the adviser is located geographically – often big distances indicate something unusual</p> <p>Pension cold calling is illegal and offers from people you've not dealt with before are probably a scam</p>
<ul style="list-style-type: none"> <li>• pressured the trustees/administrators to carry out the transfer as quickly as possible?</li> <li>• mentioned that your pension scheme has transferred funds to this arrangement before?</li> </ul>	<p>Check whether the member has contacted trustees/administrators to hurry along the transfer since first submitting the request</p> <p>Check recent transfer activity for signs of any pattern</p>
<ul style="list-style-type: none"> <li>• not received documentation from the new scheme?</li> </ul>	<p>Check whether the member has received documents, and if only one copy was received – scammers don't like to give extra copies that the member can check later</p>
<ul style="list-style-type: none"> <li>• been told they can access their pension before age 55?</li> <li>• been left unaware of the potential tax consequences?</li> </ul>	<p>Review promotional material for the receiving scheme</p>
<ul style="list-style-type: none"> <li>• been advised that there will be no contributions paid by themselves or their employer?</li> </ul>	<p>Ask what the member has been told about contributions - depending on the circumstances, answering yes or no here could give concern</p>
<ul style="list-style-type: none"> <li>• been told that they will be entering into a contract of employment not linked to an actual job?</li> </ul>	<p>Ask the member</p>

Go to [www.tpr.gov.uk/trustees/pension-scams-trustees](http://www.tpr.gov.uk/trustees/pension-scams-trustees) for more information on how to protect your members.

## Description/promotion of the scheme

Do descriptions, promotional material or adverts:	How to establish:
<ul style="list-style-type: none"><li>• include the words 'loan', 'savings advance', 'cash incentive', 'bonus', 'loophole', 'preference shares', 'one-off investment opportunities', 'free pension reviews' or 'government endorsement'?</li><li>• allude to overseas investments?</li><li>• hint at unusual, creative or new investment techniques?</li></ul>	<p>Ask the member for copies of promotional materials, emails or letters about the scheme</p> <p>Ask the member about the way the receiving scheme has been described to them over email/text/phone</p>

Go to [www.tpr.gov.uk/trustees/pension-scams-trustees](http://www.tpr.gov.uk/trustees/pension-scams-trustees) for more information on how to protect your members.

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Guidance for trustees

# Cyber security principles for pension schemes

April 2018

Tudalen 59

The Pensions  
Regulator

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## Introduction

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. As trustees and scheme managers, you need to take steps to protect your members and assets accordingly, which includes protecting them against the 'cyber risk'. This is an issue which all trustees and scheme managers, regardless of the size or structure of their scheme should be alert to.

The cyber risk can be broadly defined as the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes. It includes risks to information (data security) as well as assets, and both internal risks (eg from staff) and external risks (eg hacking).

You should take steps to build your cyber resilience – your ability to assess and minimise the risk of a cyber incident occurring, but also to recover when an incident takes place. You should work with all relevant parties (including in-house functions, third party service providers and employers) to define your approach to managing this risk. This guide sets out good practice for pension schemes, which can be adopted proportionately to the profile of your scheme. A glossary of key terms is included at the end of this guide.

### Did you know?

Internal controls are systems, arrangements and procedures for administering and managing the scheme, systems and arrangements for monitoring the administration and management of the scheme and ensuring the safe custody and security of scheme assets.

Trustees and scheme managers are required by law to establish and operate adequate internal controls to ensure their scheme is operated in accordance with scheme rules and the law. The regulator may intervene where trustees and scheme managers fail in their duties to operate adequate internal controls.

