

# Pecyn Dogfennau Cyhoeddus

## Bwrdd Pensiynau Powys

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Man Cyfarfod  
**By Teams**

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Dyddiad y Cyfarfod  
**Dydd Llun, 27 Mehefin 2022**

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Amser y Cyfarfod  
**10.00 am**

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



Neuadd Y Sir  
Llandrindod  
Powys  
LD1 5LG

Dyddiad Cyhoeddi

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

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### AGENDA

<b>1.</b>	<b>YMDDIHEURIADAU</b>
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Derbyn ymddiheuriadau am absenoldeb.

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

<b>3.</b>	<b>COFNODION Y BWRDD</b>
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Awdurdodi'r Cadeirydd i lofnodi cofnodion cyfarfod y Bwrdd a gynhaliwyd ar 1 Mawrth 2022 fel cofnod cywir.

([Tudalennau 1 - 4](#))

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

<b>5.</b>	<b>COFNODION Y PWYLLGOR PENSIYNAU A BUDDSODDIADAU</b>
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Nodi cofnodion drafft y Pwyllgor Pensiynau a Buddsoddi a gynhaliwyd ar 11 Mawrth 2022 a 17 Mehefin 2022.

(Tudalennau 5 - 12)

<b>6.</b>	<b>CODAU YMARFER TPR [RHEOLEIDDIWR PENSIYNAU]</b>
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Diweddariadau a wnaed o ran cydymffurfiaeth o'r Cod Ymarfer 14 TPR.  
(Tudalennau 13 - 22)

<b>7.</b>	<b>ADRODDIAD AR WEITHGAREDDAU GWEINYDDU (EITEM SEFYDLOG)</b>
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Ystyried yr adroddiad.  
(Tudalennau 23 - 24)

<b>8.</b>	<b>DEDDFWRIAETH NEWYDD A DIWEDDARIAD LLYWODRAETHU</b>
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Nodi'r adroddiad.  
(Tudalennau 25 - 34)

<b>9.</b>	<b>DIWEDDARIAD AR LYWODRAETHU DA</b>
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Ystyried yr adroddiad.  
(Tudalennau 35 - 62)

<b>10.</b>	<b>ADOLYGU'R GOFRESTR RISGIAU (EITEMAU SEFYDLOG)</b>
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Ystyried yr adroddiadau.  
(Tudalennau 63 - 68)

<b>11.</b>	<b>EITEMAU SEFYDLOG HEB ANGEN UNRHYW DIWEDDARIADAU</b>
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- a. Cofrestr o Dorgyfraith – dogen wedi'i hatodi
- b. Adroddiadau Archwilio
- c. Rhestr o Gyfathrebiadau'r Bwrdd – dogfen wedi'i hatodi
- d. Gweithdrefn Datrys Anghydfod Mewnol [IDRP]

(Tudalennau 69 - 72)

<b>12.</b>	<b>CYFRINACHOL</b>
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Mae angen i'r Bwrdd ystyried yn unol ag Adran 106 [8] Rheoliadau Cynllun Pensiwn Llywodraeth Leol [CPLIL] 2013 a yw'n mynd i'r agenda gyfrinachol gyda'r cyhoedd a'r wasg yn cael eu heithrio gan y gallai rhywfaint o'r wybodaeth ymwneud â materion ariannol neu fusnes person neu sefydliad penodol.

<b>13.</b>	<b>DIWEDDARIAD CADEIRYDD Y BWRDD PENSIYNAU</b>
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Derbyn adroddiad llafar

<b>14.</b>	<b>PARTNERIAETH PENSIWN CYMRU - DIWEDDARIAD AR GYFUNO BUDDSODDIADAU [EITEM SEFYDLOG]</b>
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Nodi'r adroddiad.

(Tudalennau 73 - 90)

<b>15.</b>	<b>BUDDSODDIAD CYFRIFOL</b>
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Nodi'r adroddiad.

(Tudalennau 91 - 94)

<b>16.</b>	<b>CYNLLUN BUSNES</b>
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Ystyried yr adroddiad.

(Tudalennau 95 - 110)

<b>17.</b>	<b>DIWEDDARIAD AR Y LLIF GWAITH</b>
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Nodi'r adroddiad.

(Tudalennau 111 - 116)

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

**MINUTES OF A MEETING OF THE POWYS PENSIONS BOARD HELD AT ON  
TUESDAY, 1 MARCH 2022**

**PRESENT**

Gerard Moore (Chair)

Nigel Brinn (Employers Representative)

Graham Evans (Employers Representative)

David Powell (Scheme Member Representative)

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

<b>1.</b>	<b>APOLOGIES</b>
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The Chair welcomed the Board to the reconvened meeting from 14 February 2022 which was not quorate. This reconvened meeting would confirm the previous discussions and seek agreement from the Board.

Apologies were received from John Byrne [Scheme Member Representative] and Wayne Thomas [Employer Representative].

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
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The Chair and David Powell advised they are Associates in The Chartered Institute of Public Finance and Accountancy [CIPFA]. In addition, the Chair declared an interest if reference was made to CIPFA when discussing the Board's training. The Board agreed that this does not represent a conflict of interest as the Pension Fund Manager is responsible for arranging training.

<b>3.</b>	<b>VERBAL REPORT FROM THE CHAIR ON THE INQUORATE MEETING ON 14 FEBRUARY 2022 AND AGREE ON ISSUES IDENTIFIED AT THIS MEETING</b>
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The minutes of the inquorate meeting held on 14 February were noted. The Chair referred the Board to the following issues:

- The minutes of the Pension Board held on 15 December 2021 were received. It was noted that the Pension Fund Annual Report had been published by the statutory deadline. This was a comprehensive and useful document and had been sent to all Board members. The Forward Looking Business Plan would be sent to Board members.
- The Board received the Pension & Investment Committee minutes of 17 December, 2021. The Board noted that the Pensions and Investment Committee has continued to hold virtual meetings and therefore governance arrangements were continuing to enable the Committee to meet its statutory duties.
- Review of Compliance with The Pension Regulator [TPR] Code 14 – the TPR is to replace the current 15 Codes with a Single Modular Code. The Chair advised he understood it would be late summer or early autumn before this will be implemented. He noted the TPR had taken on comments regarding the unique governance of Local Government Pension Schemes [LGPS] among public service schemes and TPR had

