

Pwyllgor Pensiynau a Buddsoddi

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

Dyddiad y Cyfarfod
Dydd Llun, 11 Gorffennaf 2016

Amser y Cyfarfod
9.00 am



Neuadd Y Sir
Llandrindod
Powys
LD1 5LG

I gael rhagor o wybodaeth cysylltwch â
Stephen Boyd
01597 826374
steve.boyd@powys.gov.uk

06/07/16

AGENDA

1.	CYFWELIADAU DEWIS YMGYNGHORWYR BUDDSODDI	PIC25- 2016
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9.00 – 9.15 Cyflwyniad ac amlinelliad o'r broses

9.15 – 10.05 Cyfweiliad 1 – JLT

10.15 – 11.05 Cyfweiliad 2 – Mercers

11.15 – 12.05 Cyfweiliad 3 – Aon

12.05 – 12.30 Trafodaeth a phenderfynu

Bydd y sesiwn prynhawn yn cychwyn am 1.30 p.m.

2.	YMDDIHEURIADAU	PIC26- 2016
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I dderbyn ymddiheuriadau am absenoldeb.

3.	DATGANIADAU O DDIDDORDEB	PIC27- 2016
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I dderbyn unrhyw ddatganiadau o ddiddordeb gan Aelodau o ran eitemau sydd i'w hystyried ar yr agenda.

4.	COFNODION	PIC28- 2016
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I awdurdodi'r Cadeirydd i lofnodi cofnodion cyfarfodydd a gynhaliwyd ar 11 Chwefror ac 11 Mai 2016 fel cofnodion cywir.

(Tudalennau 7 - 14)

5.	DIWYGIO'R GOFRESTR RISGIAU	PIC29- 2016
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I ystyried adroddiad y Cyfarwyddwr Strategol – Adnoddau.

(Tudalennau 15 - 36)

6.	ADOLYGU'R STRATEGAETH WEINYDDU	PIC30- 2016
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I ystyried adroddiad y Cyfarwyddwr Strategol – Adnoddau.

(Tudalennau 37 - 62)

7.	DIWEDDARIAD AR Y MARCHNADOEDD GAN AON HEWITT	PIC31- 2016
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Adroddiad gan Aon Hewitt.

8.	EITEMAU WEDI'U HEITHRIO.	PIC32- 2016
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Mae'r Swyddog Monitro wedi penderfynu bod yr adroddiadau canlynol yn destun categori 3, Rheolau Gweithdrefn Mynediad at Wybodaeth. Ei farn ar brawf lles y cyhoedd, yw er ei fod yn ymwybodol o'r angen i sicrhau bod yr awdurdod cyhoeddus yn glir ac yn atebol yn ei benderfyniadau ar wario arian cyhoeddus, mae hawl y trydydd parti i gadw ei faterion ariannol / busnes yn breifat yn gorbwyso'r angen i gyhoeddi'r wybodaeth honno. Ar sail hynny, roedd o'r farn bod diddordeb y cyhoedd wrth gadw'r eithriad yn fwy pwysig na diddordeb y cyhoedd wrth ddatgelu'r wybodaeth. Gofynnir i aelodau ystyried y ffactor hwn wrth benderfynu ar brawf lles y cyhoedd, a rhaid iddynt benderfynu ar hyn wrth ystyried eithrio'r cyhoedd o'r rhan hon o'r cyfarfod.

9.	ADRODDIAD MONITRO CHWARTEROL AON HEWITT	PIC33- 2016
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I ystyried yr adroddiad buddsoddi chwarterol gan Aon Hewitt.

(Tudalennau 63 - 98)

10.	ADRODDIAD CHWARTEROL MTAA	PIC34- 2016
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I ystyried y Dyraniad Asedau Tymor Canolig Chwarterol

(Tudalennau 99 - 114)

11.	ADRODDIAD BLYNYDDOL MTAA	PIC35- 2016
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I ystyried yr adroddiad blynyddol ar Ddyranu Asedau Tymor Canolig .

12.	I WIRIO CYFLWR Y STRATEGAETH FUDDSODDI	PIC36- 2016
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Adroddiad gan Aon Hewitt.

13.	ADRODDIAD AR GOSTAU BUDDSODDI CEM	PIC37- 2016
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I ystyried adroddiad y Cyfarwyddwr Strategol – Adnoddau.

(Tudalennau 115 - 166)

14.	CRONFA CYMRU	PIC38- 2016
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I ystyried adroddiad llafar.

15.	PENODI BLACKROCK	PIC39- 2016
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I ystyried adroddiad y Cyfarwyddwr Strategol – Adnoddau.

(Tudalennau 167 - 168)

16.	PEIDIO BUDDSODDI YN PERMAL	PIC40- 2016
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I ystyried adroddiad y Cyfarwyddwr Strategol – Adnoddau.

(Tudalennau 169 - 170)

17.	ADRODDIAD ARCHWILIO	PIC41- 2016
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I ystyried adroddiad y Cyfarwyddwr Strategol – Adnoddau.

(Tudalennau 171 - 186)

18.	RHEOLIADAU DRAFFT AR DDIWYGIO CYNLLUN PENSIWN LLYWODRAETH LEOL 2016	PIC42- 2016
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I ystyried adroddiad y Cyfarwyddwr Strategol – Adnoddau.

(Tudalennau 187 - 194)

19.	MENCAP	PIC43- 2016
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I ystyried adroddiad y Cyfarwyddwr Strategol – Adnoddau.

(Tudalennau 195 - 196)

20.	CYLLIDEB 2016	PIC44- 2016
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I ystyried adroddiad y Cyfarwyddwr Strategol – Adnoddau.

(Tudalennau 197 - 198)

21.	COFNODION BWRDD PENSIWN POWYS	PIC45- 2016
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I dderbyn er gwybodaeth, cofnodion cyfarfod Bwrdd Pensiynau Powys a gynhaliwyd ar 4 Mawrth 2016.

(Tudalennau 199 - 204)

22.	GOHEBIAETH - CYLCHLYTHYR CYMDEITHAS LLYWODRAETH LEOL 299	PIC46- 2016
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Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

PIC28- 2016

MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON THURSDAY 11TH FEBRUARY 2016

PRESENT: County Councillor AG Thomas (Chair)

County Councillors PJ Ashton and GP Vaughan

County Councillor WT Jones (Portfolio Holder for Finance)

In attendance:

Gerard Moore, Chair of Powys Pensions Board
Rachel Pinder and Richard Antrobus of Aon Hewitt.

David Powell Strategic Director Resources, Steve Offa Assistant Finance Business Partner/Technical Accountancy Assistant, Dan Paley Financial Reporting & Policy Accountant, Joe Rollin Pension Fund Manager

1.	APOLOGIES	PIC5 – 2016
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Apologies for absence were received from County Councillor EA Jones who was on other Council business and Councillor AMC Weale.

2.	MINUTES	PIC6 – 2016
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The Chair was authorised to sign the minutes of the meetings held on 30th September 2015, 21st October 2015 and 14th January 2016 as correct records.

3.	DECLARATIONS OF INTEREST	PIC7 – 2016
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The Committee members present declared interests as members of the Local Government Pension Scheme.

The Chair advised that he was changing the order of the agenda.

4.	PROPOSALS FOR REFORM OF LGPS INVESTMENT	PIC8 – 2016
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The Committee noted the response from the Fund to the Department of Communities and Local Government consultation on proposals for reform of LGPS investment regulations. The response asked for clarification on a number of points on the role of elected members in the pooled fund structure and whether the Government would provide assurances to cover infrastructure risk if LGPS assets were directed to fund national infrastructure projects.

RESOLVED	Reason for Decision
To note the response.	As per report.

5.	LGPS REFORM – WELSH POOL	PIC15 – 2016
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The Committee considered a proposed submission to the Department of Communities and Local Government (DCLG) putting the case for a Welsh pool.

RESOLVED	Reason for Decision
To support the submission of the Welsh pool document to DCLG.	As per report.

6.	EXEMPT ITEMS	PIC18 – 2016
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RESOLVED to exclude the public for the following 3 items on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

7.	QUARTERLY INVESTMENT REPORT	PIC19 – 2016
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Aon Hewitt presented the report for the period ending 31st December 2015 and tabled the update for January 2016. Performance for the period had been good considering the difficult market conditions with property and hedge funds outperforming the market.

8.	MEDIUM TERM ASSET ALLOCATION	PIC20 – 2016
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Committee noted that the MTAA had added £1.2m in value since the start of the new mandate on 1st March 2014.

9.	QUALIFIED MANAGERS	PIC21 – 2016
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The Committee noted that that Aon Hewitt had downgraded two hedge fund managers to “hold”. Members discussed options and agreed to take no action at this stage but asked Aon Hewitt to prepare a report and presentation for the next meeting on 30th June on the best way forward. An invitation was extended to members of the Pensions Board.

The Committee went back into open session.

10.	LGPS REFORM – PROJECT POOL	PIC9 – 2016
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The Committee noted that a group of English LGPS Funds had commissioned a report on how LGPS assets could be pooled. The report had concluded that a pooled approach could deliver estimated annual savings of between £190m and £300m over the longer term.

RESOLVED	Reason for Decision
To note the report published on 25th January 2016 entitled “Findings of Project Pool”.	As per report.

11.	POOLING – PASSIVE BONDS	PIC10 – 2016
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The Committee noted the decision taken by the Section 151 Officer in consultation with the Chair and Vice Chair to include the Pension Fund's passive bond portfolios in the Welsh pooling process.

RESOLVED	Reason for decision
To note the decision of the Section 151 Officer on 13th November 2015, with the agreement of the Chair and Vice Chair, to include the Pension Fund's passive bond portfolios in the Welsh pooling process.	As per report

12.	RISK REGISTER	PIC11 – 2016
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The Committee received and considered the Risk Register for the Powys Pension Fund noting that there were no red risks identified. The Chair of the Powys Pension Board advised that it would be considered at the next meeting of the Board.

RESOLVED	Reason for decision
To note the contents of the Risk Register.	As per report

13.	APPOINTMENT OF PENSION FUND MEDICAL ADVISER	PIC12 – 2016
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The Committee noted the appointment of a medical adviser to the Pension Fund following a procurement exercise.

RESOLVED	Reason for decision
To note the appointment of Caer Health services Ltd to provide medical advice and services to the Powys Pension Fund.	As per report

14.	POWYS DANCE	PIC13 – 2016
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The Committee was advised that Powys Dance had become a Pension Fund employer following the transfer of the service from Powys County Council to a newly created charitable trust. As the Council looked to alternative means of delivering services more employers would look to join the Fund and the Committee noted that it was important that the costs associated did not fall on the Fund.

RESOLVED	Reason for decision
To note the admittance of Powys Dance to the Powys Pension Fund.	As per report

15.	PROPERTY SERVICES AND BUILDING CONTROL	PIC14 – 2016
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The Committee was advised that discussions were underway on pension arrangements for Property Services and Building Control services both of which were being considered for alternative means of delivery.

RESOLVED	Reason for decision
To note the contents of the report.	As per report

16.	CORRESPONDENCE	PIC16 – 2016
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16.1 Collaboration Update

The Society of Welsh Treasurers had written to the DCLG on collaboration between the Welsh LGPS and the pooling of investments.