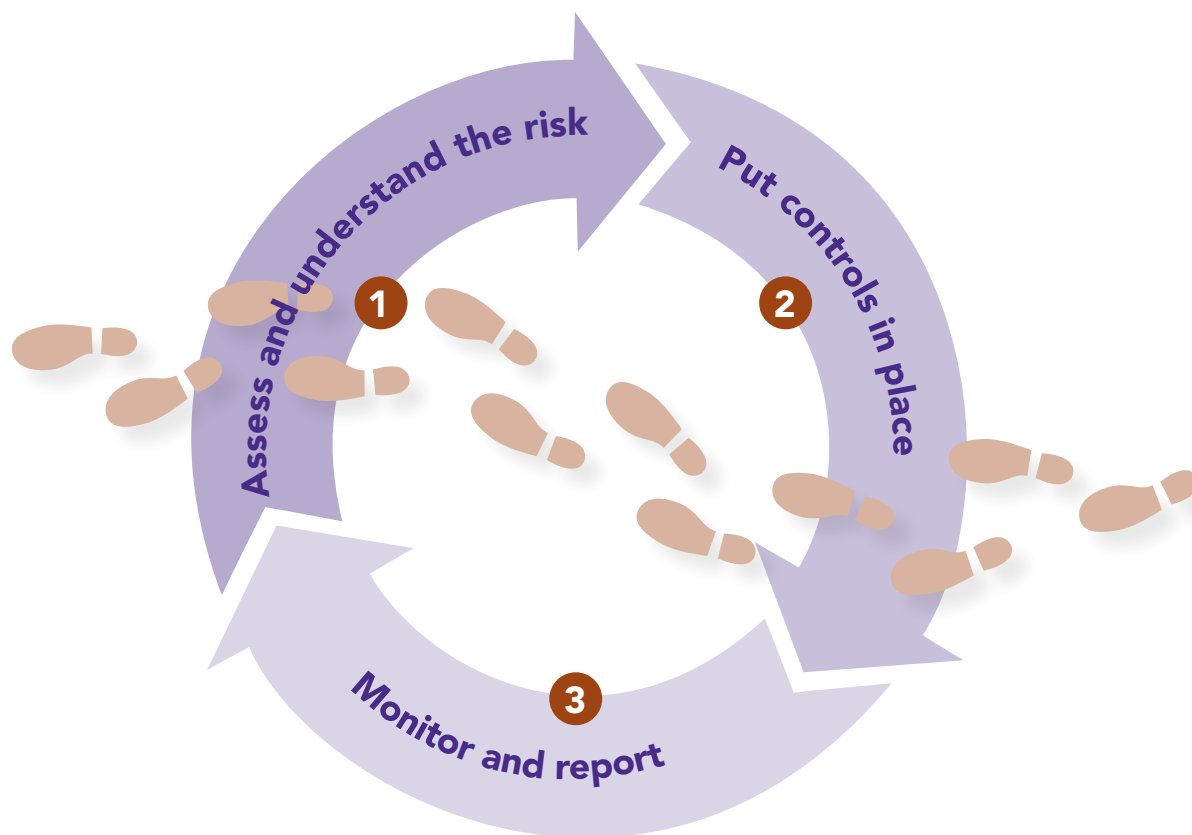
A key part of internal controls is having in place processes to identify, evaluate and manage risks. Building cyber resilience is simply one example of operating adequate internal controls.

## Summary

- ▶ Trustees and scheme managers are accountable for the security of scheme information and assets
- ▶ Roles and responsibilities should be clearly defined, assigned and understood
- ▶ You should have access to the required skills and expertise to understand and manage the cyber risk in your scheme
- ▶ You should ensure sufficient understanding of the cyber risk: your scheme's key functions, systems and assets, its 'cyber footprint', vulnerabilities and impact
- ▶ The cyber risk should be on your risk register and regularly reviewed
- ▶ You should ensure sufficient controls are in place to minimise the risk of cyber incident, around systems, processes and people
- ▶ You should assure yourselves that all third party suppliers have put sufficient controls in place. Certain standards and accreditations can help you and your suppliers demonstrate cyber resilience.
- ▶ There should be an incident response plan in place to deal with incidents and enable the scheme to swiftly and safely resume operations. You should ensure you understand your third party suppliers' incident response processes.
- ▶ You should be clear on how and when incidents would be reported to you and others, including regulators
- ▶ The cyber risk is complex and evolving, and requires a dynamic response. Your controls, processes and response plan should be regularly tested and reviewed. You should be regularly updated on cyber risks, incidents and controls, and seek appropriate information and guidance on threats.

# Cyber risk assessment cycle

Are roles and responsibilities clearly defined, assigned and understood?



1

## Assess and understand the risk

- ▶ Do you understand the cyber risk facing your scheme:
  - your key functions, systems and assets
  - your cyber footprint, vulnerabilities and impacts?
- ▶ Is the cyber risk on your risk register and is it regularly reviewed?
- ▶ Do you have access to the right skills and expertise to understand and manage the risk?

2

## Put controls in place

- ▶ Are sufficient controls in place to minimise the risk of a cyber incident occurring:
  - IT security controls
  - processes
  - people?
- ▶ Have you assured yourselves of your third party providers' controls?
- ▶ What standards or accreditations help you or your suppliers demonstrate cyber readiness?
- ▶ Do you have an response plan in place to deal with any incidents which occur and help you swiftly and safely resume operations? Do your suppliers?
- ▶ Are you compliant with data protection legislation (including readiness for the General Data Protection Regulation)?

3

## Monitor and report

- ▶ Are your controls, processes and response plans regularly tested and reviewed?
- ▶ Are you clear on how and when incidents would be reported to you and others including regulators?
- ▶ Are you kept regularly updated on cyber risks, incidents and controls?
- ▶ Are you keeping up to date with information and guidance on threats?