- acknowledged the shortcomings of the draft Single Code and is working to reflect this in the Single Code or associated guidance.
- The Chair noted that the Pension Fund Manager had sent an email on 4 February 2022 with updates from TPR, some of which are relevant to the TPR Code 14 and others relate to new legislation. The Chair advised that reading the updates should be noted as 30 minutes training for the Board.
  - Managing Risks [104 – 120]
    - 111 – The Board noted the work being undertaken by the Pension Fund Manager to review the risks to consolidate those that were similar. The Board considered that this was a sensible approach.
    - 114 – The Board considered that as the strength of employers’ covenants was reviewed on an ongoing basis this should remain amber.
    - 115 – The Board considered that this should remain amber and that the aspiration to move to green should be noted and that incremental mitigation and progression should be logged.
  - Maintaining contributions [147 – 169]
    - The Board noted the move to automate more processes and take advantage of technology for financial and payroll systems. The development of this was dependent on the software providers.
  - Recording breaches of the law [244 – 270]
    - The Board considered that it should be noted that the Breaches Policy would be reviewed after the publication of TPR Single Code.
- The Chair had sent members his 2019 valuation slides regarding the role of the Board in the triennial valuation, which was to seek assurances that the amount of risk taking is very considered and proportionate.
  - Operational and Administration report.
    - The Board received and noted the Operational and Administration report. It was noted that the Pension Fund Administration Team had been working from home for some time, prior to the Covid requirements. As other Funds were now doing this, the pool of potential staff had been increased, which was a positive thing, but also meant the Team’s own staff could also more easily work elsewhere. The Pension Fund Manager had agreed to establish the Council policy relating to the time period a member of staff had to work for the Authority, where their training had been funded by the Authority, before any training costs had to be repaid.
  - Review of Risk register.
    - The Board raised the following:
      - Cyber risks –the Fund would rely on the Council’s cyber policy, which was being developed. The Fund would produce a document which would refer to the Council’s protocol and procedures. The Risk Register would be reviewed to assess whether cyber security and risks are appropriately documented in the Register to reflect its significance.
      - Risk of inflation – this would be discussed with the actuaries and would have implications for the triennial valuation.
  - New legislation
    - The Board was pleased to note that the Powys Pension Fund received no “flags” in respect of the Government Actuary’s Department [GAD] review of the 2019 triennial valuation.

- Pension Scams –if a suspected scam is highlighted the Fund will report this to TPR.
- Training Needs Analysis – noted.
- Standing items with no updates – noted.

<b>4.</b>	<b>FUTURE BOARD MEETINGS</b>
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The Board noted the following dates of future meetings [note the dates shown on the agenda are incorrect]:

15 June 2pm

19 September 2pm

21 November 2pm

<b>5.</b>	<b>CONFIDENTIAL</b>
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**RESOLVED that in accordance with Section 106 [8] Local Government Pension Scheme [LGPS] Regulations 2013 the Board goes into the confidential agenda with the public and press being excluded as some of the information may relate to financial or business affairs of a particular person or organisation.**

<b>6.</b>	<b>VERBAL REPORT FROM THE CHAIR ON THE INQUORATE MEETING ON 14 FEBRUARY 2022 AND AGREE ON ISSUES IDENTIFIED AT THIS MEETING</b>
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The Chair referred the Board to the following issues in the minutes of the inquorate meeting held on 14 February, 2022:

- Contracts update – the Board noted that further contact had been made since the last meeting with CIPFA regarding the provision of the services of a Pension Board Chair.
- Workflow update – the Board noted the minutes.

**Gerard Moore (Chair)**

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



**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE  
HELD AT BY TEAMS ON FRIDAY, 11 MARCH 2022**

**PRESENT**

County Councillor P E Lewis (Chair)

County Councillors E A Jones, JG Morris, D H Williams and A W Davies.

Mr G Moore, Chair Powys Pension Board

In attendance: Pension Fund Manager

<b>1.</b>	<b>EXEMPT ITEM</b>
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**RESOLVED to exclude the public for the following items of business 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).**

<b>2.</b>	<b>APOLOGIES</b>
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There were no apologies for absence.

<b>3.</b>	<b>DECLARATIONS OF INTEREST</b>
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Members of the Committee declared interests as members of the Local Government Pensions Scheme. These are personal interests, not prejudicial interests in accordance with Paragraph 12(b) (iv) of the Members Code of Conduct 2016.

<b>4.</b>	<b>RESPONSIBLE INVESTMENT</b>
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The Committee received a presentation on the net zero objective for the Pension Scheme.

There was a need to consider the date the Pool would set to achieve net zero alongside individual authority dates. Whatever date is agreed at the Fund, it would need to be both meaningful and measurable.

The Pension Fund are considering the journey to the net zero and have already transitioned some assets into lower carbon funds. A net zero target date is useful in terms of setting an actual target, but it needs to be meaningful, measurable and contribute to the overall solution towards a net zero economy. The Fund are considering how best to implement this to achieve the positive outcomes desired.

<b>5.</b>	<b>MINUTES</b>
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The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 17 December 2021 as a correct record.

<b>6. PENSIONS BOARD MINUTES</b>
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The Committee received the minutes of the Board held on 24 September 2021 and 15 December 2021.

The Committee received the Board Chair's report of the Board meeting held on 1 March 2022 and noted the minutes of the inquorate meeting held on 14 February 2022.

It was noted that recent meetings had struggled to be quorate necessitating rearrangement of dates. Extra members have been appointed and have participated in their first meetings. The Chair was optimistic that future meetings could be held as scheduled.

Some recommendations have been incorporated into the Committee's agenda for consideration. The Board suggest that the risk register be reviewed in the light of increasing inflation.

There was concern that demand was outstripping supply for staff in pensions administration teams. It was suggested that post entry training qualifications be reviewed in the light of new ways of working.

The Board recognise the impact of investing training new staff on performance data.

<b>7. COMPLIMENTS AND COMPLAINTS POLICY</b>
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The Committee considered the draft Compliments and Complaints Policy.

It had been recognised that a policy was needed to replace the simplistic statement currently on the website. The draft policy identifies what can be expected, timescales and procedures. The version being considered by Committee has been reviewed and amended by the Pensions Board.

It was noted that complaints or compliments in regard to related policies including Data Protection and Freedom of Information, would be directed through the main Council scheme. The policy under consideration was Pension Scheme specific.

<b>RESOLVED</b>	<b>Reason for Decision:</b>
<b>the draft Compliments and Complaints Policy be approved and published as soon as possible.</b>	<b>As per report</b>

<b>8. ADMINISTRATION AND GOVERNANCE REPORT</b>
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A Government Actuary Department Section 13 report is produced following the conclusion of the LGPS valuation process. Some recommendations had been made in the report for improvement and development of the valuation process in the LGPS. The report can also flag issues of concern, but none were raised in regard to the Pension Fund.