RESOLVED	Reason for decision
To note the contents of the South Wales Treasurers letter dated 2nd November 2015.	Appropriate information

16.2 Infrastructure

Gerard Moore, Chair of the Pensions Board, declared that he had an interest as he was engaged as a consultant by a company working in infrastructure.

The DCLG had written to the LGA on the Chancellor of the Exchequer's proposals for LGPS to invest collectively in infrastructure projects.

RESOLVED	Reason for decision
To note the contents of the DCLG letter to the LGA dated 7th October 2015.	Appropriate information

16.3 Lancashire and London Pension Fund Authority

The Committee noted the letter sent by the Lancashire County Pension Fund and London Pension Fund Authority inviting the Powys Pension Fund to enter into an asset pooling arrangement.

RESOLVED	Reason for decision
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To note the contents of the letter from the LCPF/ LPFA Asset Liability Partnership dated 3rd December 2015.	Appropriate information
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16.4 LGPS Pooling UNISON

The Committee noted the letter sent by UNISON asking what the Fund planned to do with regard to pooling arrangements.

RESOLVED	Reason for decision
To note the contents of the DCLG letter from UNISON dated 22nd December 2015.	Appropriate information

The Committee noted that the staff representative on the Committee had not attended for a considerable time and asked that a letter be sent.

16.5 Scheme Advisory Board

The Committee noted that the LGPS Scheme Advisory Board had written to all LGPS administering authorities on the potential for censure by the Pensions Regulator where Fund's failed to meet their statutory obligations. The Committee noted the pressures on administering authorities.

RESOLVED	Reason for decision
To note the contents of the SAB letter to LGPS Funds dated 8th October 2015.	Appropriate information

17.	PENSION BOARD MINUTES	PIC17 – 2016
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The Committee received the minutes of the Powys Pensions Board held on 27th November 2015 and 22nd January 2016.

18.	ANY OTHER BUSINESS	PIC17A – 2016
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Aon Hewitt offered the Committee corporate hospitality at an event. The Committee thanked Aon Hewitt for their offer but agreed that it was not appropriate for them to accept corporate hospitality.

AG THOMAS
CHAIR

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

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS,
POWYS ON WEDNESDAY, 11 MAY 2016**

PRESENT

County Councillor A G Thomas (Chair)

County Councillors PJ Ashton and W T Jones

Apologies for absence were received from County Councillors EA Jones, TG Turner and GP Vaughan and from Councillor AMC Weale.

1.	ELECTION OF CHAIR	PIC23- 2016
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RESOLVED that County Councillor **AG Thomas** be elected **Chair** for the ensuing year.

2.	ELECTION OF VICE-CHAIR	PIC24- 2016
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RESOLVED that County Councillor **PJ Ashton** be elected **Vice-Chair** for the ensuing year.

County Councillor A G Thomas (Chair)

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

PIC29- 2016

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee 11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Amendment of Risk Register

REPORT FOR: Decision

1 Introduction

- 1.1 At the meeting of the Powys Pension Board held on 4th March 2016 the Board recommended that the Pension Fund's Risk Register be amended.

2 Board Recommendations

- 2.1 The Board recommended that the Risk Register be amended to include the following identified potential risks:
- The insolvency of an investment manager (in the light of the Lehmann Bros. situation)
 - Participation in the Government's LGPS asset pooling initiative.

3 Risk Register Amendment

- 3.1 In the light of the Board's recommendations it is proposed that the Risk Register be amended by the inclusion of PEN030 and PEN031 (see amended Risk Register attached).

4 Recommendations

- 4.1 Committee is asked to approve the inclusion of PEN030 in the Risk Register.
- 4.2 Committee is also asked to approve the inclusion of PEN031 in the Risk Register.

Recommendation:		Reason for Recommendation:	
1. To approve the inclusion of PEN030 (risks associated with the possible insolvency of an investment manager investing Pension Fund assets. 2. To approve the inclusion of PEN031 (risks associated with the Pension Fund's participation in the Wales Pool).		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):		N/A	
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk
Relevant Portfolio Member(s):		Councillor Wynne Jones	
Relevant Local Member(s):			

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
	PEN001	01/11/15		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.	C Hurst
	PEN002	01/11/15		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.	J Thomas
Tudalen 17	PEN003	01/11/15		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. Have this year (2015) commissioned Fund actuary to undertake a Fund cashflow forecast based on a) Fund maturity and b) impact of need for major employer (Powys CC) to reduce budget by a further £27M over next two years or so.	J Thomas
	PEN004	01/11/15		Pensions Administration	Inability to deliver service as a result of loss of pensions administration system	Failure to provide service	L	L	Low	Business Continuity Plan for the Pensions administration service.	C. Hurst
	PEN005	01/11/15		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	J Rollin

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
	PEN006	01/11/15		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.	J Rollin
Tudalen 18	PEN007	01/01/15	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.	J Rollin
	PEN008	01/01/15	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.	J Rollin

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
	PEN009	01/01/15	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	J Rollin
Tudalen 19	PEN010	01/01/15	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	J Rollin
	PEN011	01/01/15	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.	J Rollin
	PEN012	25/01/16		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.	C Hurst

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
	PEN013	01/04/15	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.	C Hurst
Tudalen 20	PEN014	25/01/16	CIPFA	Pension Fund	Lack of expertise of Pension Fund Officers and Service Director	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.	J Rollin
	PEN015	25/01/16	CIPFA	Pension Fund	Over-reliance on key Officers	When senior Officers leave or are 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.	J Rollin

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
	PEN016	25/01/16		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.	C Hurst
Tudalen 21	PEN017	26/01/16		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.	C Hurst
	PEN018	01/01/15	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.	J Rollin

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
	PEN019	25/01/16	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	On 16th July 2015 the Fund adopted the CIPFA Knowledge and Skills Framework to inform its training plans for members of Pensions & Investment Committee (and the Pension Board)	J Rollin
Tudalen 22	PEN020	01/01/15	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.	J Rollin
	PEN021	01/01/15	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	J Rollin
	PEN022	01/01/15	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	J Rollin

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
	PEN023	01/01/15	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.	J Rollin
Tudalen 23	PEN024	01/01/15	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.	J Rollin

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
Tudalen 24	PEN025	01/01/16	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.	J Rollin
	PEN026	01/01/16	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.	J Rollin

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
	PEN027	01/01/15	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	J Rollin
Tudalen 25	PEN028	01/01/15	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.	J Rollin
	PEN029	26/01/16	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, by April 2018.	Increase in Fund liabilities; increased employer contribution rates and deficit recovery payments; and, payment of incorrect pension benefits.	M	M	Medium	In process of assessing how best to deal with the work required. Unlikely to be possible to complete with current in-house resources - due to current 'core' business volumes and specialist nature of work required. Therefore evaluating external	J Rollin

Risk Register

Reporting Level	Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner
							P	I	Risk Rating		
Tudalen 26	PEN030	04/03/16	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; and, Statement on Standards for Attestation Engagements No. 16 internal controls are monitored on an annual basis.	J Thomas
	PEN031	04/03/16	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.	J Rollin
								FALSE			
								FALSE			

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
W Jones	Review of process as part of the ongoing review of pensions administration processes following the implementation of the 2014 Scheme.	M	L	Low	
W Jones	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	
W Jones Tudalen 27	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	
W Jones	Keep Business Continuity Plan under review	L	L	Low	
W Jones	Keep Business Continuity Plan under review	L	M	Low	

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
W Jones	None	L	M	Low	
W Jones Tudalen 28	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	
W Jones	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	

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
W Jones	Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.	L	M	Low	
W Jones	Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes and non-market led assets.	L	M	Low	
W Jones	W Jones Tudalen 29 Closer partnership working with employer payrolls to facilitate accurate data receipts; increased compliance oversight provided by newly established Pensions Board.	M	L	Low	
W Jones	Data protection audit in conjunction with TPR data quality standards to be undertaken	L	M	Low	

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
W Jones	Additional data validation and quality checks to be implemented as required by the TPR code of practice.	L	M	Low	
W Jones Tudalen 30	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	
W Jones	Formalise succession planning by including in Officer individual training plans for less senior Officers.	M	L	Low	

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
W Jones	No further action proposed.	L	M	Low	
W Jones Tudalen 31	To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc.	L	M	Low	
W Jones Tudalen 31	No further action planned.	L	M	Low	

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
W Jones	Rollout of individual training plans for all members over the coming year (2016/17).	L	H	Medium	
Tudalen 32	No further action planned.	L	M	Low	
	Nothing further planned	L	H	Medium	
	Nothing further planned	L	M	Low	

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
W Jones	No further action planned.	L	M	Low	
Tudalen 33	No further action proposed.	L	M	Low	

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
Tudalen 34	No further action proposed.	L	M	Low	
	No further action proposed.	L	M	Low	

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
W Jones	No further action proposed.	M	M	Medium	
W Jones Tudalen 35	No further action proposed.	M	M	Medium	
W Jones	Appoint external partners to a) identify scale of work required; b) bank 'quick wins'; complete reconciliations by April 2018.	M	L	Low	

Risk Register

Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
		P	I	Risk Rating	
Tudalen 36	W Jones Increased investment manager diversification may be further facilitated by pooling via the Wales Pool that is currently under development.	L	C	Medium	
	W Jones Pooling vehicle 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	
				FALSE	
				FALSE	

PIC30- 2016

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee 11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Review of Pensions Administration Strategy Statement

REPORT FOR: Decision

- 1 Regulation 59 of the Local Government Pension Scheme Regulations 2013 [SI 2013 No. 2356] provides for each administering authority to prepare a written statement setting out details of the pensions administration strategy of the Pension Fund, which should specifically seek to improve the Fund's administrative processes in relation to the Local Government Pension Scheme.
- 2 Committee is asked to approve the Administration Strategy Statement (attached) to meet the statutory requirement set out above.

Recommendation:		Reason for Recommendation:	
To approve the Administration Strategy Statement.		Statutory requirement	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:		immediately	
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	N/A

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



Powys

LOCAL GOVERNMENT PENSION SCHEME

ADMINISTRATION STRATEGY STATEMENT

CYNGOR SIR *POWYS* COUNTY COUNCIL

Drafted February 2012
Reviewed June 2016

Administration Strategy Statement

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 2. Legislative Framework
 3. Key Objectives for the Fund and Scheme Employers
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- Annex 1 Legislative Framework for Administration Strategy
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- Annex 3 Employer Performance Standards
- Annex 4 Our Standards of Service to Members

Administration Strategy Statement

INTRODUCTION

Regulation 59 of the Local Government Pension Scheme Regulations 2013 enables Pension Fund Administering Authorities to introduce an Administration Strategy (“the Strategy”) for the purpose of improving the administrative processes within their LGPS Funds. These regulations are quite specific regarding the disclosure of information and performance statistics as part of this process but provide less guidance in terms of strategy.

The Powys County Council Pension Fund (“the Fund”) has therefore developed this Strategy which recognises that both employing bodies participating in the Fund (“Employers”) and the Fund have a joint role in the delivery of an efficient service and that any overall improvements can only be achieved in partnership. This Strategy recognises the many administrative challenges faced by the Fund and Employers and contains proposals to streamline processes and improve the services to members of the LGPS, Employers and other stakeholders.

1. AIMS

The aim of this Strategy is to move towards a seamless pension service, employing appropriate technology and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for and a more efficient service to members of the LGPS, Employers and other stakeholders.