## Governance

1. You are accountable for the security of scheme information and assets, even where you delegate or outsource day-to-day functions of your scheme. You should be clear on your accountabilities, and the roles and responsibilities in respect of cyber resilience (including those of other parties such as third party providers and employers) should be clearly defined and documented. This will ensure everyone understands their role and support effective communication between relevant parties.
2. You should receive regular training and have access to the required skills and expertise to understand and manage the cyber risk.
3. You should ensure that you have sufficient understanding of the cyber risk:
  - a. Understand your scheme's key functions, systems and assets (including data assets), their value to a criminal and their vulnerability to a cyber incident
  - b. Understand the potential impact of a cyber incident on your scheme and, where appropriate, the sponsoring employer – operational, reputational, financial
  - c. Understand the likelihood of different types of breaches occurring in your scheme, including accidental, staff-related, hacking, malware, ransomware, phishing attempts, and co-ordinated DDOS (distributed denial of service) attacks
  - d. Understand the 'cyber footprint' of your scheme, ie the extent of the digital presence of all the parties involved in your scheme, and the risk posed by these parties. These can be both internal and external and include the sponsoring or participating employers, administrator, other advisers (auditor, actuaries, investment manager or consultant, lawyers), members (especially if offering online access) as well as the trustees or scheme managers themselves.

### What about you?

Trustees and scheme managers themselves receive and send large amounts of potentially sensitive scheme information. You should ensure you have the right controls around your own work, eg clear policies on what can and can't be sent to personal email addresses or accessed on tablets and mobile phones.

4. The cyber risk should be included on your risk register and reviewed regularly (at least annually) and where there are substantial changes to scheme operations (eg a new IT system is put in place, or there is a change of administrator).
5. You should ensure sufficient and proportionate controls are put in place to minimise the risk of a cyber incident occurring, and reduce the impact of any that occur (set out below). You should work with all relevant parties (eg in-house functions, third party service providers and employers) to define these controls.
6. You should understand what, if anything, your internal or external auditors are looking at for you, and what is and isn't covered by any insurance you may have.
7. In some cases you may want or need to have the effectiveness of your cyber risk management independently assessed (eg by an auditor) or seek specialised accreditation, such as Cyber Essentials or ISO 27001.
8. Critically, you should assure yourselves that all third party suppliers have put sufficient controls in place to protect your member data and scheme assets:
  - a. You should require suppliers to have, or adhere to, cyber security standards or good practice guides and monitor their performance. You may wish to look for information security certificates or other accreditation. You may also ask them to provide copies of relevant policies or reports (eg penetration testing reports).
  - b. Cyber security should be an active consideration in the selection of a supplier and suitable provisions should be included in contracts.
9. All organisations will experience security incidents at some point, even those with the most rigorous controls. As such you should ensure an incident response plan is put in place (see below) to minimise the impact of a cyber incident.

## Controls

10. IT infrastructure and security should be sufficient for the work undertaken. There should be multiple layers of security put around systems in line with the Information Commissioner's Office's (ICO) guidance on IT security ([https://ico.org.uk/media/for-organisations/documents/1575/it\\_security\\_practical\\_guide.pdf](https://ico.org.uk/media/for-organisations/documents/1575/it_security_practical_guide.pdf)). Where necessary you should seek expert advice on IT security.
11. Physical and virtual access to systems and data should be controlled. Staff should be suitably vetted and have just the right level of access. Access should be regularly reviewed, and closed down for leavers or where no longer relevant to a role.
12. Critical systems and data should be regularly backed up. This should include, if appropriate, one or more offline back-ups, to stop these from being affected by a cyber incident. Processes to restore backed-up data should be tested.
13. There should be a range of policies and processes in place around:
  - a. acceptable use of devices (including removable and personal devices), email and internet (including social media)
  - b. use of passwords and other authentication
  - c. home and mobile working
  - d. data access, protection (including encryption), use and transmission, in line with data protection legislation and guidance.
14. All staff, and trustees, should receive training appropriate to their role at an appropriate frequency. This should include awareness of cyber risks and how to report incidents.
15. Good monitoring is essential in order to effectively respond to incidents. Systems and networks should be monitored and logs analysed for unusual activity or unauthorised access or connections which may indicate an issue.

## Incident response

16. You should have systems and processes in place to ensure the safe and swift resumption of operations. This should include an incident response plan which sets out:
  - a. roles and responsibilities of the incident response team. You should ensure that your scheme has access to sufficient capability to investigate a cyber incident
  - b. critical functions (eg payments of benefits) and processes, and what assurances need to be in place before these come on board
  - c. in-crisis communications including how and when reporting will be made to trustees
  - d. the process, thresholds and time limits for notifying other parties including the ICO, The Pensions Regulator (TPR) or the Financial Conduct Authority (FCA) as appropriate, law enforcement (in cases of fraud), third parties, and if necessary, scheme members
17. The plan should cover a range of scenarios, based on your scheme's assessment of key functions and assets, and the likelihood of different types of incident.
18. You should ensure that you understand your third party suppliers' incident processes, including how and when you would be informed of a cyber incident at the supplier.
19. Incidents should be documented and major incidents should be followed by a post-incident review. Plans should be updated in light of lessons learnt.