New regulations are due to be implemented in the summer, which encourage a “nudge” towards Pensions Wise to help pension savers make informed pension decisions. This is not relevant to the LGPS main scheme but may impact on the AVC element. It is not yet clear how much resource might be needed to ensure those members with an AVC can access the appropriate advice. Guidance is awaited for clarification.

The Pension Dashboard is a one stop shop which will enable pension savers to access multiple pension provider information in one location. The system will require data to be available and this could also have resource implications. A Data Improvement Plan is in place to ensure the quality of the pension fund data remains of high quality.

The Risk Register contained no new risks but the Pension Board comments regarding staff retraining and retention were noted. Discussions are underway to consolidate some risks. There are currently 35 risks but the consequences are the same for many. It is hoped that more meaningful risks can be developed to ensure the Register is more manageable. It is expected that the revised Register will be available for consideration at the next meeting.

<b>RESOLVED</b>	<b>Reason for decision</b>
<b>The report is noted.</b>	<b>As per the report.</b>

<b>9.</b>	<b>EXEMPT ITEM</b>
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**RESOLVED to exclude the public for the following items of business 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).**

<b>10.</b>	<b>INVESTMENT STRATEGY STATEMENT</b>
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The Statement reflects the investment strategy agreed in the autumn and requires the Committee’s approval prior to publishing.

Members were of the opinion that the relationship between the County Council and the Pension and Investment Committee in this regard needed to be formalised. The Pension Fund Manager agreed to discuss the matter with the Monitoring Officer if any further clarity is needed in addition to what is included in the Fund’s Governance and Compliance Statement.

**RESOLVED that**

- i) The Investment Strategy Statement be approved and published**
- ii) The Pension Fund Manager review the wording of the Governance and Compliance Statement and liaise with the Monitoring Officer if required.**

<b>11.</b>	<b>JOURNEY PLAN TO MOVE TO THE AGREED STRATEGIC BENCHMARK</b>
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The launch dates for Wales Pension Partnership [WPP] sub funds is likely to be known in the near future. Consideration needs to be given to where assets can

be invested in the short term to prepare for transition into the new sub funds once available.

There is to be a 10% allocation to infrastructure within the Investment Strategy Statement. Whilst the launch of the WPP infrastructure sub-funds is awaited, it is important for the Fund to prepare for these and it is recommended that the Fund consider where best to allocate investments in the meantime. It is recommended that protected equities, hedge funds or absolute return bonds are considered, since they are part of the existing strategy.

**RESOLVED that the 10% to be transferred to the WPP infrastructure fund be invested equally across the three strategies identified.**

## **12. EQUITY RISK MANAGEMENT**

This proposal aims to avoid significant losses on long term equities and preserve their value to 2023, with consideration towards the imminent valuation of the fund. At present 50% of equities are protected and it is proposed that this continue. However, the market is volatile and it was suggested that the proposal be approved in principle, but the situation be monitored until April before a final decision is taken. It was suggested that this should be delegated to the Chair and Vice Chair but given the pre-election period commences on 14 March 2022 it was suggested that delegated authority be given to the S151 Officer and Pension Fund Manager.

**RESOLVED that**

- i) Equity protection be rolled forward to December 2022**
- ii) The Section 151 Officer and Pension Fund Manager be given delegated authority to finalise the arrangement depending on the position of the stock market in April 2022.**

## **13. PRIVATE EQUITY**

The Committee received the report of the Pension Fund Advisers. It was noted that the Wales Pension Partnership was aiming to commence the procurement process for appointing an allocator for its Private Equity sub-fund soon with the launch to follow.

The Committee also noted the recommended allocation of funds to maintain the strategic exposure to the private equity markets whilst the WPP Private Equity sub-fund is developed.

**RESOLVED that the recommendation as set out in the report be approved.**

## **14. UKRAINE/RUSSIA POSITION**

The Committee received the report of the Pension Fund Investment Advisers and noted that the Fund's exposure across its portfolio to Russian companies was around 0.1%. The Committee noted the Council resolution regarding divestment of funds from Russian companies and that the Wales Pension Partnership was already actively considering this.

**RESOLVED:**

- (i) that the report be noted;
- (ii) that the Pensions Manager work with the Council's Communications Team to issue a news release advising that the Committee was actively considering divestment in Russian companies and that the level of the fund's exposure was 0.1%. This information could also be posted onto the Pension website.

<b>15.</b>	<b>QUARTERLY MONITORING REPORT</b>
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The Committee received the report of the Pension Fund Advisers. It was noted that the position would be reviewed and an update provided for the end of March 2022.

**RESOLVED that the report be noted.**

<b>16.</b>	<b>GMP RECONCILIATION</b>
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The Committee received an update on the GMP Reconciliation project by the Head of Finance.

**RESOLVED that the report be noted.**

<b>17.</b>	<b>PENSION FUND BUSINESS PLAN</b>
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The Committee received the report of the Head of Finance proposing that in line with best practice a Fund Business Plan be prepared which could be published on the Fund's website. A draft business plan was attached to the report for consideration.

Whilst this is not currently a mandatory requirement, it was in line with best practice and it was suggested that it may become a mandatory requirement in future. The objectives set out in the business plan would also be included in the Service's Integrated Business Plan.

**RESOLVED that the draft document be approved in principle subject to comments from the Pension Board and revision by the Pension Fund Manager and Head of Finance.**

**County Councillor P E Lewis (Chair)**

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

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE  
HELD AT BY ZOOM ON FRIDAY, 17 JUNE 2022**

PRESENT

County Councillor P E Lewis

County Councillors E A Jones, C Kenyon-Wade and D A Thomas

<b>1.</b>	<b>APOLOGIES</b>
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There were no apologies for absence.

<b>2.</b>	<b>ELECTION OF CHAIR</b>
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Resolved that County Councillor P Lewis be elected Chair for the ensuing year.

<b>3.</b>	<b>ELECTION OF VICE CHAIR</b>
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Resolved that County Councillor A Jones be elected Vice Chair for the ensuing year.