This Strategy also recognises the challenges inherent in recent major changes included in the new LGPS introduced from April 2014.

2. LEGISLATIVE FRAMEWORK

The Fund and its Employers must have regard to this Strategy when carrying out their LGPS functions. This Strategy is made in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013 [SI. 2013 No. 2356] which enables administering authorities such as Powys County Council to prepare Pension Administration Strategy Statements following consultation with relevant Employers, to facilitate best practices and efficient customer service in respect of the following:

- the establishment of levels of performance which the administering authority and its Employers are expected to achieve in carrying out their Scheme functions
- ensuring the Fund and its Employers comply with statutory requirements in respect of those functions

- improving the communication between the administering authority and the Employers of information relating to those functions.

The Strategy can also set out circumstances in which the Fund may consider giving written notice to any of its Employers under regulation 70 for additional costs on account of that Employer's unsatisfactory performance in carrying out its Scheme functions.

Levels of performance achieved must be included within the Fund's Annual Report along with other matters arising from the Strategy that are considered appropriate. All relevant regulations are set out fully in Annex 1.

3. KEY OBJECTIVES

The key objectives of this Strategy are to ensure that:

- The Fund and Employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions
- Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and relevant LGPS stakeholders
- Accurate records are maintained for the purpose of calculating pension entitlements and Employer liabilities, ensuring all information and data is communicated accurately, timely and in a secure manner
- The Fund and Employers have appropriate skills and that training is in place to deliver a high quality service and effectively contribute to the changing pensions agenda
- Standards are set and monitored for the delivery of specified activities in accordance with regulatory requirements and recognised best practice
- Potential risks to the Fund and Employers, in particular compliance risk, leading to financial penalties arising from poor administration, are identified, mitigated and monitored
- Effective governance arrangements are established for the monitoring and improvement of this Strategy
- Administrative services are delivered in a cost effective and efficient manner utilising appropriate technologies and best practice, in order to maintain costs at appropriate levels.

4. ACHIEVING THE OBJECTIVES

There are currently (February 2016) 18 Employers participating in the Fund with active members. These Employers differ in size, structure and capability which represents a logistical challenge to the management of information, processes and services within the Fund. It is clear that because of these differences a “one-size fits all” approach would be unlikely to deliver workable solutions; however standard ways of operating applicable to different employer groups would bring benefits. It is also clear that the number of Employers will continue to grow as will the demands for accurate information, to improve liability management at both the local and national level.

The Pensions Regulator has set national standards for the quality of pensions data held by pension schemes in both the private and public sectors. These standards require that pension data is 100% accurate, 100% of the time.

There are four key elements necessary to achieving the Fund’s administrative objectives:

- A Communications Strategy that:
 - (i) seeks to ensure pension Scheme members have accessible and timely information on all aspects of their pension benefits; and, informs and enables decisions in respect of those benefits
 - (ii) seeks to enable Scheme Employers to make effective decisions in the management of risks and liabilities as well as facilitating engagement in the wider pensions debate
- Investment in skills and knowledge development both within the Fund and as appropriate with Scheme Employers to ensure efficient administration and active engagement in the issues facing the LGPS in the future
- The effective use of technologies for accessing, storing and disseminating information between the Fund and Scheme Employers in a seamless and secure way
- Set performance standards which support the effective working of the Fund and Scheme Employers towards a higher standard of service and continuous improvement

(a) Communications

Since 2005 the Fund has been required to produce a Communications Strategy Statement. The intention of the legislation is to ensure that LGPS Funds have effective communication processes in place for all LGPS stakeholders. To this end, the Fund's Communications Strategy is already well developed.

However, the introduction of significant Scheme design changes in April 2008 and April 2014 added layers of complexity to the LGPS benefit structure. These changes have given rise to a greater demand for information and engagement, from both Scheme members and Scheme Employers.

The following priorities for communication have been identified to complement the range of activities already in place;

- To develop secure web-based facilities to enable controlled access to information and data, sending and receiving data, providing greater self-service for Scheme Employers
- To further improve the content and timeliness of web-based information to raise the awareness of Scheme members and Scheme Employers on LGPS and wider pensions issues
- To continue to organise and develop an appropriate meetings structure to support the effective engagement of Scheme Employers in ongoing and emerging issues.
- To ensure the effectiveness of distributing the pensions message across the broad spectrum of stakeholders
- To maintain the level of investment in the full range of communication materials to ensure maximum stakeholder awareness, coverage and engagement
- To use feedback to identify areas for improvement.

The Communications Strategy Statement is attached as Annex 2.

(b) Training

The Fund has always endeavoured to keep stakeholders informed of new developments providing training courses and workshops for Scheme Employers and the Fund's staff alike when new Regulations are implemented or are under consideration.

It is widely anticipated that there will continue to be periodic change to the LGPS and pensions in general over the coming years which will have wide-ranging implications for Scheme members, Scheme Employers and Fund staff administering the Scheme. With this in mind, it is important that both Scheme Employers and the Fund ensure that their staff have the appropriate skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes.

Notwithstanding future change, there is an existing need to improve the quality of Scheme member data and the administrative processes by which information is received from some Scheme Employers.

The aims of the training strategy are therefore:

- to maintain a high standard of customer service for Scheme members and Scheme Employers
- to ensure that relevant staff within each Scheme Employer have appropriate knowledge and skills to effectively discharge administrative processes
- to ensure that Scheme Employers are fully aware of the risks involved in poor administration and maintenance of Scheme member pension records
- to support the implementation of new technologies within the Fund enabling greater self-service flexibilities for Scheme Employers and to help streamline administration processes
- to continually develop the technical skills and competencies of the Fund's staff
- to identify and develop a staff succession strategy for the Fund to ensure the future management and professionalism of Fund administration
- to ensure that members of both the Pensions & Investment Committee and the Pensions Board receive adequate training to properly discharge their responsibilities, in relation to the Fund.

To achieve these training aims, the Fund will:

- Organize workshops and forums for Scheme Employers to debate new issues as they emerge
- Continue to invest in specific technical training and professional development for Fund staff, trustees and Board members

This training strategy will ensure that both the Fund and Scheme Employers have a common understanding of their obligations under the LGPS, and that administrative processes are designed to maximize efficiency and to effectively manage risk.

(c) Embracing technology

The Fund launched its' pensions website in summer of 2012 (www.powyspensionfund.org). This was followed in summer 2014 by 'My Powys Pension', an online self-service facility available to all active and deferred Scheme members.

(d) Performance

The development of an Administration Strategy carries with it a legislative requirement to set performance standards and publish both the targets and achievement against those targets. The purpose of doing so is to secure continuous improvement of the administration function. Annex 3 details the performance measures and proposed targets which will be monitored and reported to the Council's Pensions & Investment Committee. It should be noted that many of these targets are set to ensure compliance with statutory benchmarks.

In addition, it is anticipated that Service Level Agreements ("SLAs") will be agreed with principal Scheme Employers during 2016/17 to set and monitor performance at the local level and will include all the targets for both the Fund and the Scheme Employer. The aggregated performance will be reported to the Council's Pensions & Investment Committee on an annual basis.

Role of the Pensions & Investment Committee

The Council's Pensions & Investment Committee is representative of all the Scheme Employers in the Powys Pension Fund (reflecting best practice) and as such has a duty to ensure that the management and administration of the Fund is carried out efficiently, cost effectively and in compliance with statutory obligations. The Committee's roles and responsibilities are set out in the Fund's Governance Compliance Statement which is available on request.

5. IMPLEMENTATION AND REVIEW

This Strategy sets out the key objectives of all the major areas of pension administration within the Fund and takes effect from 1st July 2016. Prior to implementation, Scheme Employers have been invited to comment on this Strategy.

This Strategy will be subject to a full review after an initial period of 2 years. When the Strategy is reviewed, further consultation with Scheme Employers will be considered where appropriate.

Annex 1

Legislative Framework for this Statement Regulation 59 of The Local Government Pension Scheme Regulations 2013

Pension Administration Strategy

59.—(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

- (a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- (b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
 - (i) the setting of performance targets,
 - (ii) the making of agreements about levels of performance and associated matters, or
 - (iii) such other means as the administering authority considers appropriate;
- (c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- (d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- (e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- (f) the publication by the administering authority of annual reports dealing with—
 - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
- (g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

Where an administering authority determines to have a pension administration strategy, the following paragraphs apply.

- An administering authority must keep its pension administration strategy under review; and make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.
- In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.
- An administering authority must publish its pension administration strategy; and where revisions are made to it, the strategy as revised.
- When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State.
- An administering authority and its Scheme employers must have regard to the current version of any pension administration strategy when carrying out their Scheme functions.

Pension fund annual report

57(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains—

- a report about the management and financial performance during the year of the pension fund;
- a report explaining the investment policy of the pension fund and a review of the fund's investment performance during the year;
- a report explaining the arrangements for the administration of the pension fund;
- a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the pension fund of the level of funding disclosed by the valuation;
- the current version of the pension fund's governance compliance statement;
- the fund account and net asset statement together with supporting notes and disclosures;
- an annual report dealing with the extent to which the administering authority and Scheme employers have achieved

any levels of performance as set out in the pension administration strategy;

- such other matters arising from the pension administration strategy as the fund considers appropriate;
- the current version of the funding strategy statement;
- the current version of the statement of investment principles;
- the current version of the communications strategy;
- any other material that the fund considers appropriate.

(2) The annual report is to be completed and published on or before 1st December following the end of the scheme year.

(3) In the preparation and publication of the annual report the fund must have regard to guidance issued by the Secretary of State.

Additional costs arising from Scheme employer's level of performance

70.—(1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay in respect of those costs and the basis on which the specified amount is calculated and;
- (c) where the administering authority has prepared a pension administration strategy, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in subparagraph (a) and (b).

Statements of policy about exercise of discretionary functions

60.—(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations 16(2)(c) and 16(4)(d) (funding of additional pension); 30(6) (flexible retirement); 30(8) (waiving of actuarial reductions); and, 31 (award of additional pension). An administering authority must prepare such a statement in relation to the exercise of the functions under regulation 30(8) in cases where a former employer has ceased to be a Scheme employer.

- (2) Each Scheme employer must send a copy of its statement to each relevant administering authority before 1st July 2014 and must publish its statement.
- (3) A body required to prepare a statement under paragraph (1) must—
- (a) keep its statement under review; and
 - (b) make such revisions as are appropriate following a change in its policy.
- (4) Before the expiry of a month beginning with the date any such revisions are made, each Scheme employer must send a copy of its revised statement to each relevant administering authority, and must publish its statement as revised.
- (5) In preparing, or reviewing and making revisions to its statement, a body required to prepare a statement under paragraph (1) must have regard to the extent to which the exercise of the functions mentioned in paragraph (1) in accordance with its policy could lead to a serious loss of confidence in the public service.
- (6) In this regulation, a relevant administering authority, in relation to an employing authority, is any authority which is an appropriate administering authority for that employer's employees.

Statements of policy concerning communications with members and Scheme employers

61.—(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members; representatives of members; prospective members; and Scheme employers.