## Final word – Dealing with an evolving risk

20. The cyber risk is complex and evolving and requires a dynamic response:
  - a. controls, processes and response plans should be regularly tested and reviewed
  - b. you should be regularly updated on cyber risks, incidents and controls
  - c. you and other parties should seek appropriate information and guidance on cyber security threats (such as that provided by the National Cyber Security Centre), to enhance your ability to respond to, and recover from, cyber incidents. Sharing information and experiences with trusted stakeholders and peers can also be a valuable source of intelligence.

## Additional links

### National Cyber Security Centre

- ▶ Guidance:  
[www.ncsc.gov.uk/guidance](http://www.ncsc.gov.uk/guidance)
- ▶ Threat advice:  
[www.ncsc.gov.uk/threats](http://www.ncsc.gov.uk/threats)
- ▶ Cyber essentials:  
[www.cyberessentials.ncsc.gov.uk](http://www.cyberessentials.ncsc.gov.uk)
- ▶ 10 steps to cyber security:  
[www.ncsc.gov.uk/guidance/10-steps-cyber-security](http://www.ncsc.gov.uk/guidance/10-steps-cyber-security)

### Information Commissioner's Office

- ▶ Guidance on breach management:  
[https://ico.org.uk/media/for-organisations/documents/1562/guidance\\_on\\_data\\_security\\_breach\\_management.pdf](https://ico.org.uk/media/for-organisations/documents/1562/guidance_on_data_security_breach_management.pdf)
- ▶ Guidance on IT security:  
[https://ico.org.uk/media/for-organisations/documents/1575/it\\_security\\_practical\\_guide.pdf](https://ico.org.uk/media/for-organisations/documents/1575/it_security_practical_guide.pdf)



# Glossary

## Cyber risk

Risk of loss, disruption or damage to a scheme or its members as a result of the failure of IT systems and processes

## Cyber resilience

Ability to assess and minimise the risk of a cyber incident occurring and ability to recover when an incident occurs

## Cyber footprint

The digital presence of all the parties involved in the pension scheme, and relevant outsourcers and service providers (eg Cloud service providers), which creates vulnerabilities for your scheme

## Cyber incident

A breach, whether accidental or malicious, of the security rules for a system, service, process or policy

## Incident response plan

A documented plan to swiftly respond to a cyber incident and enable service to resume safely and as quickly as possible.

For a full glossary of cyber-related terms, please refer to the National Cyber Security Centre guide: [www.ncsc.gov.uk/glossary](http://www.ncsc.gov.uk/glossary)

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[www.tpr.gov.uk](http://www.tpr.gov.uk)

[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

Free online learning for trustees

[www.pensionseducationportal.com](http://www.pensionseducationportal.com)

Free online learning for those running public service schemes

## **Cyber security principles for pension schemes**

Guidance for trustees

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The Pensions  
Regulator

## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
8<sup>th</sup> November 2019

REPORT BY: Pension Fund Manager

SUBJECT: Workflow and Document Imaging Transition Update

REPORT FOR: Information

## 1. Introduction

1.1 Further to risk PEN033 identified on the Fund's risk register, this report has been prepared to provide Board with an update on the progress of the transfer of the Pensions Administration Workflow and Document Imaging system into the existing pensions administration software.

## 2. Background and Process

- 2.1 In November 2018, work commenced on the transition of the workflow and document imaging from the existing software into the Altair system, provided by Heywood. This would involve the rationalisation over 100 existing workflow processes and several hundred thousand member documents from two systems into one. The deadline for completion of the project, is 31<sup>st</sup> January 2020.
- 2.2 There are numerous benefits in transferring into one system from two, such as maintenance of one system rather than two, increased efficiencies from end to end processing within one system, reduced numbers of processes to maintain, improved reporting (to meet CIPFA annual reporting requirements), reduced indexing through the use of barcoding on documents and integration with the member online portal.
- 2.3 Part of the transition would involve installation and testing of scanning software, testing of sample documents following the export. It was also an opportunity to review existing workflow within the section and reduce the number of workflow processes by approximately half, reducing maintenance time, reporting complexity and increasing ease of use for the administration team.
- 2.4 In acknowledgement of the severity of the risk attached to this process, a workgroup was created consisting of members of the Pensions Section and one member of staff has been allocated to work on this full time, until the end of the project.

## 3. Current position

3.1 At the date of preparing this report, 80% of the workflow processes have been created/replicated within the Altair system with priority placed on the most used ones (estimates/retirements/deaths etc) and the majority of the work flowing through the administration team is now driven by the Altair workflow system.

- 3.2 The remaining processes are those lesser used ones and work is continuing to transition them.
- 3.3 New documents have all been indexed to Altair from 1<sup>st</sup> October 2019 and the historic documents have been extracted from the existing system and are currently being checked ahead of being loaded into the Altair system. The historic documents are available as view only in the existing system.

#### **4. Remaining Work**

- 4.1 Complete set up of remaining workflow processes and test, prior to release.
- 4.2 Test load of documents into Altair and manually index those documents that are not automatically mapped, due to a change in pay number for example.
- 4.3 Complete/transition of the outstanding or incomplete processes from existing workflow system.
- 4.4 Extract any existing workflow information for reporting and retention purposes.