**County Councillor P E Lewis**

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



## PENSION REGULATOR CODE OF PRACTICE 14 - COMPLIANCE ANALYSIS

Powys Pension Fund

		Action Required	Current Position
22	Scheme manager - each public service pension scheme has one or more persons responsible for managing or administering the scheme. Public service pension schemes can have different persons acting as scheme manager for different parts of the pension scheme. For the locally administered schemes, the scheme managers may be the local administering authorities or a person representing an authority or police force.		<i>The Administering Authority is designated scheme manager under the regulations.</i>
23	Pension board – the scheme manager (or each scheme manager) for a scheme has a pension board with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The pension board must also assist the scheme manager with such other matters as the scheme regulations may specify. It will be for scheme regulations and the scheme manager to determine precisely what the pension board’s role, responsibilities and duties entail.		<i>A Local Pension Board has been established and operates under a prescribed Terms of Reference. The Board was established on</i>

### Managing Risks

Jun-22

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104	Good internal controls are an important characteristic of a well-run scheme and one of the main components of the scheme manager’s role in securing the effective governance and administration of the scheme. Internal controls can help protect pension schemes from adverse risks, which could be detrimental to the scheme and members if they are not mitigated.		Discussed at each Board meeting
105	<b>Scheme managers must establish and operate internal controls. These should address</b> significant risks which are likely to have a material impact on the scheme. Scheme managers <b>should employ a risk-based approach</b> and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They <b>should seek advice, as necessary.</b>		Discussed at each Board meeting
106	Before implementing an internal controls framework, <b>schemes should carry out a risk assessment.</b> They should begin by:  setting the objectives of the scheme  determining the various functions and activities carried out in the running of the scheme, and  identifying the main risks associated with those objectives, functions and activities.		Discussed at each Board meeting
107	An effective risk assessment process will help schemes to identify a wide range of internal and external risks, which are critical to the scheme and members. When identifying risks, <b>schemes should refer to relevant sources</b> of information, such as records of internal disputes and legislative breaches, the register of interests, internal and external audit reports and service contracts.		Discussed at each Board meeting
108	Once schemes have identified risks, they <b>should record them in a risk register and review them regularly. Schemes should keep appropriate records</b> to help scheme managers demonstrate steps they have taken to comply, if necessary, with legal requirements.		Discussed at each Board meeting
109	Not all risks will have the same potential impact on scheme operations and members or the same likelihood of materialising. <b>Schemes should consider both these areas</b> when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high.		Discussed at each Board meeting

110	administering authority. <b>Schemes should review their existing arrangements and procedures</b> to determine whether they can prevent and detect errors in scheme operations and help mitigate pension scheme-related risks. For example, schemes could obtain assurance about their existing controls through direct testing or by obtaining reports on controls. <b>Any such review should be appropriate to the outcome of the risk evaluation.</b>		Discussed at each Board meeting
111	<b>Schemes should consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them.</b> For example, the scheme manager(s) for a funded scheme should establish and operate internal controls that regularly assess the effectiveness of investment-related decision making. Scheme managers for all pension schemes should establish and operate internal controls that regularly assess the effectiveness of data management and record-keeping.		Discussed at each Board meeting
113	Risk assessment is a <b>continual process and should take account of a changing environment</b> and new and emerging risks, including significant changes in or affecting the scheme and employers who participate in the scheme.		Discussed at each Board meeting
114	For example, where relevant, <b>schemes should put in place systems and processes for making an objective assessment of the strength of an employer's covenant</b> (which should include analysis of their financial position, prospects and ability to pay the necessary employer contributions).		In Place - exercise to be undertaken to co-ordinate with Funding Strategy Statement review and Valuation. Initial results received and work continuing. Will form part of 2022 Valuation work
115	An effective risk assessment process will provide a mechanism to detect weaknesses at an early stage. <b>Schemes should periodically review the adequacy of internal controls in:</b>  mitigating risks  supporting longer-term strategic aims, for example relating to investments  identifying success (or otherwise) in achieving agreed objectives, and  providing a framework against which compliance with the scheme regulations and legislation can be monitored.		Discussed at Board meeting accordingly.
116	<b>Internal or external audits and/or quality assurance processes should ensure that adequate internal controls are in place and being operated effectively.</b> Reviews should take place when substantial changes take place, such as changes to pension scheme personnel, implementation of new administration systems or processes, or where a control has been found to be inadequate.		Annual Wales Audit Office reviews. Internal Audit of Administration due in 2022.
119	The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme. <b>Providers should be required to demonstrate that they will have adequate internal controls in their tenders</b> for delivering services. <b>The requirements should be incorporated in the terms of engagement</b> and contract between the scheme and service provider. Outsourced services may include, for example, the maintenance of records and data, calculation of benefits and investment management services. Where services are outsourced, <b>scheme managers should be satisfied that internal controls associated with those services are adequate and effective.</b>		Annual Assurances from providers sought.

120	An increasing number of service providers are obtaining independent assurance reports to help demonstrate their ability to deliver quality administration services. <b>Schemes should ask their service providers to demonstrate</b> that they have adequate internal controls relating to the services they provide. <b>It is vital that schemes ensure they receive sufficient assurance from service providers.</b> For example, the information from providers should be sufficiently detailed and comprehensive and the <b>service level agreements should cover all services that are outsourced. Schemes should also consider including provisions in contracts for outsourced services requiring compliance with appropriate standards.</b> This should help to ensure effective administration.		Annual Assurances from providers sought.
<b>Maintaining Contributions</b>			
147	<b>Employer contributions must be paid to the scheme in accordance with any requirements in the scheme regulations.</b> Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable.		Breaches Log and procedure in place. Ongoing risk requiring monitoring
148	Where employee contributions are deducted from a member's pay, <b>the amount deducted must be paid to the managers of the scheme at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically</b> (the 'prescribed period'), or earlier if required by scheme regulations. References to 'days' means all days. References to 'working days' do not include Saturdays, Sundays or Bank Holidays.		Breaches Log and procedure in place. Ongoing risk requiring monitoring
149	<b>failure is likely to be of material significance</b> to the regulator in the exercise of any of its functions, they <b>must give notice of the failure to the regulator</b> and the member within a reasonable period after the end of the prescribed period. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, <b>schemes should also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law.</b> For more information about reporting breaches of the law, see this section of the code.		Breaches Log and procedure in place.
150	As part of the requirement to establish and operate adequate internal controls, <b>scheme managers should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator.</b> A 'payment failure' is where contribution payments are not paid to the scheme by the due date(s), or within the prescribed period and a 'materially significant payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.		Breaches Log and Policy in place
151	Schemes <b>should monitor pension contributions, resolve payment issues and report payment failures, as appropriate,</b> so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.		Breaches Log and procedure in place. Ongoing risk requiring monitoring
152	Adequate procedures and processes are likely to involve:  developing a record to monitor the payment of contributions  monitoring the payment of contributions  managing overdue contributions, and  reporting materially significant payment failures.		
153	These procedures and processes <b>should help scheme managers to meet their statutory duty to report materially significant payment failures to the regulator,</b> as well as ensuring the effective management of scheme contributions and payment of the right pension.		Breaches Log and Policy in place