(2) In particular the statement must set out its policy on the provision of information and publicity about the Scheme to members, representatives of members, and Scheme employers; the format, frequency and method of distributing such information or publicity; and the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Annex 2

COMMUNICATIONS POLICY STATEMENT

1. Introduction

- 1.1 Regulation 61 of the Local Government Pension Scheme 2013 (as amended) [SI 2013 No. 2356] requires an administering authority to prepare, publish and maintain a statement that sets out strategy for communication and promotion of the Local Government Pension Scheme.
- 1.2 The Statement is required to include details of policy for communicating with Scheme members and their representatives; prospective Scheme members; and Scheme employers.
- 1.3 In particular, the Statement must set out policy on the provision of information and publicity about the Scheme to Scheme members, their representatives and Scheme employers; the format, frequency and method of distributing such information or publicity; and the promotion of the Scheme to prospective members and their employers.
- 1.4 The Statement must be reviewed and published following any material change relevant to the policy.
- 1.5 An effective communications strategy is vital for any organisation that strives to provide a high quality and consistent service to its customers. The complexity of pensions in general and the LGPS in particular, places communications at the heart of a high quality service provision.
- 1.6 There are six distinct groups with whom Powys Pension Fund needs to communicate:
 - Pension Fund Trustees
 - Scheme Members
 - Prospective Scheme Members
 - Scheme Employers
 - Pension Fund Officers and Staff
 - Other Stakeholders
- 1.7 Set out in this Statement are the mechanisms which are used to communicate with each of these groups, together with a strategy for widening and improving communications and to promote the Scheme amongst non-members.

2. Pension Fund Trustees

- 2.1 The Trustees of Powys Pension Fund (the members of the Pensions & Investment Committee - five Powys County Council Elected Members plus two non-voting members representing other participating Scheme employers and Scheme members) receive information, primarily in the form of written reports and correspondence, that cover investment, actuarial and administration issues. Committee members also attend conferences and seminars on the LGPS.
- 2.2 Completion of appropriate training for Pension Fund Trustees is a mandatory requirement for new members of the Committee. Additional knowledge and training is to be provided via Pension Fund Officers and advisers. Full details are set out in the Knowledge & Skills Framework Policy appended to the Pension Fund's Governance Policy & Compliance Statement.

3. Scheme Members

- 3.1 Newsletters – are sent out to all active and pensioner members covering LGPS and related issues, as and when required.
- 3.2 Benefit Statements – sent to all active and deferred members (where a current home address is held) annually. Statements include State Scheme benefits and are produced in conjunction with the Department for Work and Pensions.
- 3.3 Scheme Literature – A range of Scheme literature and information covering many aspects of the LGPS is produced by Powys Pension Fund and is supplied direct to employers and Scheme members, as required.
- 3.4 Pay Advices – Powys Pension Fund issues pay advices to all its Fund pensioners twice per year, or more often where pay amounts vary from month-to-month.
- 3.5 Pensions Increases – all Fund pensioners are advised of their annual pension increase via a personalised letter sent in April each year.
- 3.6 Correspondence – the Pension Fund utilises both surface mail and email to send and receive correspondence with Scheme members.
- 3.7 Telephone – much of the Pension Fund's communication with individual Scheme members is conducted by telephone.
- 3.8 Pensions Clinics – The Pension Fund provides a periodic clinic service where Scheme members have the opportunity to discuss their individual pension issues on a face-to-face basis.
- 3.9 Welsh Language – wherever possible the Pension Fund provides access to Scheme documents in the medium of Welsh.

- 3.10 Website - a full range of Pension Fund and LGPS information is available via the Pension Fund's dedicated bespoke website at www.powypensionfund.org.
- 3.11 My Powys Pension – an online system that is available to all active and deferred Scheme members. It enables members to interact with their pension records; log changes to basic data (eg changes to address etc.); and perform pension benefit forecasts.
- 3.12 Powys Pension Fund has both facebook and twitter accounts through which it is able to communicate further with Scheme members who prefer to receive information via these media platforms.

4. Prospective Scheme Members(next)

- 4.1 Scheme Guide – All prospective Scheme members are provided with Scheme information on being appointed to their employments.
- 4.2 Website - a full range of Pension Fund and LGPS information is available via the Pension Fund's dedicated bespoke website at www.powypensionfund.org.
- 4.3 The Pension Fund's intention is to request formal notification of non-joiners from Scheme employers. The information will be used to market the Scheme with dedicated literature. (Targeted for implementation by March 2017).
- 4.4 Pensions Clinics – The Pension Fund provides a periodic clinic service where prospective Scheme members have the opportunity to discuss their individual pension issues on a face-to-face basis.

5. Scheme Employers

- 5.1 Employers' Guide – An Employers' Guide is issued to each employer to assist them in the administration associated with participation in the Scheme.
- 5.2 Ill Health Retirements – The Pension Fund has made available to all participating employers access to the Pension Fund's approved Occupational Health Physician for the purposes associated with ill health benefits.
- 5.3 Employer Meetings and Reports – Periodic Employer meetings are held at least annually. Typically these are used to communicate a variety of Pension Fund matters of specific interest to employers, such as the results of triennial valuations. In addition, employers receive copies of the Pension Fund's Annual Report & Accounts, Statement Of

Investment Principles, Funding Strategy Statement and Governance Policy & Compliance Statement.

- 5.4 Technical Updates – These are sent to employers from time to time to advise them of significant changes to the Scheme and associated legislation.
- 5.5 Website - a full range of Pension Fund and LGPS information is available via the Pension Fund's dedicated bespoke website at www.powyspensionfund.org.
- 5.6 It is envisaged that technical updates for employers will be regularised in the form of a quarterly briefing paper, to include, in addition to Scheme changes, matters of national debate and interest on the future development of pensions in general and the LGPS in particular. (Targeted for implementation by March 2017).
- 5.7 Powys Pension Fund has both facebook and twitter accounts through which it is able to communicate further with employers who prefer to receive information via these media platforms.

6. Pension Fund Officers and Staff

- 6.1 Team Meetings – Pensions Administration meets quarterly at which team members consider procedural issues; plan work and developments for the coming quarter and beyond; and, at which the team is kept abreast of Scheme developments and changes.
- 6.2 Technical Information – Bulletins and Circulars issued by the Local Government Association together with guidance and consultation documents from the Department for Communities and Local Government are available to all Pension Fund Officers and Staff for information. In addition, periodic in-house procedural guidance, procedure notes and technical explanations are provided, as required.
- 6.3 Intranet and Internet – All staff have been enabled to use the corporate network in order to access both the Powys Intranet and the internet.
- 6.4 E-mails – All staff have access to email facilities.
- 6.5 Pension Fund Manager – The Pension Fund Manager maintains an open-door policy and attempts to make himself available to all staff at all times.

7. Other Stakeholders

- 7.1 All Wales Pension Officers' Group – Pension Officers from the 8 administering authorities in Wales meet regularly in order to ensure

uniform interpretation of the LGPS and other associated regulations. The group's views are passed up to the national level via the Local Government Pensions Committee's Technical Group Meetings (an arm of the Local Government Association) that are held quarterly.

- 7.2 All Wales Communications Group – Pensions Officers from the 8 administering authorities in Wales meet periodically in order to devise, develop and promote the use of common Scheme literature.
- 7.3 CLASS Group – As a user of the Altair Pensions Administration System, the Pension Fund is a member of the local authority CLASS Group and attends both regional user groups and national meetings.
- 7.4 National Fraud Initiative – The Pension Fund has participated in the National Fraud Initiative since 1998 and continues to do so. This has helped to avoid the overpayment of pension benefits to both deceased and re-employed pensioners.
- 7.5 Taxpayers and the General Public – all the principal Pension Fund documents including the Annual Report & Accounts, Actuarial Valuation Reports, Statement of Investment Principles, Funding Strategy Statement, Governance Policy & Compliance Statement and this Statement, are available to the public via the Pension Fund's website at www.powyspensionfund.org or on request.

8. Contacts

- 8.1 Any questions, queries or observations on this Statement; or, on matters relating to the investment of the Powys Pension Fund; or, on the governance of the Pension Fund, should be addressed to:

Mr J Rollin
Pension Fund Manager
Powys County Council
County Hall
Llandrindod Wells
Powys LD1 5LG

Tel: 01597 827641

Email: joe.rollin@powys.gov.uk

- 8.2 Questions or queries concerning membership, benefits or information in respect of the Local Government Pension Scheme, should be directed to:

Mr C Hurst
Pensions Administration Manager
Powys County Council
County Hall
Llandrindod Wells
Powys LD1 5LG

Tel: 01597 827640

Email: chris.hurst@powys.gov.uk

- 8.3 All other enquiries should be addressed to:

The Pensions Section
Powys County Council
County Hall
Llandrindod Wells
Powys LD1 5LG

Email: pensions@powys.gov.uk

Annex 3

Performance Criteria - Joint Delivery to Members

Employer Service Information and Performance Standards – OPERATIONAL & FINANCIAL

Element	Employer	Target (working days)	The Fund	Target (working days)	Average % within target
Early leavers	To send completed leaver form.	30 days after month end in which left	Advise member of scheme benefits	Within 30 days of receipt of all data	
Retirement	To send completed leaver form	On or before retirement date	Pay benefits to member	Within 10 days of receipt of all data	
Death in service	To send completed leaver form	Within 5 days of being notified	Advise partner / children of benefits	Within 10 days of receiving all data	
Year End – data submission	Employer to supply electronic schedule of individual member contributions, pay and hours, in format specified by Fund	By 31 st May (ie within 8 weeks of year end)			
Year End – data queries	Respond to queries arising from reconciliation of year end data	Within 1 month of being raised			
Annual Benefit Statements – active members			Issue benefit statements where member records have been updated	By 31 st October each year	

Annual Benefit Statements – deferred members			Issue annual benefit statements to all deferred members for whom a current address is held	By 31st October each year	
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Annex 4

SERVICE CHARTER

OUR STANDARDS OF SERVICE TO MEMBERS

New Active Members

- **Membership Certificate**
We aim to issue a Membership Certificate to a new member within one month of receiving a completed notification from the Member's Employer.
- **Transfers In**
We aim to acknowledge the Member's request for transfer details and calculate the estimated benefits that a transfer value will buy and issue a quotation within 10 days of receiving details from the Member's previous scheme and any additional essential information required from HMRC. We aim to request payment of the transfer value within 5 days of receiving confirmation from the Member that the transfer is to proceed. We aim to confirm the actual benefits purchased by the transfer value within 10 days of receiving payment from the Member's previous scheme.

Existing Active Members

- **Annual Benefit Statement**
Provided pay details are received from employers promptly after the year end and provided we hold all of the relevant information, we will send each year an Annual Benefit Statement to each Member at their last known home address showing the estimated current value of their accrued benefits, the value of their prospective benefits at normal retirement age, the estimated current value of their death-in-service benefits and, the amount of Annual Allowance used by the change in benefit value since the previous year, for tax purposes..
- **Paying Extra Contributions**
We aim to provide information within 10 days of receiving a request from a Member wishing to pay extra contributions.
- **Retirements**
We aim to send details of the benefits payable and pay the member's tax-free cash lump-sum within 10 days of receiving all of the information required from the Member's Employer and/or the Member.
- **Deaths**
We aim to send details of the benefits payable within 10 days of receiving all of the information required from the late Member's employer and we will pay the lump-sum death grant within 10 days

of receiving Grant of Probate (or other appropriate documentation) or authorisation from two delegated officers.