#### **5. Recommendation**

Note and acknowledge updated progress to date and outstanding work ahead of the 31<sup>st</sup> January 2020 deadline.

**Powys Pensions Board 8 November 2019****Feedback report from the Board Chair on the Pensions Regulator's LGPS Cohort Review****1. Background and Report Layout**

- 1.1 Ten LGPS Funds were selected for a high level review by the Pensions Regulator (tPR), based mainly on the Code of Practice 14, covering the following risk areas:

Administration, data and communications

Internal controls and complaint handling

Contributions, employer compliance and funding affordability

Pension Board knowledge and understanding, relationship between the Board and the Scheme Manager, and conflicts of interest

Fraud, mitigation of scams and cyber security

- 1.2 The Regulator's report was published on 19 September 2019 and includes a number of cases studies, and is available at the following url:

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#0beb0d2047954672b2a73de451ef7eab>

- 1.3 The Scheme Advisory Board has published the following statement:-

*"The Pensions Regulator has today published its report into the governance and administration risks in public service pension schemes, including the 10 UK local government funds who were engaged with between October 2018 and July 2019. The report summarises the key findings against the Regulator's Code of Practice 14 both in terms of exceeding and falling short of required standards and will be discussed in detail when SAB next meets on the 6<sup>th</sup> November 2019. In commenting on the report, Chair of the Board, Councillor Roger Phillips said "This key area of work ties in closely in with the Board's own Good Governance project. In identifying examples of best practice as well as areas for further improvement the report will undoubtedly be of great assistance to LGPS funds in seeking to enhance their own governance and administration arrangements."*

- 1.4 My report to the Board sets out the key findings (paragraph 2) and tPR's recommendations (paragraph 3), conclusions (paragraph 4) and suggests a way for the Powys Pension Board to take it forward.

## 2. Quotes from tPR Executive Summary

- 2.1 **Key person risk:** While most scheme managers demonstrated a good knowledge of what we expect, many funds have a lack of comprehensive documented policies and procedures. We also found an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security but this theme overlays several of the risk areas we explored.
- 2.2 **Pension boards:** Engagement levels varied, with concerns being raised about the frequency some pension boards meet and their appetite to build their knowledge and understanding. We saw evidence of some pension boards not wanting to review full documents, instead relying on much reduced summaries and leading us to question how they could fulfil their function. Others were well run and engaged.
- 2.3 **Fraud / scams:** We saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.
- 2.4 **Employers:** We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.

## 3. tPR Recommendations

### 3.1 Record-keeping

- Scheme managers should be aware of how the member data they hold is measured. Data quality needs regular review. A robust data improvement plan should be implemented as appropriate.
- The quality of member data should be understood by the Scheme Manager and Pension Board. It should be recorded and tracked to ensure common and scheme specific data is of good quality. An action plan should be implemented to address any poor data found.

Also, although not a legal requirement, a Pensions Administration Strategy (PAS) could be implemented clearly setting out responsibilities and consequences of not complying with duties to the fund. The Pension Board should review the PAS and ensure it will stand up to challenges from employers.

### 3.2 Internal controls

- A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board.
- The scheme manager should take a holistic view to risks and understand how they are connected.
- The pension board should have good oversight of the risks and review these at each pension board meeting.
- Internal controls and processes should be recorded, avoiding an over reliance on a single person's knowledge levels.

- The scheme manager should ensure all processes are documented and reviewed on a regular basis.
- Decision and action logs covering all decisions provide a useful reference point as decisions recorded in minutes can be hard to locate.

### **3.3 Administrators**

- Scheme managers must agree targets and have a strong understanding of what service providers are expected to achieve. The scheme manager should challenge and escalate as appropriate should agreed standards not be met.
- Contract lengths should be known and planned against to allow sufficient time to consider contract extensions or for the tender process, as appropriate. This mitigates risks in handing over to a new administrator.
- It is helpful for the administrator to attend and present to pension board meetings as pension board members can use their knowledge and understanding to effectively challenge reports being provided.
- Scheme managers should hold regular meetings with their service providers to monitor performance.

### **3.4 Member Communications**

- Information sent to members should be clear, precise and free from jargon.
- There should be senior oversight of communications sent to members and prospective members.
- It is often helpful for scheme managers to measure the effectiveness of their communication with savers, e.g. measuring website traffic and running surveys

### **3.5 Internal Dispute Resolution Procedure (IDRP)**

- There should be a clear internal policy on how to handle complaints, including escalation to suitable senior members of staff.
- People entitled to use the IDRP should be given clear information about how it operates.
- This information should be easily available, e.g. on the fund website.
- The pension board and scheme manager should have oversight of all complaints and outcomes, including those not dealt with in-house.
- Complaints and compliments could be analysed to identify changes that can be made to improve the operation of the fund.