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

168	<p>When schemes identify or are notified of a problem, they <b>should assess whether a payment failure has occurred before taking steps to resolve and, if necessary, report it.</b> During their assessment, <b>schemes should take into account:</b></p> <ul style="list-style-type: none"> <li>• legitimate agreed payments made directly by an employer for scheme purposes, ie where the scheme has agreed that a contributions payment can be made late due to exceptional circumstances</li> <li>• legitimate agreed payment arrangements made between an employee and employer, ie where the employer has agreed that a contribution payment can be made late due to exceptional circumstances</li> <li>• contributions paid directly to a pension provider, scheme administrator or investment manager</li> <li>• any AVCs included with an employer's overall payment.</li> </ul>		Procedures and policy in place
169	<p>Where schemes identify a payment failure, they should follow a process to resolve issues quickly. This should normally involve the following steps:</p> <ol style="list-style-type: none"> <li>Investigate any apparent employer failure to pay contributions in accordance with the contributions monitoring record or legal requirements.</li> <li>Contact the employer promptly to alert them to the payment failure and to seek to resolve the overdue payment.</li> <li>Discuss it further with the employer as soon as practicable to find out the cause and circumstances of the payment failure.</li> <li>Ask the employer to resolve the payment failure and take steps to avoid a recurrence in the future.</li> </ol>		Breaches Log and procedure in place.
<b>Reporting Breaches of the Law</b>			
244	<p>Schemes should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and this guidance. Schemes should provide training for scheme managers and pension board members. All others under the statutory duty to report should ensure they have a sufficient level of knowledge and understanding to fulfil that duty. This means having sufficient familiarity with the legal requirements and procedures and processes for reporting.</p>		Reporting Breaches Policy produced and available on Fund website
245	<p>Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters. It is important that procedures allow reporters to decide within an appropriate timescale whether they must report a breach. Reporters should not rely on waiting for others to report.</p>		Reporting Breaches Policy produced and available on Fund website. Traffic light system included for determining seriousness

246	<p>Procedures should include the following features:</p> <ul style="list-style-type: none"> <li>• a process for obtaining clarification of the law around the suspected breach where needed</li> <li>• a process for clarifying the facts around the suspected breach where they are not known</li> <li>• a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board</li> <li>• a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the regulator</li> <li>• an established procedure for dealing with difficult cases</li> <li>• a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable</li> <li>• a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue), and</li> <li>• a process for identifying promptly any breaches that are so serious they must always be reported.</li> </ul>		Reporting Breaches Policy produced and available on Fund website. Traffic light system included for determining seriousness. Breaches Log kept and updated regularly.
247	Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and, for funded pension schemes, making investment or investment-related decisions.		
248	Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.		
249	Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.		
250	Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with the pension board or scheme manager or with others who are in a position to confirm what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the regulator without delay.		

251	If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.		
252	In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.		
253	<p>In deciding whether a breach is likely to be of ‘material significance’ to the regulator. It would be advisable for those with a statutory duty to report to consider the:</p> <ul style="list-style-type: none"> <li>• cause of the breach</li> <li>• effect of the breach</li> <li>• reaction to the breach, and</li> <li>• wider implications of the breach.</li> </ul>		Detailed in Breaches Policy
254	When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the regulator.		
255	<p>The breach is likely to be of material significance to the regulator where it was caused by:</p> <ul style="list-style-type: none"> <li>• dishonesty</li> <li>• poor governance or administration</li> <li>• slow or inappropriate decision making practices</li> <li>• incomplete or inaccurate advice, or</li> <li>• acting (or failing to act) in deliberate contravention of the law.</li> </ul>		Detailed in Breaches Policy
256	When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.		

257	A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.		
258	<p>Reporters need to consider the effects of any breach, but with the regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the regulator:</p> <ul style="list-style-type: none"> <li>• pension board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements</li> <li>• pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements</li> <li>• adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time</li> <li>• accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement</li> <li>• appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time</li> <li>• pension board members misappropriating any assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded, and</li> <li>• any other breach which may result in the scheme being poorly governed, managed or administered.</li> </ul>		
259	Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.		
260	Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.		
261	Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.		



262	Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.		
263	Reports must be submitted in writing and can be sent by post or electronically, including by email or by fax. Wherever possible reporters should use the standard format available via the Exchange online service on the regulator's website.		
264	<p>The report should be dated and include as a minimum:</p> <ul style="list-style-type: none"> <li>• full name of the scheme</li> <li>• description of the breach or breaches</li> <li>• any relevant dates</li> <li>• name of the employer or scheme manager (where known)</li> <li>• name, position and contact details of the reporter, and</li> <li>• role of the reporter in relation to the scheme.</li> </ul>		
265	<p>Additional information that would help the regulator includes:</p> <ul style="list-style-type: none"> <li>• the reason the breach is thought to be of material significance to the regulator</li> <li>• the address of the scheme</li> <li>• the contact details of the scheme manager (if different to the scheme address)</li> <li>• the pension scheme's registry number (if available), and</li> <li>• whether the concern has been reported before.</li> </ul>		
266	Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.		
268	The regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.		

269	The reporter should provide further information or reports of further breaches if this may help the regulator to exercise its functions. The regulator may make contact to request further information.		
270	Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.		Detailed in Breaches Policy

## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
27<sup>th</sup> June 2022

REPORT BY: Board Secretary

SUBJECT: Administration Update

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REPORT FOR: Information

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## 1. Introduction

- 1.1 Further to the information provided at the previous Pension Board meeting, this report contains the membership and Pensions Administration financial statistics for the period 1<sup>st</sup> January 2022 to 31<sup>st</sup> March 2022.
- 1.2 During this period, the Pensions Section have had two members of staff leave due to retirement and resignation. A recruitment exercise is on-going and the Section is hoping to have a full compliment of staff before the summer.