- **Early Leavers**

We aim to send details of the benefit options available within 30 days of receiving all of the information required from the Employer.

- **Refunds**

We aim to pay a refund by the end of the month following receipt of the Member's formal request for payment.

- **Transfers Out**

We aim to issue a quotation, guaranteed for 3 months, within 10 days of receiving the Member's request and confirmation of the Member's contracted-out rights from Her Majesty's Revenue & Customs. We aim to pay a transfer value within five days of receiving confirmation from the Member that the transfer is to be made and all of the information we require to make payment.

Deferred Members

- **Annual Benefit Statement**

We aim to provide each deferred member (for whom we hold a valid current address) with a Benefit Statement annually, showing the current value of their preserved benefits.

- **Deferred Benefits into Payment**

Provided we hold an address which has been confirmed we will write to the Deferred Member setting out the benefit options, at least 30 days prior to the date benefits become payable.

PIC33- 2016

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Deddf Llywodraeth Leol 1972.

Document is Restricted

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

PIC34- 2016

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

Document is Restricted

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

PIC37- 2016

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee

11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: CEM Investment Costs Report

REPORT FOR: Information

1 Introduction

- 1.1 CEM were commissioned by the eight Welsh LGPS Funds to collect and analyse data in respect of the investment costs for each of the Funds to inform the process of developing a Welsh investment pool. CEM are also providing a similar service to the other LGPS Pools. The attached document sets out the analysis of the Powys Pension Fund's costs, for the three years ending 31st March 2015.

2 Report Basis

- 2.1 The report focuses on the Fund's individual circumstances and seeks to establish a benchmark cost based on the experience of approximately 400 pension funds around the world that give their data to CEM. The report is designed to compare costs with the benchmark that is an indicative cost for a fund of a similar size and asset mix to the Powys Pension Fund. The report also gives information on potential reasons why the Fund's costs vary from the benchmark.

3 Main Findings

- 3.1 The Fund's 2014 net return was 10.4% compared to the Universe median net return of 10.9%.
- 3.2 The Fund's 2014 net value added (comparison of returns net of costs between active and passive management) was -1.4% compared to the Universe median net value added of -0.1%. In other words, based on the Fund's asset mix, passive indexing would have provided a net return of 11.8%.
- 3.3 The Fund's asset risk was 9.1% compared to the Universe median of 9.0%.
- 3.4 The Fund's 2015/15 total investment cost amounted to 79.8bps compared to the Universe median of 49.2bps. However, differences in total costs may be due to differences in fund size or asset mix. Therefore, CEM has calculated a benchmark cost for a fund of the same size and asset mix as the Powys Pension Fund. This benchmark

cost is 90.6bps.

4. Recommendation

4.1 Committee is asked to note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the contents of the report.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	

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Deddf Llywodraeth Leol 1972.

Document is Restricted

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

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Deddf Llywodraeth Leol 1972.

Document is Restricted

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

PIC39- 2016

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee 11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Appointment of BlackRock – Wales Passive Pool

REPORT FOR: Information

1 Introduction

- 1.1 Following a joint procurement exercise in partnership with Aon Hewitt that concluded at the end of March, the 8 Welsh LGPS Pension Funds selected BlackRock to manage a £2.8B pooled index investment mandate, covering developed and emerging market equities, fixed income and smart beta indices.

2 Background and Outcomes

- 2.1 This collaborative effort was prompted by the government guidance on asset pooling, published in November 2015 and seeks to deliver cost efficiencies. Collective savings are expected to be up to £1.3M per annum. For the Powys Pension Fund savings on fees of circa £150k to £200k per annum are anticipated.

3 Recommendations

- 3.1 Committee is asked to note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the contents of the report.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	

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

PIC40- 2016

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee 11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Disinvestment from Permal

REPORT FOR: Information

1 Introduction

- 1.1 Following receipt of advice from Aon in February 2016 that they had downgraded Permal (formerly Fauchier Partners) to a 'Sell' rating, the Strategic Director of Resources in consultation with the Chair and Vice Chair took the decision to disinvest from this hedge fund mandate.

2 Downgrade Rationale

- 2.1 Aon's recommendation followed an earlier downgrade to 'Qualified' which was reported to Committee in February. The reasons for the further downgrading were that there have been a number of changes to staff in senior roles which has brought about uncertainty over the future management of Permal's Absolute Return Fund. There is also a future change in business structure due this year and there has been an asset decline in the fund which has led to concerns around the importance to Permal of the fund in general. These changes have developed over time and in combination have led to the downgrade.

3 Reallocation of Disinvested Funds

- 3.1 Disinvestment from Permal was completed on 31st May 2016 and the proceeds were added to the Fund's hedge fund mandate with GSAM, pending completion of the review of the Fund's wider hedge fund portfolio.

4. Recommendation

- 4.1 Committee is asked to note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the contents of the report.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy	N/A		

(ies):			
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	

PIC41- 2016

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee 11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Audit Report – Pension Fund Investment

REPORT FOR: Information

1 Introduction

- 1.1 The Council's Internal Audit Service undertook an audit of the Pension Fund's processes and procedures in relation to the investment of assets, which was completed in April 2016.

2 Summary of Findings

- 2.1 The governance framework of the Pension Fund was found to be adequate and in accordance with the regulations.
- 2.2 There is a lack of documented internal procedures for investment administration in relation to Pension Fund assets.
- 2.3 Financial control of the Pension Fund and the management systems in place were found to be both adequate and effective.

3 Agreed Actions

- 3.1 To review and document the internal procedures used in the administration of asset investment, to improve assurance and to ensure that statutory requirements and best practice standards continue to be met.
- 3.2 Complete and implement training plans for Committee and Board members.

4 Recommendations

- 4.1 Committee is asked to receive the Audit Report and note the contents of this Committee report.

Recommendation:	Reason for Recommendation:
To receive the Audit Report.	As per report
Person(s) To Action Decision:	

Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	

Powys County Council INTERNAL AUDIT REPORT



Pension Fund Investment

Report Date 6 April 2016

Report Status Final



1. INTRODUCTION

- 1.1 Powys County Council is the administrative Authority for the Local Government Pension Scheme. Its members are Powys County Council, Resolution Bodies, and admission bodies. The Pension Fund is regulated by the Local Government Pension Scheme. It has £500m of Investments that are managed by the Pension Fund Manager and Finance staff.
- 1.2 There is a Pension and Investment Committee who are the decision making body (upon advice from Investment Consultants etc) and a Local Pension Board who provides oversight.
- 1.3 The Pension Fund employs an Investment Consultant and Investment Managers who have delegated authority to manage the funds.

2. EXECUTIVE SUMMARY

- 2.1 It is noted that the management and investment of the Pension Fund is regulated by the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 [as amended]. These regulations are scheduled to be replaced in 2016 to include pooling between LGPS Funds.
- 2.2 The framework and process over the Pension Fund was found to be adequate. However, it was noted that the fund administration relies on external regulation and policy, and has no internal procedures. It was also noted that the Local Pension Board members have received some training to date, although this has been limited, and more training is planned.
- 2.3 There is adequate corporate governance arrangements that are in compliance with the Regulations.
- 2.4 It is recognised that the Pension Fund complies with statutory requirements
- 2.5 There is a recognition that employer members of the fund are liable as it is statutory in nature. However, it is noted there are safeguards in place to mitigate this risk.
- 2.6 The financial control over the LGPS was found to be adequate.
- 2.7 There is effective independent assurance systems over the management of the Pension Fund.


3. AUDIT OPINION


3.1 The assessment on the level of assurance in the internal control environment for your area is:



Internal controls were in place and operating effectively. Any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process. Risks against the achievement of objectives are well managed.

4. CONTROL ASSESSMENT & AGREED ACTIONS

4.1	<p>Control Area: Framework and Process</p> <p>There is an adequate framework and process to manage pension investments:</p> <p>Policies and Procedures Risk Management Training and Understanding Internal Control arrangements</p>	<p>High Risk</p>
<p>Key Findings:</p> <p>There are high level Policies as required by the Local Government Pension Scheme Regulations such as the Funding Strategy Statement and the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 that define statutory limits. However, there are no internal procedures.</p> <p>The Pension Fund Manager has identified the risks relating to pension investment. It is noted the Risk Register is adequate and has been subject to approval and review by the Pension and Investment Committee and the Local Pension Board.</p> <p>The Pensions Fund Manager is a Chartered Member of Pensions Management with 30 years' experience, and subject to CPD.</p> <p>There is evidence that members of the Pensions and Investment Committee receive training.</p> <p>There is a training framework and an assessment of training for the Local Pension Board, and this is being implemented. It is noted the Board has been established since July 2015 and training has only just been planned. The February 2016 meeting of the Pension and Investment Committee decided to undertake joint training.</p> <p>The Authority employs Investment Consultants to advise on investment decisions that are approved by the Pensions and Investment Committee, or if out of Committee by consultation with Chair and Vice Chair and Strategic Director of Resources. If approved the funds are transferred through Finance, using the delegation of authority. The Investment Managers will action any appropriate decisions.</p>		<p>Moderate Control</p>
4.1A	<p>Weakness:</p> <p>There are no internal procedures that summaries and cross reference to Regulatory requirements and detail Council procedures.</p>	
<p>Agreed Action:</p>		<p><u>When & by Whom</u></p>

	Will be reviewed by Pension Fund Manager	Pensions Fund Manager 30.09.16
4.1B	<p>Weakness:</p> <p>The training for the Local Pension Board, that was established in July 2015 has not been provided to date, but is planned. It is noted joint planning will take place for Local Pension Board and Pension and Investment Committee.</p>	
	<p>Agreed Action:</p> <p>Complete and implement training plans for members of both Pensions & Investment Committee and the Pension Board</p>	<p><u>When & by Whom</u></p> <p>Pension Fund Manager 30.06.16</p>

4.2	<p>Control Area: Corporate Governance</p> <p>There is adequate Corporate Governance arrangements.</p>	<p>High Risk</p>
<p>Key Findings:</p> <p>The Pension and Investment Committee are charged with the responsibility of making pension investment decisions, monitoring investments etc. The Committee meets quarterly. If decisions are needed out of Committee, the Chair and Vice Chair on advice from the Strategic Director of Resources make the decision. This is reported to the Pension & Investment Committee.</p> <p>The Local Pension Board has been established in compliance with the Regulations in July 2015 to oversee the Scheme. Minutes indicate that they provide effective review.</p>		<p>Effective Control</p>