### **3.6 Pension Boards**

- The scheme manager should arrange training for pension board members and set clear expectations around meeting attendance.
- Individual pension board member training and training needs should be assessed and clearly recorded.
- The pension board should meet an appropriate number of times a year, at least quarterly.
- Processes should be in place to deal with an ineffective pension board member by either the chair of the pension board or the scheme manager.
- Scheme managers should be aware of the risk of pension board member turnover and on-going training needs.

- Regular contact between the scheme manager and chair of the pension board is helpful. An open and auditable dialogue outside of formal meetings can help improve the governance and administration of the fund.
- The chairs of the pension board and pension committee should consider attending each other's meetings to observe as this leads to better transparency.
- Pension board members should be fully engaged and challenge parties where appropriate.

### **3.7 Employers and contributions**

- Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions. Red, Amber, Green reporting often provides extra focus.
- Employer solvency should be considered on an on going basis and not just at the time of each valuation.
- Where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier.
- Employers may exit the fund so it is helpful to have a principle based policy on how to manage this given that circumstances are likely to vary in individual situations.
- Scheme managers should develop an understanding of the risk and benefits of a range of security types, such as charges, bonds and guarantees.
- Scheme managers should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security.
- Scheme managers should understand which employers have not provided any security for unpaid contributions and consider what appropriate steps can be taken to secure fund assets.
- Where security is in place, Scheme Managers should have a policy on when the security should be triggered.

### **3.8 Cyber Security**

- Scheme managers and pension boards should understand the risk posed to data and assets held by the fund so steps can be taken to mitigate the risks. This should be reflected in the risk register.
- Regular, independent, penetration testing should be carried out. Scheme managers should consider physical security as well as protection against remote attacks.
- Where cyber security is maintained by the Local Authority rather than the scheme manager, the scheme manager should understand the procedure and ensure the fund's requirements are met.
- Scheme managers should be aware of the cyber security processes used by third party providers, such as the administrator or custodian, that handle fund assets or data.

### **3.9 Internal fraud and false claims**

- Scheme managers should regularly review their procedures to protect the fund's assets from potential fraud.
- A clearly auditable process should be in place for the authorising of payments. Ideally, this would require more than one person to provide authority to make the payment.
- A scheme manager should have a policy in place to differentiate between a potential fraud and a potential honest mistake by a saver.



- Where a fraud is detected in the scheme manager's fund, or another one, they should take steps to stop the fraud and analyse causes to prevent a reoccurrence.
- When paper records are being used they should be held securely to prevent the risk of loss or mis-appropriation.

#### **4 tPR's Conclusions**

- 4.1 Not all funds are the same and there is a variety of equally valid approaches to mitigating risk used across funds in the LGPS.
- 4.2 It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an over-reliance on the Local Authority's policies and procedures. When establishing its own policies and procedures a scheme manager should be able to seek assistance from the pension board, meaning steps should also be taken to ensure the pension board is able to fulfil its role. Where this is not possible, scheme managers should feed into creating Local Authority policies to make sure they are fit for purpose.
- 4.3 There are clear benefits to the operation of the fund where there is an engaged s.151 officer who is directly involved.
- 4.4 Good quality data and record-keeping standards underpin all aspects of successfully running a fund and these areas should be treated as a priority in order to drive good outcomes.
- 4.5 Scheme managers that have developed and implemented a robust pension administration strategy have found them useful. While not a legal requirement, scheme managers should consider whether this type of document will be useful and look to introduce them where this is the case.
- 4.6 Measuring governance and administration is challenging and requires more than just an analysis of raw figures. Scheme managers should therefore put in place appropriate reporting measures that they believe capture both quantitative and qualitative assessments. This approach should be tailored to the specific circumstances of their fund.
- 4.7 Scheme managers should take a holistic approach when considering the governance and administration risks to their fund. Most risks are connected to each other and a scheme manager should understand how a risk materialising will impact on other areas of governance and administration.
- 4.8 Risks to funds are constantly changing and evolving, for example, the methods used by scammers change over time. Scheme managers should be alert to the changing nature of risks and adapt their approaches accordingly.
- 4.9 Many scheme managers have a clear understanding of how their funds operate and want to provide the best experience for savers. Where scheme managers liaise with each other to discuss common challenges and solutions to them, whether at formal events or through ad hoc engagement, often leads to improved governance standards. We encourage such action.

## **5 The Way Forward for the Powys Board**

- 5.1 In my view, it is important that Powys Pension Fund measures itself against **all** the recommendations shown in a manner that is timely yet realistic. Many of the recommendations are aimed at the Scheme Manager, and it will be for the Board to scrutinise its response. Others recommendations apply directly to the Board.
- 5.2 At this meeting the Board will consider how best to undertake this study, including the possibility of arranging an additional meeting of the Board with the next stage of the local review perhaps being the only item on that agenda.
- 5.3 It should be noted that the Scheme Advisory Board is due to have discussed the review at its meeting on 6 November 2019. It seems sensible for any subsequent recommendations by the SAB to be included in the analytical review by the Powys Board.