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

2.1

<u>Payments</u>	<u>B/f</u>	<u>January</u>	<u>February</u>	<u>March</u>
Pensions		2,074,650	2,080,087	2,082,269
Lump Sum		166,399	122,385	238,621
Transfers Out		261	227,175	108,112
Death Grants		10,253	70,114	86,529
<b>Total Payments</b>		<b>2,251,563</b>	<b>2,499,762</b>	<b>2,515,532</b>
<u>Income</u>				
Employee Contributions		(467,767)	(474,820)	(646,669)
Employer Contributions		(1,629,165)	(1,656,442)	(2,091,687)
Transfers In		(117,193)	(2,441)	(398,415)
<b>Total Income</b>		<b>(2,214,125)</b>	<b>(2,133,703)</b>	<b>(3,136,772)</b>

## 3. Pensions Administration membership statistics

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

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

Key:

**Status**

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

<b>Status</b>	<b>Description</b>	<b>Recalculation Date 1</b>	<b>01/01/2022</b>	<b>Recalculation Date 2</b>	<b>31/03/2022</b>
			<b>Total 1</b>		<b>Total 2</b>
1	Active		5769		5804
2	Undecided Leaver		926		1128
3	Leaver - No Liability		13941		14013
4	Deferred Pensioner		6375		6330
5	Pensioner		4515		4534
6	Widow/Dependant		641		639
7	Death/Cess Liability		3858		3880
9	Frozen Refund		569		572
0	Opt-Out		1330		1343
Z	Aggregation		2431		2566
			.....		.....
			40355		40809
			.....		.....

**3.2 50/50 Scheme Membership**

Active	18
Deferred	6
Frozen Refund	1

**CYNGOR SIR POWYS COUNTY COUNCIL****Powys Pension Board  
27<sup>th</sup> June 2022****REPORT BY: Board Secretary****SUBJECT: New Legislation and Guidance Update**

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**REPORT FOR: Information**

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**1. Summary**

Since the last Pension Board meeting, the LGA have published Bulletins 220, 221, 223 and 224, which contain important updates for administering authorities and scheme employers. It also provides a general update for all LGPS stakeholders.

This report provides the Board with an update on any new legislative changes and guidance that has been issued recently, including the above.

**2. LGPS Updates****2.1 DHLUC Levelling Up White Paper**

On the 2<sup>nd</sup> of February 2022, the Department for Levelling Up, Housing and Communities (DLUHC) published the Levelling Up White Paper which makes reference to the Government's intention to ask LGPS pension funds to publish plans for increasing local investment, including setting an ambition of up to 5 percent of assets invested in projects which support local areas (UK projects, rather than local to the Administering Authority).

**2.2 Finance Act 2022**

The Finance Act received Royal Assent on the 24<sup>th</sup> of February 2022. Clauses 9 (Annual allowance deadlines), 10 (Normal minimum pensions age increase from 55 to 57 from 6<sup>th</sup> April 2028) and 11 (Power to change tax rules related to McCloud remedy) are relevant to the LGPS.

It is the LGA's view that Clause 10 does not trigger Regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of

Information) Regulations 2013 which requires schemes to tell members about material alterations to basic scheme information.

This is because the change has not changed the LGPS rules on when benefits are payable. The LGPS rules on when benefits become payable are not automatically linked to the normal minimum pension age. The relevant government department will need to change the LGPS rules to align with the normal minimum pension age at some point on or before 6 April 2028. When the LGPS rules change, regulation 8 will then be triggered.

### **2.3 State Pension Age Review**

Under the Pensions Act 2014, must review the State Pension Age every 6 years. The report for the next review must be published by 7<sup>th</sup> May 2023 and on the 9<sup>th</sup> of February 2022, DWP launched a call for evidence to gather views from members of the public on several points, including:

- notice periods for State Pension age changes
- changes in working patterns
- predicted future changes to the workplace
- sustainability and affordability
- options for taking into account differences in circumstances when setting State Pension age
- what metrics should be considered to determine State Pension age

### **2.4 Updated guidance on stronger nudge**

TPR has updated its [guidance](#) on communicating and reporting to reflect the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer members to Guidance etc) (Amendment) Regulations. The regulations come into force on 1 June 2022.

The LGA have also produced some [guidance](#) to assist administering authorities in processing the requests and how to refer members to AVC Wise.

#### **In brief**

The Nudge Regulations affect LGPS members when they apply, or contact about applying, to take or transfer their AVCs. The requirement to refer AVC members to Pension Wise:

- applies to applications received on or after 1 June 2022
- applies to all applications to take payment of AVCs in the LGPS
- replaces the requirement to signpost members to Pension Wise where it applies

- only applies to transfers where the member is 50 or over and transferring their AVCs to access them in another defined contribution scheme

### Referring to Pension Wise

Administrators must:

- offer to book a Pension Wise appointment at a time and date and of a type that is suitable for the member. They can attend an online, face to face or telephone appointment
- where the member accepts the offer, take reasonable steps to book the appointment
- provide the telephone number and website address for Pension Wise so the member can book the appointment themselves if they want to
- explain their application cannot proceed unless you receive confirmation that they have received guidance or they opt out of receiving guidance
- explain how the member can opt out of receiving guidance.

## **2.5 LGPS Investments in Russia**

On 4 March 2022, the SAB published information on Russian sanctions and divestment. This follows the coming into force of The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 on 1 March 2022.

On 9 March 2022, DLUHC sent a letter to all LGPS Committee Chairs, copying in the Chair of the SAB. It urges all parties to keep up to date with the list of Russian sanctions which is expected to grow.

The information from the SAB and the letter from DLUHC can be found on the SAB's Boycotts Divestment and Sanctions [webpage](#).

On 4 March 2022, TPR published [guidance](#) for trustees regarding the conflict in Ukraine, which outlines TPR's expectations and areas for consideration.

The [WPP](#) and [Powys Pension Fund](#) have issued statements on the conflict in Ukraine and Russian investments.

## **2.6 DLUHC letter on McCloud remedy**

In March DLUHC contacted Administering Authorities with a letter providing recommendations on how the McCloud remedy should be considered as part of the 2022 triennial valuation. The Fund has already held discussions on this with the Fund's Actuary.

## **2.7 Letter from Prudential on administration delays for the LGPS**

The LGPS has been experience some administrative delays from the Prudential, who have formally acknowledged the issue and provided the [response](#) attached as Appendix A.

### **3. Pensions Dashboards**

Work continues on the [Pension Dashboards Programme](#) and it is expected that the LGPS will have to interact with the ecosystem between October 2023 and April 2024.

It is not yet clear what resource and financial implications this will have for the Fund, but data will have to be accurate to ensure that the experience for the member is useful.

There will be a reliance on the administration software providers to help facilitate this project, so we wait to see what that will mean in practical terms for the Powys Fund.

It is imperative that data security is appropriately tested and that a digital ID is secure, since once logged in, a member will have access to pensions data from multiple sources increasing the potential for pension scams and other cyber risks.