4.3	<p>Control Area: Statutory Requirements</p> <p>The pension fund investment complies with statutory requirements and Council Policy.</p>	<p>High Risk</p>
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<p>Key Findings:</p> <p>The Fund was established and maintains all the requirements of the Regulator. These being:</p> <p>Statement of Investment Principles- July 2014 Funding Strategy Statement 2015</p> <p>These are due to be revised after the 2016 Triennial Review.</p>	<p>Effective Control</p>
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<p>4.4</p>	<p>Control Area: Financial Obligations</p> <p>The Pension Fund is able to meet its financial obligations and its assets are safeguarded from loss.</p>	<p>High Risk</p>
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<p>Key Findings:</p> <p>It is noted that as the Local Government Pension Scheme is a Statutory Scheme and Powys County Council is the administering authority it has a legal obligation to pay pensioners as they fall due. The scheme has three types of members:</p> <ul style="list-style-type: none"> • Powys County Council • Resolution Bodies- admitted by resolution of the Pension and Investment Committee (e.g. Town and Community Councils) • Admission Bodies- Staff whose jobs were outsourced (e.g. Freedom Leisure). <p>The deficits liability is shared between the members. Ultimately the Authority tax payers will bear the cost.</p> <p>The assets are safeguarded by the:</p> <ul style="list-style-type: none"> • Prudent allocation of Investments in the market to spread the risk in compliance with Regulation. • Effective monitoring against benchmarks and targets that may result in changes to Investments, Advisers etc. • Effective corporate governance and scrutiny. 	<p>Effective Control</p>
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4.5	<p>Control Area: Transfer of Funds</p> <p>The transfer of funds to the Pension Fund Managers is conducted in a prudent and controlled manner.</p>	<p>High Risk</p>
<p>Key Findings:</p> <p>There is no transfers to the Investment Fund as the contributions received are used for pension payments and administrative expenses.</p> <p>Pension contributions are paid by Fund Employers on the basis of the Triennial Review 2013. There is a spreadsheet that records payments received from a statement sent from the Fund Employer. If there are minor errors these are resolved at year end.</p> <p>Fund Employers provide a statement of contributions that include pensionable pay. It is noted that the pensionable pay for the month is not independently verified, and reliance is placed on the Fund Employer to provide accurate figures. As a consequence if contributions are not accurate the deficit may increase.</p> <p>It is also noted that employee’s contribution cannot be easily verified due to the banding structure of the payments.</p> <p>The Pensions Fund Manager stated that it is a responsibility of the employer to ensure that they identify pensionable pay and deduct the correct contributions. However, on receipt of end-of-year data the Pensions Admin Team tests the voracity of contributions deducted for each member against broad parameters including previous year.</p>		<p>Effective Control</p>

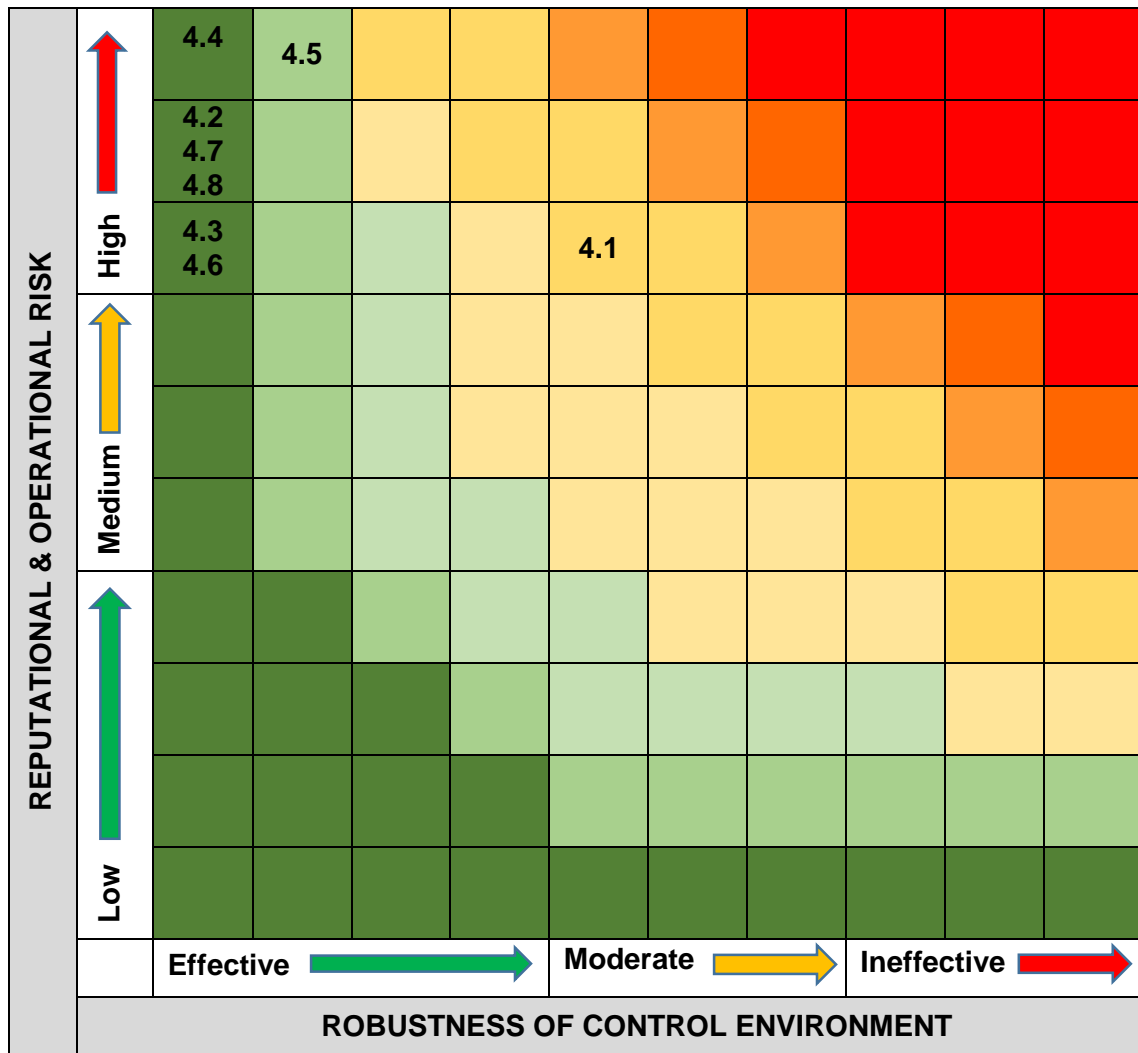
4.6	<p>Control Area: Management Information & Monitoring</p> <p>Appropriate management information, comparables, and performance measures are in place that are subject to adequate monitoring and reporting.</p>	<p>High Risk</p>
<p>Key Findings:</p> <p>The Local Pensions Board is a body required by Regulation to provide oversight over the Pension Fund and make recommendations to the Pensions and Investment Committee who are the decision making body. Both bodies receive management information that includes quarterly reports on investment from the Investment Consultant. It was found to be adequate.</p>		<p>Effective Control</p>

4.7	<p>Control Area: Financial Ledger</p> <p>The Pension Fund's activity is accurately recorded in the Financial Ledger.</p>	<p>High Risk</p>
<p>Key Findings:</p> <p>The LGPS has a cost centre within E- Fin. There is a bank reconciliation conducted monthly. The reconciliation for January 2016 was reviewed in detail, and verification was carried out that 2015-16 reconciliations had been conducted.</p> <p>The reconciliation is signed by the Assistant Finance Business Partner/Technical Accountancy Assistant who prepares the reconciliation and this is reviewed and signed by the Financial Reporting & Policy Accountant.</p>		<p>Effective Control</p>

4.8	<p>Control Area: Independent Assurance</p> <p>There is adequate independent assurance from third parties.</p>	<p>High Risk</p>
<p>Key Findings:</p> <p>The following assurances are provided:</p> <ul style="list-style-type: none"> • Actuarial Review The triennial review is due in 2016 that provides the Pension Management with an opinion of the value of the fund and surplus/deficit etc. • Welsh Audit Office An annual opinion is given on the accounts of the pension fund. There were no adverse comments. • Investment Consultant The Pension Investment Management appoint Consultants to advice on Investments. They report quarterly or when deemed necessary. • There is an independent chair of the Pension Board. 		<p>Effective Control</p>

5. HEAT MAP

5.1 The heat map below gives a graphical representation of the control environment for your service in relation to the associated risk. Each control assessment is plotted against a RAG (red, amber, green) framework to give an understanding of importance.



6. ADDITIONAL SUPPORTING INFORMATION

6.1– Testing Data/tables if required

7. DISTRIBUTION LIST

7.1 The report has been distributed to the following clients:

Dan Paley	Financial Reporting & Policy Accountant
Joe Rollin	Pension Investment Manager
Jane Thomas	Professional Lead Finance (Resources) -
Jason Lewis	Head of Service- Professional Services
David Powell	Strategic Director - Resources (Resources)

8. KEY DATES

Fieldwork Completed	22 March 2016
Draft Report	29 March 2016
Receipt of formal response	31 March 2016
Final Report	6 April 2016

9. REPORT STATUS

9.1 This report has been prepared for the internal use of the Powys County Council and its contents are restricted. The work involved in the production of this audit report complies with the principles outlined in Public Sector Internal Audit Standards in the United Kingdom.

10. CONTACTS

10.1 The following audit staff have been involved throughout the various stages of this review. Please do not hesitate to contact them if you have any queries relating to the contents of the report.

Stages	Name	Designation	Telephone & Email
Fieldwork and Reporting	John Owens	Senior Auditor (Contractor)	
Scope and Quality Review	Julie Rees	Principal Auditor	01597 82 6889 julie.rees@powys.gov.uk
Management	Ian Halstead	Internal Audit Manager	01597 82 6821 ian.halstead@powys.gov.uk

11. OTHER USEFUL INFORMATION

Audit Report - Overall Assurance Opinions

The table below is a defined set of assurance ratings that demonstrate a clear link between the number and priority of the agreed actions and the overall opinion issued.

Opinion	Basis Guide	Definition
SUBSTANTIAL ASSURANCE	No or a few low priority actions.	Internal controls were in place and operating effectively. Any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process. Risks against the achievement of objectives are well managed.
REASONABLE ASSURANCE	One or more medium priority recommendations.	Generally risks were well managed, but some systems require the introduction or improvement of internal controls to ensure effective service delivery. However, if not addressed the weaknesses could increase the likelihood of strategic / service risks occurring.
LIMITED ASSURANCE	One or more high priority recommendations, or a high number of medium priority recommendations that taken cumulatively suggest a weak control environment.	Some key risks were not well managed and systems require the introduction or improvement of internal controls to ensure effective service delivery. There are weaknesses identified that have a significant impact preventing the achievement of strategic aims and/or objectives, or result in a significant exposure to reputational or other risk areas.
LOW ASSURANCE	One or more high priority recommendations and fundamental design or operational weaknesses in more than one part of the area under review.	The areas reviewed were found to be inadequately controlled. Risks were not well managed and systems require the introduction or improvement of internal controls. The weaknesses identified have a fundamental and immediate impact in preventing achievement of strategic aims and/or objectives, or result in an unacceptable exposure to reputational or other risks.

Explanation of Control Assessment Ratings

A risk-based approach is used to assess the control environment. Firstly, the auditor must make a judgement on the risk level that is inherent with each part of the operation. A guide to the risk levels are below.

HIGH RISK - Area is critical or essential to the operation of the service.

MEDIUM RISK - Area is important, but not essential to the operation of the service.

LOW RISK- Area does not affect the ability to delivery services, but may be desirable to aid the management of the Service

Secondly, the auditor will carry out audit fieldwork to identify the prescribed control, the actual control and undertake audit testing to evaluate whether the control is operating effectively. Finally, the auditor will offer an assessment of that control area based on the evidence collected. The potential outcomes are:

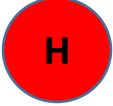


INEFFECTIVE CONTROL - Fundamental failure of key controls that represent a chance of seriously impacting the ability to deliver objectives or result in significant financial loss, fraud or reputational damage

MODERATE CONTROL – Some key controls exist, but there may be some important omissions or inconsistent application. Failure may affect the ability to deliver efficient and effective services, but not critically. Some risk of financial loss, fraud and reputational damage.