### **Recommendation from the Board Chair**

**That a special meeting of the Pension Board be arranged to give full consideration to all of the recommendations from the Pensions Regulator's review of the LGPS Cohort.**

Gerard Moore

Independent Chair of the Powys Pension Board

28 October 2019

## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
8<sup>th</sup> November 2019

REPORT BY: Board Secretary

SUBJECT: Wales Pension Partnership Update

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REPORT FOR: Information

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## 1. Introduction

- 1.1 This report has been produced to provide Board with an update on the work undertaken on behalf of the Wales Pension Partnership (WPP) with pooling investments in Wales.
- 1.2 The last Joint Governance Committee (JGC) meeting was held in Pontypool on the 20<sup>th</sup> of September 2019 and a link to the agenda is available here:  
<http://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=234&MId=2577&Ver=4>
- 1.3 The Next JGC meeting is due to take place on the 9<sup>th</sup> of December and is being held at Carmarthenshire County Council.

## 2. Pooling investments in Wales

- 2.1 The official website for the WPP has now been launched and is available for viewing at [www.walespensionpartnership.org](http://www.walespensionpartnership.org).
- 2.2 At the JGC meeting on the 20<sup>th</sup> of September, the WPP responsible Investment Policy was approved and published. This can be seen on the WPP website [here](#).
- 2.3 At the JGC in September the Operator, Link Fund Solutions, presented an update on progress to date and ongoing work. This is available for viewing [here](#):  
<http://democracy.carmarthenshire.gov.wales/documents/s34909/Report.pdf>

## 3. Recommendation

Note the content of this report.

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

## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
8<sup>th</sup> November 2019

REPORT BY: Pension Fund Manager

SUBJECT: Membership and Financial Statistics for the period 1<sup>st</sup>  
July to 30<sup>th</sup> September 2019

REPORT FOR: Information

**1. Introduction**

- 1.1 Further to the report provided in the September 2019 Pension Board meeting, this report contains the membership and Pensions Administration financial statistics for the period 1<sup>st</sup> July to 30<sup>th</sup> September 2019.

**2. Pensions Administration Financial Statistics - Income & Expenditure**

## 2.1

<u>Payments</u>	<u>July</u>	<u>August</u>	<u>September</u>
Pensions	1,937,026	1,923,470	1,945,046
Lump Sum	441,142	561,386	490,087
Transfers Out	71,781	85,632	-
Death Grants	40,858	37,842	180,070
<b>Total Payments</b>	<b>2,490,807</b>	<b>2,608,330</b>	<b>2,615,202</b>
<u>Income</u>			
Employee Contributions	(562,906)	(417,951)	(419,868)
Employer Contributions	(1,751,229)	(1,264,429)	(1,272,749)
Transfers In	(110,120)	(5,101)	(186,005)
<b>Total Income</b>	<b>(2,424,255)</b>	<b>(1,687,481)</b>	<b>(1,878,623)</b>

**3. Pensions Administration membership statistics**

- 3.1 The table below contains the detail of the movements of the scheme membership between the different statuses (Active member to a pensioner or deferred status for example).

The column on the left shows the totals per status at the start of the period. The middle section shows the movements, which leaves the totals per status at the end of the period in the right hand column.

Key:

**Status**

- 1 Active Member**
- 2 Undecided leaver (Deferred not yet processed)**
- 3 Exit (Refund, Transfer Out)**
- 4 Deferred member**
- 5 Pensioner member**
- 6 Dependant Member**
- 7 Death**
- 8 Awaiting Entry (Starter not fully processed)**
- 9 Frozen Refund**
- 10 Optant Out**
- T Third Tier Cessation**
- Z Aggregations**

Old Status	In Force at 01/07/2019	New Status												Other Locn.	Other St.	Total Off	Total On	In Force at 30/09/2019
		1	2	3	4	5	6	7	8	9	O	T	Z					
1	5848		308	3	5	20		3		30	10		204			583	425	5690
2	765	84		2	3	21										112	311	964
3	12924		1													1	39	12962
4	6097	1	2	13		45										61	8	6044
5	4109			7				17								24	86	4171
6	645			1				6								7	8	646
7	3486																26	3512
8	11																	11
9	572			12												12	30	590
O	1168	1														1	12	1179
T	2																	2
Z	670																206	876
Other Locn.																		
Other St.																		
Blank		339		1			8				2							
<b>Total</b>	<b>36297</b>	<b>425</b>	<b>311</b>	<b>39</b>	<b>8</b>	<b>86</b>	<b>8</b>	<b>26</b>		<b>30</b>	<b>12</b>		<b>206</b>			<b>801</b>	<b>1151</b>	<b>36647</b>

**3.2 50/50 Scheme Membership**

Active 21  
 Deferred 5  
 Frozen refund 2

## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
8<sup>th</sup> November 2019

REPORT BY: Board Secretary

SUBJECT: Cessation of Contracting Out / GMP Reconciliation Project

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REPORT FOR: Information

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1. **Introduction**

1.1 As requested by Board at the September 2019 meeting, this report provides an update on the progress of the Guaranteed Minimum Pension Reconciliation project.