### **4. Annual Benefit Statements**

Work has begun on the year-end processing which also contributes to the production of the valuation data and annual benefit statements.

This year's communication exercise with regards to the annual benefit statements will also include a newsletter to encourage our scheme members to be digital by default (where appropriate and considering each individual scheme member's requirements) by registering with the online member portal if they have not already, but also provide a general update on the LGPS (McCloud, Dashboards etc).

### **5. Valuation**

Work is also progressing on the triennial valuation. Officers of the Fund have met with the actuary to discuss appropriate assumptions, data and a timeline.

The Fund will be looking to submit data to the actuary by the 30<sup>th</sup> of June, who will then commence work on the valuation itself. Data queries will be exchanged between the fund and the actuary over the summer with a view to having an interim set of valuation results towards the end of the year.

These will then be communicated with individual employers and appropriate discussions will take place between the Fund and the employers.



The actuary will then produce a valuation report and the Rates and Adjustments Certificate, as required under the LGPS regulations by 31 March 2023 with the new contribution rates taking effect from 1 April 2023.

**6. Recommendation**

Board are asked to note the contents of this report.

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

Jo Donnelly  
Head of Pensions  
Local Government Association  
18 Smith Square  
Westminster  
London  
SW1P 3HZ

29<sup>th</sup> April 2022

Dear Jo

## **M&G plc administration delays for Local Government AVCs**

Further to our meetings and discussions in relation to administration performance for Local Government AVC schemes, I have provided some explanations below on this specific areas we have discussed.

### **Acknowledgement of delays**

In reference to our recent conversations and feedback received from you, M&G acknowledge that the service provided to Local Government AVC pension schemes and members has not been meeting expectations and requirements. M&G apologises that the service has not been what members would expect and is committed to the improvement of service to Administering Authorities, employers and scheme members.

### **Description of problems**

In late 2020 M&G migrated to an established administration platform. The platform is designed to offer M&G corporate pension customers and members greater digital capability and online access to their policies.

The approach to processing of contributions paid by employers was enhanced to introduce more controls. Historically, M&G have provided manual assistance to ensure contribution listings and payments were processed quickly (for instance where the payment and contribution listing amounts did not agree).

The enhanced system controls require the contribution listings and payments to agree. As this was not always the case, there were delays in the processing of contributions while discrepancies were addressed.

Contributions are a key dependency for all other administration processes. As a result of the processing delays, there was a collateral effect on the rest of the service that was initially experienced through increased call waiting times and delays in the processing of quotes and claims.

At the same time, as a result of the pandemic, there were restrictions in place that required colleagues to work from home. This had the effect of reducing operational efficiency which would not have been the case if colleagues had been co-located.

## **Actions taken to improve service**

As the administration delays and extended call waiting times became apparent, M&G have been operating a Service Recovery Operation. This has facilitated:

- Recruitment of additional staff into the administration and voice functions
- Dedicated staff working with employer payroll teams to resolve file disparities
- Provision of an escalation route for urgent claims and complaints
- A fast-track complaint resolution process
- Upskilling completed in Annuities and Pensions servicing
- Embedding of improved training processes
- Enhanced contingency plans being put in place from both a people and system perspective

Where there have been delays in the processing of benefits and contributions, M&G have ensured that no member has suffered financial detriment as a result of a delay caused by M&G. M&G assess each case on its own merit paying the member compensation, where appropriate.

## **Expected timescales for resumption of normal service**

### Call waiting times

- Staffing in our Voice teams was increased by c.50% since the deterioration in performance and the impacts of both Covid and system migration. Continued recruitment and upskilling continues on a monthly basis to deliver both further and future improvements in performance
- Telephone call abandonment rates and call wait times improved significantly through the second half of 2021 and early 2022. Unfortunately, more recently, the abandonment rate and call waiting times have increased. A recovery plan has been put in place to improve performance.

M&G aim to have abandonment rate of less than 5% with a call wait time of less than 2 minutes.

### Customer Journeys (including Bereavements, Claims, New Business, Servicing)

M&G is now processing the large majority of core transactions (e.g. retirement claims, transfers, bereavements, contribution changes, fund switches and new member applications) within normal service levels.

Performance is measured on an end to end journey basis. This means that all activities are joined together and the customer journey time is calculated from the first point of contact to the point of closure where no other activity is required to deliver the customer outcome.

The target is for more than 95% of work to be completed within a set number of days depending on the specific work required. For example we aim to have all claims and bereavements processed within 5 working days of receiving all of the relevant documentation.

For the quarter to December 2021, for Local Government AVCs in England and Wales, 90.2% of work was completed within this target. M&G continue to focus on improving performance to this target.

### Annual Benefit Statements and Scheme Revisions

As a consequence of the servicing delays outlined above, the production of the 2020 / 2021 annual scheme revision information and Annual Benefit Statements has been delayed. The majority of schemes received their annual benefit statements within the regulatory deadline. M&G is in contact with any schemes where information is yet to be issued. Detailed planning for the distribution of 2021/22 year scheme revision information and Annual Benefit Statements is underway and expected turnaround times will be confirmed to individual Administering Authorities.

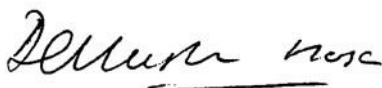
Scheme members can check the value of their AVC account through the online service. Members can login or register for the service at [www.pru.co.uk/login](http://www.pru.co.uk/login)

Existing AVC members can access additional support for any general enquiries through the AVC support team which is available Monday – Friday 8.30 - 6pm on 0800 6000 343. Secure messages can also be sent once you have registered for M&G online service.

### **The Pensions Regulator**

M&G have continued to inform The Pensions Regulator about service performance and delays.

Yours sincerely



Alastair Hogg  
**Head of Corporate Pensions**

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

## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
27<sup>th</sup> June 2022

REPORT BY: Board Secretary

SUBJECT: Governance Update

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REPORT FOR: Information

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## 1. Background

- 1.1 Board will recall that The Scheme Advisory Board (SAB) commissioned Hymans Robertson to facilitate a consultation on good governance structures for the LGPS in 2019. The purpose of the consultation was to consider how best to accommodate LGPS functions within the democratically accountable local authority framework, in a way that ensures that conflicts of interest are addressed and managed appropriately, in order that the LGPS remains appropriately resourced and able to deliver its statutory functions.
- 1.2 The project was conducted over three phases, which can be seen on the [SAB website](#). This report has been produced to update Board on progress since the final report was produced in 2021.