EFFECTIVE CONTROL - Key controls exist that are consistently and effectively applied to aid the delivery of business objectives.

Agreed Actions – Priority Ratings

The table below is a defined set of priority ratings that demonstrates the significance of the weaknesses identified and the impact that risk may have if it is not addressed.

Priority	Definition
	<p>High priority - A significant weakness in the system or process which is putting the Council at serious risk of not achieving its strategic aims and objectives. In particular: significant adverse impact on reputation; non-compliance with key statutory requirements; or substantially raising the likelihood that a strategic risks will occur. Recommendations in this category require immediate attention.</p>
	<p>Medium priority - A potentially significant or moderate level weakness in the system or process which could put the Council at risk of not achieving its strategic aims and objectives. The issue could potentially have an adverse impact on the Council’s reputation or increase the likelihood of strategic risks occurring, if not addressed.</p>
	<p>Low priority - Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the Council’s strategic aims and objectives. These are generally issues of good practice that we consider would achieve better outcomes.</p>

Statement of Responsibility

The matters raised were only those which came to our attention during the course of our internal audit work and were not necessarily a comprehensive statement of all weaknesses that exist. The responsibility for a sound system of internal control and the prevention and detection of fraud rest with Management. Effective and timely implementation of the agreed actions is important for the maintenance of reliable control systems.

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

PIC42- 2016

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee

11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Draft Local Government Pension Scheme
(Amendments) Regulations 2016 - Consultation

REPORT FOR: Information

1 Introduction

- 1.1 On 20th May 2016 the Department for Communities and Local Government (“DCLG”) issued the Draft Local Government Pension Scheme (Amendment) Regulations 2016 for consultation. These draft regulations propose amendments to the Local Government Pension Scheme Regulations 2013 and, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. Consultation responses must be submitted by 20th August 2016.

2 Background

- 2.1 The provisions contained in the draft regulations take into account the day-to-day experience of applying the 2013 Regulations since 1st April 2014 where areas of clarification have been sought or where a change of approach has been requested. In addition, recent Government policies have been addressed such as Freedom and Choice in Pensions and the reformed way of delivering the Fair Deal policy.

3 Proposed Amendments to the Local Government Pension Scheme Regulations 2013

- 3.1 There are a number of proposed amendments, many of which are simply corrective or consequential and are not detailed in this report. The following proposals are of a substantive nature.
- 3.2 Fair Deal
Fair Deal for Staff Pensions sets out how pension issues are to be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services. The Government announced in December 2011 that the Fair Deal policy, introduced in 1999, was to be retained but delivered in a different way. Staff transferring from the public sector will have continued access to their public service pension scheme rather than being offered a broadly comparable private pension scheme, as was previously the case.

The Treasury published its revised guidance, Fair Deal for Staff Pensions: staff transfers from central Government, in October 2013. It covers central Government departments and their agencies, the NHS, schools that are not local authority maintained, academies, and any other parts of the public sector under the control of Ministers where staff are eligible to be members of a public service pension scheme.

In local government in Wales, The Welsh Authorities Staff Transfers (Pensions) Direction 2012 sets out the current level of pension protection for employees of Welsh county and county borough councils where the provision of services are contracted out, and staff transferred under TUPE to an independent provider. The Direction ensures that employees have the right to acquire pension benefits that are the same as or count as being broadly comparable to or better than those that they had as employees of the authority. It is now proposed that the 2013 Regulations will contain provisions to permit all transferring members to remain in the Scheme. At this stage, it is unclear whether the Direction will be revoked by Welsh Government (as it is proposed will happen in England), although the proposed amendment to the Scheme would render the Direction as redundant.

- 3.3 Publishing Lists of Members Participating in the Scheme
Section 25(5) of the Public Service Pensions Act 2013, requires the publication of a list of persons to whom the Scheme relates and the list must be kept up to date. This does not require publication of the names of individual members of the Scheme but would be a list of the determinations that have been made under that section (that is to say admission agreements entered into). The draft Regulations delegate the obligations to publish this list to the relevant administering authority and away from the Secretary of State.

It is noted that this proposal will require the Fund to include such a list within the Pension Fund's Annual Report.

- 3.4 Additional Voluntary Contributions
In order to meet the aims of the Government's pension reform 'Freedom and Choice in Pensions', it is proposed to set out a new suite of options for accessing benefits accrued through the Fund's additional voluntary contribution arrangements. A member who has accrued benefits under these arrangements may, depending on when they access those benefits, use them for one or more lump sums, to purchase additional pension, to purchase an annuity, or transfer the benefits into another appropriate pension arrangement.
- 3.5 Assumed Pensionable Pay
The current method of calculating assumed pensionable pay can produce anomalous results for a member whose pay varies over time. The amount of ill health pension payable to a member, or the amount of death grant payable to their survivor, is currently dependant on how much pay they received in the 12 weeks or 3 months before their death or illness. In some cases, where the member's pay was relatively high

in that period then the value of the benefit to be paid will be inappropriately high but, in other cases, including those where the member was not in receipt of pay or on reduced pay due to any of the specified absences, the benefits due to them will be inappropriately low and potentially nil. Therefore, it is proposed to allow the employer the discretion to use a different pensionable pay figure that more closely reflects the normal pay of the member over longer periods of time, resulting in a more equitable rate of ill health pensions and death grant.

3.6 Pension Accounts Aggregation

Currently, when a member with a deferred pension account becomes an active member again, the two accounts are automatically aggregated and the member has 12 months to opt to separate the former deferred account from the new active account. This has proved to be complex to administer and to allocate earned pension into the correct tax year as the 12 month option period can mean decisions are made outside specific tax years. To remedy the position, it is proposed that an amendment is made to give the member the option to aggregate their deferred and active pension accounts within 12 months of becoming an active member. This prevents situations occurring where automatically aggregated pensions accounts have to be disaggregated and follows the policy in the 2008 Scheme which worked more smoothly.

3.7 Retirement Benefits

Currently, regulation 30(7)(b) has the unintended consequence of requiring that a member with both deferred and active pensions accounts has to take benefits relating to both accounts where employment is terminated due to redundancy or business efficiency and the member is required to take retirement benefits because they are aged over 55. It is proposed to amend this requirement so that the member is required to take only benefits from the active pension account in those circumstances.

3.8 Return of Exit Surpluses

It is proposed to allow for exit surpluses to be paid to employers that no longer have active members in a pension fund which was not previously provided for. This will give more flexibility for the Fund to manage liabilities when employers leave the Scheme.

However, it is noted that this amendment would require the Council to review its current policy in respect of the funding of accrued pension rights of staff transferred from the Council to other service providers.

4 Proposed Amendments to the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

4.1 Membership Before 1st April 2014

It is proposed to remove the need for an employer or former employer to give their consent when a member aged between 55 and 60 wishes to have early payment of benefits under Regulations 30(2) [early

payment of deferred benefits for deferred members] and 30A (3) [early payment of deferred benefits for pensioner members] of the 2007 Benefits Regulations. As these benefits will be reduced there is no cost to the employer, and the proposal gives the member more options about how to access their benefits which is in line with the Government's Freedom and Choice in Pensions policy.

5 Recommendation

- 5.1 Committee is asked to note the contents of this report and to approve the attached draft consultation response.

Recommendation:		Reason for Recommendation:	
To note the contents of the report.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	

Mark Evans (Chartered MCIPD)
Pennaeth Gwasanaethau Busnes
Head of Business Services

Powys Pension Fund
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Powys.
LD1 5LG

Vincent Kidell
Workforce, Pay and Pensions
Department for Communities and Local Government
SE Quarter Fry Building
2 Marsham Street
London SW1p 2DF

If calling please ask for / Os yn galw gofynnwch am

Joe Rollin

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Fax / Ffacs: 01597 - 826290

Website: www.powyspensionfund.org

Email /Ebost: joe.rollin@powys.gov.uk

Your ref / Eich cyf:

Our ref / Ein cyf: BS/PEN/JR

Date / Dyddiad: 11th July 2016

Dear Sirs

LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT)
REGULATIONS 2016
CONSULTATION RESPONSE

I refer to the consultation documents issued on 20th May and hereby submit the formal response of the Powys Pension Fund, as set out below.

The 'Fair Deal' Proposals

The simplification that these proposals set out – removal of the 'broadly comparable' option and the creation of a specific and explicit category of LGPS member, a protected transferee, is welcomed and supported.

However, clarity is needed in relation to the position of local authorities in Wales. The Welsh Authorities Staff Transfers (Pensions) Direction 2012 [the equivalent of the 2007 Direction that covers English local authorities and English and Welsh police authorities] sets out the current level of pension protection for employees of Welsh county and county borough councils where the provision of services are contracted out, and staff transferred.

It is unclear if it is intended that the proposed amendment to the LGPS would override, and indeed negate the need for, a specific Direction from the Wales Assembly Government; or, as local government is a devolved matter, whether a further Direction would be required from WAG before this amendment could be applied by Welsh local authorities.

It is also noted that a "protected transferee" will include not just employees of core LGPS employers, such as local authorities, but also employees of the majority of other LGPS employers, including existing admission bodies. These non-local authorities are currently not covered by the 2012 Welsh

Direction. Indeed many are not covered by New Fair Deal or the Best Value Direction either.

Similarly, any sub-contracting by an employer of a protected transferee will trigger the new provisions. Employees of certain LGPS employers which are outside the scope of New Fair Deal (including higher and further education institutions and Police and Crime Commissioners) will not be covered by the new provisions, as they are currently drafted.

Draft Regulation 6 – Temporary Reduction in Contributions

Supported.

Draft Regulation 7 – Contributions During Absence

Supported.

Draft Regulations 8 and 9 – Additional Voluntary Contributions

Supported.

Draft Regulation 10 – Assumed Pensionable Pay

Supported.

Draft Regulation 11 – Pension Accounts

Supported.

Draft Regulation 12 – Retirement Benefits

Supported.

Draft Regulation 13 – Election for Lump Sum Instead of Pension

Supported.

Draft Regulation 14 – Survivor Benefits

Supported.

Draft Regulation 15 – Special Circumstances Where Revised Actuarial Valuations and Certificates Must Be Obtained

Supported in principle with the following caveat.

This amendment needs to be capable of being limited or disapplied in respect of arrangements already entered into by administering authorities and Scheme employers prior to the commencement date. This is because LGPS

stakeholders will have entered into funding arrangements agreed on the basis of the Scheme regulations extant at the time of the agreement.

An example would be where it has been determined to fund accrued liabilities of employees transferred to a third party under a service contract, where the third party has become an admitted body to the LGPS or is a designation body, by a notional transfer of pension fund assets to the third party in respect of pre-transfer accruals so that from the start of the service contract the third party inherits no fund deficit. In such an arrangement were the third party suddenly and unexpectedly to find that it has no active members (where 'closed' admission agreements are used this is perfectly possible), the third party would have a right to an exit credit even though this was never intended as, at the date of transfer, as the Scheme regulations did not provide for it.

Draft Regulation 16 – Employer's Further Payments

Supported.