2. **Background**

2.1 This exercise is a national requirement initiated by HMRC, which will impact all Public and Private sector Pensions Funds who were contracted out of the additional state pension (also known as the State Earnings-Related Pension (SERPS) or State Second Pension (S2P)).

2.2 Up until April 2016, contributing members of the Local Government Pension Scheme (LGPS) paid lower rate, Category D National Insurance contributions, as they were “contracted out” of the additional state pension. LGPS employers also paid reduced rate National Insurance contributions in respect of their employees who were members of the LGPS. Contracting out ended from 6 April 2016 as part of the Government’s introduction of a single tier basic state pension.

2.3 Between 1978 and 1997, contracting out of the Additional State Pension was undertaken on a Guaranteed Minimum Pension (GMP) basis. This required contracted out pension schemes to offer pension benefits for the period of contracting out, that were worth at least as much as the benefits the additional state pension would have provided. Contracted out pension schemes had to record the relevant contracted out earnings for that period and supply HMRC with details of these. HMRC retained a record of contracted out earnings and GMP entitlement for each individual and then advised pension schemes of GMP entitlements when the individuals reach state pension age.

2.4 There are complex regulations regarding annual inflationary increases to the GMP element of an individual’s pension and the dates at which it becomes payable to the scheme member. The Government decided that with effect from 6 April 2016 contracting-out would be abolished, coinciding with the introduction of the new single tier pension. As a result HMRC are providing a one off service to enable schemes to reconcile the GMP figures they hold with those held by HMRC.

2.5 It is important to reconcile the GMP element recorded on the pension fund administration system with that held on the HMRC system, to ensure that pensions coming into payment, together with those already in payment, are paid at the correct amount and that the liabilities of the pension scheme, so far as GMP values are concerned, are represented accurately at each future valuation.

### **3. Reasons to carry out a GMP Reconciliation**

3.1 The application of incorrect GMP's have an impact on pensions in payment and future pension payments along with having an impact on the liabilities of the Pension Fund. The financial implications of failing to undertake this exercise can therefore be significant.

3.2 The main reasons funds are required to carry out the GMP reconciliation are:

- To ensure GMP benefits are accurate
- To ensure that scheme liabilities are correctly recorded
- Compliance with the Pensions Regulator's data quality checking guidance
- To provide for more accurate actuarial valuations

3.3 There are also significant risks to the Pension Fund if reconciliation activity is not carried out, which include:

- The GMP amounts held by HMRC will automatically apply and this could have material implications on the Pension Fund's liabilities
- Individuals for which the Fund does not hold a record, may request their GMP entitlement after 2018
- GMP amounts the Fund is unaware of will lead to incorrect valuations of the Fund's scheme liabilities
- Incorrect pension amounts being paid to members (including under and over payments)
- Member complaints and reputation risk

### **4. The Reconciliation Process**

4.1 GMP reconciliation is the process of comparing the Pension Fund's GMP information with that held by HMRC. It investigates any discrepancies between the two sets of figures so that the Fund and HMRC end up with consistent GMP data and benefit records. HMRC's starting position is usually that its data is automatically correct (although this is not always the case as investigations have discovered) unless the pension fund can prove otherwise. This puts the investigative responsibility and costs fully onto the pension fund. The reconciliation will involve investigative work, reviewing data and benefit accrual.

4.2 In order to progress the reconciliation exercise and for the Pension Fund to understand the impact of the reconciliation process the Fund has engaged ITM, a data specialist to help with the three stages of the process.

#### **4.3 Stage 1 – Data Comparison**

This stage involves a comparison of the GMP data held on the Fund's administration system, to that which HMRC holds.

Status – Completed

#### **4.4 Stage 2 – Reconciliation**

This Stage involves reconciling the GMP data with HMRC and agreeing application of GMP.



Status – Completed

#### 4.5 Stage 3 - Rectification

This is the stage where pensions are rectified where required in respect of the GMP corrections. This will involve testing data, correcting benefits and communicating with members.

Status – Ongoing. Currently in the data testing stage. This is expected to last until the end of January 2020, after which we will enter the live phase with a view to completing the project by the end of June 2020.

#### 5. Recommendation

Note the content of the report.

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

## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
8<sup>th</sup> November 2019

REPORT BY: Board Secretary

SUBJECT: Powys Pension Board Communications Log

REPORT FOR: Information

1. **Introduction**

- 1.1 This report lists the communications issued to the Board in between the official meetings, for information and discussion as required.

2. **Communications Log**

2.1

<b><u>Communication</u></b>	<b><u>Date Sent</u></b>
JGC Agenda	12.09.19
LGA Annual Conference Flyer	13.09.19
Valuation Data Quality confirmation	27.09.19
WPP Operator October Update	21.10.19
TPR Autumn Newsletter	24.10.19

3. **Recommendation**

Note communications issued.

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