Draft Regulations 17 and 18 – Rights to Payments Out of the Pension Fund, and Inward Transfers of Pension Rights

Supported.

Draft Regulation 19 – Effect of Acceptance of a Transfer Value

Supported.

Draft Regulation 20 - Interpretation

Supported.

Draft Regulation 21 – Scheme Employers

Supported.

Draft Regulation 22 – Pension Funds

Supported.

Draft Regulation 24 – Membership Before 1st April 2014

Supported.

Paragraph 23 – Possible Removal of the Need for Employer's Consent for Members Wishing to Access LGPS Benefits Accrued Before 2008, on Attainment of Age 55

Supported in principle.

Paragraph 24 – Proposed Amendment to Regulation 3

Supported.

Draft Regulation 25 - Transfers

Supported.

Draft Regulation 26 – Interfund Adjustments etc.

Supported.

Draft Regulations 27 - Contributions

Supported.

Draft Regulation 28 – Additional Contributions

Supported.

Draft Regulation 29 – Rule of 85

Supported.

Draft Regulation 30 – Transitional Provisions

Supported.

Finally, I can confirm that the Powys Pension Fund is content for this response to be published as part of the wider consultation process.

yours faithfully

County Councillor A G Thomas
Chair, Powys Pension Fund

PIC43- 2016

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee 11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Mencap

REPORT FOR: Information

1 Introduction

- 1.1 Committee are advised that the last remaining active member of the LGPS employed by Mencap has now retired.

2 Background

- 2.1 Mencap entered into an admission agreement with the Pension Fund to protect the pension rights of staff who were transferred from the County Council to Mencap, in 1998.
- 2.2 The admission agreement was a closed agreement, applying only to those staff transferred from the County Council – it does not allow employees recruited after the transfer from the County Council to participate in the LGPS.

3 Cessation

- 3.1 On the retirement of the last active member, the admission agreement ceases and Mencap is no longer an employer participating in the Pension Fund.
- 3.2 Regulation 64(2) of the Local Government Pension Scheme Regulations 2013 requires that in these circumstances the Pension Fund obtains a cessation valuation in respect of the exiting employer.

4 Valuation Results

- 4.1 The Pension Fund actuary has now provided the results of the cessation valuation, which showed that the assets held in the Fund for Mencap are equal to the future liabilities – i.e. that there is no surplus nor deficit.
- 4.2 Therefore, Mencap has been advised that there are no further contributions required to be paid to the Powys Pension Fund.

5 Recommendations

5.1 Committee is asked to note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the contents of the report.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	

PIC44- 2016

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee

11th July 2016

REPORT BY: Strategic Director of Resources

SUBJECT: Budget 2016

REPORT FOR: Information

1 Introduction

- 1.1 The Chancellor of the Exchequer delivered the 2016 Budget on 16th March. The Government had previously indicated that the Budget was to have included an announcement on the outcome of its consultation on pensions tax relief, but it has published only a summary of the responses that it received. There are no further changes to the lifetime or annual allowances other than the previously announced changes such as the reduction in the lifetime allowance to £1M from 6th April 2016. The measures affecting pension schemes are summarised below.

2 Public Sector Pensions

- 2.1 The Government has reviewed the discount rate used to set employer contributions paid for unfunded public service pension schemes (such as Teachers and NHS). The most significant impact of this change is that employers will pay higher contributions to unfunded schemes with effect from April 2019.
- 2.2 The impact of this review on the LGPS is less clear. There is a potential issue in relation to the cost management process. On the face of it, this would appear to affect the assessed costs of the public service pension schemes, feeding through into the cost management process, increasing the assessed cost of the LGPS. At this time, further clarification from both HM Treasury and the Government Actuary's Department is needed and the matter is being investigated further by the LGA.

3 British Wealth Funds

- 3.1 In relation to investment, the Budget Report states that "The government has received ambitious proposals from Local Government Pension Scheme administering authorities to establish a small number of British Wealth Funds across the country by combining their assets into much larger investment pools. These pools will deliver annual savings of at least £200-300 million, and we will work with

administering authorities to establish a new Local Government Pension Scheme infrastructure investment platform, in line with their proposals, to boost infrastructure investment.”

- 3.2 At time of writing, further clarification on this matter is awaited from DCLG on how it may be taken forward.

4 Academy Conversions

- 4.1 Whilst not a pensions issue, is likely to impact on the operation of the LGPS in England. An initial operational impact is simply the potential creation of approximately 15,500 additional employers participating in the LGPS in England, which will have resource implications for administration of the Funds concerned.
- 4.2 In addition, to the extent that academy conversions move active (contributing) LGPS member liabilities from the local education authority to the academy he host council’s own liability profile will progressively mature. This could have a range of implications for funding and investment strategy dependent on the degree of impact on each council and the current strategies in place.

5. NI Contributions on Exit Payments

- 5.1 Employer national insurance contributions will be payable on exit payments over £30,000 from April 2018. It is expected that this will include redundancy and lump sum severance compensation payments.

6 Recommendations

- 6.1 Committee is asked to note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note the contents of the report.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
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Relevant Portfolio Member(s):	Councillor Wynne Jones
Relevant Local Member(s):	

PIC45- 2016

POWYS PENSIONS BOARD

Held at County Hall, Llandrindod Wells

on 4th March 2016

PRESENT:

Gerard Moore (Chair)

Mick Hutchison (Member Representative)

Geoff Petty (Employers Representative)

Joe Rollin (Secretary to the Board)

		Action
1.	Apologies John Byrne (Member Representative), Wayne Thomas (Employer Representative). The Board extended best wishes to John Byrne who was recovering from an operation.	
2.	Declarations of Interest None.	
3.	Minutes of Board held 27th November 2015 The minutes of the meeting held on 27 th November 2015 were agreed as a correct record.	
4.	Matters Arising	
4a)	Actuarial Fees Arising From Outsourcing of Council Services The Board noted that following discussions with the Council's Strategic Director of Resources, it was agreed that at the next opportunity, appropriate budget provision would be made to enable actuarial fees arising from commissioning projects to be funded directly by the Council rather than being recharged to the Pension Fund.	
4b)	Quarterly Investment Update – Aon fee discount Dealt with under item 11 below.	

4c)	<p>Quarterly Investment Update – Investment Managers’ Target Review</p> <p>The Board was advised each investment manager set their own performance target and therefore the Pension Fund was not able to change the actual performance targets. This led the Board to question whether targets were realistic because a number of managers were performing well against the benchmark but falling short of the targets.</p> <p>The Secretary agreed to discuss this with the Fund’s advisers Aon Hewitt with a view to asking them to attend the Board to explain.</p>	Secretary
4d)	<p>Training on Stock Lending</p> <p>The Chair offered to provide training to the Board.</p>	
4g)	<p>Procedure for Reporting Breaches</p> <p>The Board was advised that an electronic register had been created for recording breaches of the law, including those of a minor (non-material) nature that would not be reportable to the Pensions Regulator.</p>	
5.	<p>Minutes of Board held on 22nd January 2016</p> <p>The minutes of the meeting held on 22nd January 2016 were agreed as a correct record.</p>	
6.	<p>Matters Arising</p>	
6a)	<p>List of Fund policy documents</p> <p>The Board received a list of Pension Fund policy documents that were available on request from the Secretary or from the Fund’s website.</p>	
6b)	<p>TPR Code 14, paragraph 46 – List of key Fund documents</p> <p>The Board received a list of key Pension Fund documents that were available on request from the Secretary or from the Fund’s website.</p>	
6c)	<p>Publication of Board meeting dates and agendas</p> <p>The Secretary confirmed that the Board’s agendas and minutes were available on the Fund’s website.</p>	

6d)	<p>Audit of payroll data</p> <p>The Board received the Internal Audit report of Payroll noting that the overall opinion of Reasonable Assurance. The Board noted that a number of high risks identified were outside of the Board's remit.</p>	
6e)	<p>Payroll end of year extract – procedure outline from systems Officers</p> <p>Megan Price, the Pensions Support Manager and Jo Tasker, Team Leader Systems, attended to give an outline of procedures for the end of year reconciliation and answered questions from members. They advised the Board that their priority was the production of the year-end report. Once that was complete they would start work on monthly records for each member of staff setting out their salaries, contributions and employers contributions that could be accessed online. They confirmed that they did not have any issues with receiving data from other employers, and confirmed that there would be a sample checking regime to ensure accuracy.</p> <p>The Chair congratulated the officers for producing the annual benefits statement on time.</p>	
7.	<p>Risk Register</p> <p>The Board received the Risk Register which had been considered by the Pensions and Investment Committee at its last meeting. The Board noted that, although some risks had been assessed with medium and high probabilities and impacts, there were no high risks identified but accepted the scoring mechanism used. The Board noted that the potential for an investment manager going bust had not been identified in the Risk Register. Whilst pooling arrangements reduced the risk, the Board felt that this should be considered further.</p>	Secretary
8.	<p>Key Performance Indicators</p> <p>The Secretary advised the Board that the Pension Fund no longer participated in the CIPFA Benchmarking Club but was preparing to submit data for a cost comparison exercise for the Society of Welsh Treasurers. The exercise was looking for evidence of compliance on governance issues such as risk registers, the constitutions of Boards and Committees and the funding position of funds. The Board felt that it would be in the interests of the Fund to publish the administration costs per member to avoid criticism from the Scheme Advisory Board. This could be reported as a line in the Annual Statement of Accounts. The Secretary noted the Board's comments.</p>	Secretary

9.	<p>Board Report 2015/16</p> <p>The Chair outlined the points he would cover in the Board report. He would seek to avoid duplication with the Pension Fund annual report but would highlight issues raised by the Board and accepted by the Committee.</p> <p>He would aim to circulate a draft by email by 31 May for members to comment on.</p>	Chair
10.	<p>Confidential Matters</p> <p>Resolved to exclude the public for item 11 below on the grounds that there would be disclosure to them of exempt information of a commercially sensitive nature.</p>	
11.	<p>Minutes of Board held 27th November 2015 item 6 – Quarterly Investment Update – Aon fee discount</p> <p>The Board received details of the fee discounts negotiated by Aon Hewitt with investment managers.</p>	
12.	<p>Draft Minutes of Pensions & Investment Committee held 11th February 2016</p> <p>The Board received the draft minutes of the Pensions and Investment Committee meeting held on 11th February. The Chair asked for an amendment to the minute in relation to the declaration of interest he made at the meeting.</p>	
13.	<p>Investment Manager Appointment</p> <p>Board was advised that Carnegie Asset Management and Hosking Partners had been appointed to manage the Fund's active global equity portfolio.</p>	
14.	<p>Board Budget 2016/17</p> <p>The Secretary advised that the Section 151 Officer had approved the Board's budget. Members were asked to submit their claims as soon as possible.</p>	
15.	<p>Cessation of contracting out: Update</p> <p>The Secretary advised that no decision had been taken yet on working with other local authority partners.</p>	

16.	<p>Board Member Training (Standing Item)</p> <p>Members were asked to send their training needs analysis to the Secretary as soon as possible.</p>	
17.	<p>Date of Next Meeting</p> <p>The next meeting would be on 15th July. The Chair and Secretary would develop an outline work programme to bring to the next meeting.</p>	<p>Chair & Secretary</p>

Gerard Moore
Chair

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