## 2. Outcomes of the report

- 2.1 The [Phase 3 report](#) and accompanying [action plan](#) (also attached as appendix A) comprises:
- Those matters that would fall to the Ministry of Housing, Communities and Local Government (MHCLG) to implement, either by amending scheme regulations or producing statutory guidance
  - Those matters that would fall to the Board and other bodies to implement - subject to the actions in 1 being taken by MHCLG - and
  - Actions to identify and promote existing best practice that the Board can take forward regardless of the outcome of the above.
- 2.2 The Department for Levelling Up, Housing and Communities (DHLUC – formerly the Ministry of Housing, Communities and Local Government (MHCLG)) is continuing to work on the findings to provide guidance and updated regulations. Many of the recommendations within the report require further guidance, but the Fund has reviewed them and continued to work on the findings in the meantime, which include;
- The Fund has a Knowledge & Skills Assessment framework, that has been migrated into a standard Pension Fund Policy Document for consistency of delivery. This has been included as Appendix B for information.
  - Development of a draft Conflicts of Interest Policy, which is attached as Appendix C for Board's comments and consideration. Following receipt of Board's comments, it is the intention to take the policy to the Pensions and Investment Committee for approval.

### **3. Other Updates**

#### **3.1 Risk register**

Board may recall some recent discussions on the Risk Register, in that it has grown over time as the number of identifiable risks increase.

Work has been undertaken which has consolidated the risks into three separate categories, with the appropriate risks listed in each of those categories:

- Administration
- Governance
- Investment

It is felt that this will make the risk register easier to review and monitor. The Risk Register is covered under its own item later in the agenda.

#### **3.2 Cyber Security**

Work has been undertaken to review Business Continuity Plans in the event of a cyber-attack and the Administering Authority has their own Major Incident Response Plan, which the Fund would utilise and follow in the event of a cyber-attack.

Work is continuing on a “Cyber Incident Response Plan” document which will be held on the Fund’s website, which is an externally hosted environment away from the administering authority and available for access should the administering Authority’s network be unavailable or compromised as a result of a cyber-attack. This will increase the resilience of the Fund through not having a complete reliance on the Administering Authority’s network infrastructure.

The Pensions Administration platform is also externally hosted, meaning that it should remain available in the event of a cyber incident at the Administering Authority. Regular assurances are sought from the pensions administration software providers as to their resilience and responses to cyber threats.

#### **3.3 Business Plan**

The action plan also recommends that the Pensions and Investment Committee are involved in the Business Planning for the Fund. The draft Business Plan for 2022/23 has therefore been provided for Board’s comment as an item under its own merit later in the agenda.

There are some immediate pressures faced by the Fund as a result of the recent local elections and recruitment exercise related to training needs and requirements, which are identified within the business plan.

### **4. Recommendation**

Board are asked to consider the Conflicts of Interest Policy, the Knowledge & Skills Framework document and the revised Risk Register.



# Scheme Advisory Board

**ANNEX to letter from SAB Chair to Luke Hall MP 11.2.2021**

**Action Plan (extract from Board report of 8 February 2021)**

The action plan consists of formal requests from the SAB to MHCLG and other bodies to implement the recommendations from the project together with actions for the SAB which are either dependant on or regardless of the outcome of those requests.

- Column 1 of the grid below sets out the recommendations listed in the final report from Hymans Robertson.
- **Column 2 shows the actions proposed for MHCLG either by way of regulation or statutory guidance.**
- Column 3 shows any associated work that would need to be undertaken by bodies other than MHCLG or SAB
- Column 4 shows work that would need to be undertaken by SAB dependant on MHCLG guidance/work by other bodies being completed and;
- Column 5 shows actions that SAB can undertake to further improve scheme governance and administration immediately, regardless of the actions of MHCLG and other bodies.

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
<b>A.1</b> MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).	Publish statutory guidance (SG) to include requirements set out below using either reg 2(3A) powers or a new regulation in section 3			

## **Scheme Advisory Board Secretariat**

18 Smith Square, London SW1P 3HZ

The Board secretariat is provided by the Local Government Association

Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
<p><b>A.2</b> Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund (“the LGPS senior officer”).</p>	<p>Set requirement in scheme regulations</p>	<p>CIPFA to refer to the role in their guides</p>	<p>Publish a guide to the named officer role</p>	<p>Letter to CIPFA confirming SAB’s recommendation to Minister</p>
<p><b>A.3</b> Each administering authority must publish an annual governance compliance statement (GCS) that sets out how they comply with the governance requirements for LGPS funds, as per statutory Guidance. This statement must be co-signed by the LGPS senior officer and S151.</p>	<p>Set requirement in scheme regulations and publish high level statutory guidance</p>		<p>Publish a guide to GCS, including best practice examples</p>	
<p><b>B.1</b> Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.</p>	<p>Set requirement in statutory guidance at <b>A.1</b></p>		<p>Publish a guide to Col policies, including best practice examples</p>	<p>Survey AAs to identify extent of conflict of interest policies already in existence</p>

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
<b>B.2</b> The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB	Request that MHCLG clarify Fiduciary Duty in statutory guidance at <b>A.1</b>	CIPFA to make reference in their Knowledge and Understanding framework	Publish guide on statutory and fiduciary duty based on A1 guidance and further legal advice	Seek further legal advice in co-ordination with Administering Authorities and recommend any further action in this area
<b>C.1</b> Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.	Set requirement in statutory guidance at <b>A.1</b>		Publish a guide to representation based on requirements of SG	Survey AA's for analysis of current representation
<b>D.1</b> Introduce a requirement via the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.	Set requirement in statutory guidance at <b>A.1</b>	CIPFA to make reference in their Knowledge and Understanding framework	Publish a guide to relevant training including suppliers	Investigate existing training in this area and publish results

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
<b>D.2</b> Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.	Set requirement in statutory guidance at <b>A.1</b>	CIPFA to make reference in their Knowledge and Understanding framework	Publish a guide to relevant training including suppliers	
<b>D.3</b> Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.	Set requirement in statutory guidance at <b>A.1</b>		Publish a guide to training plans	Survey AA's for existing training plans and publish for best practice
<b>D.4</b> CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.		CIPFA to produce appropriate guidance and training		Letter to CIPFA setting out request
<b>E.1</b> Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The	Set requirement in statutory guidance at <b>A.1</b>		Publish a Guide to Roles and Responsibilities Matrix	Survey and publish existing delegation arrangements in AA's

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
matrix should reflect the host authority's scheme of delegation and constitution, and be consistent with role descriptions and business processes.				
<b>E.2</b> Each administering authority must publish an administration strategy.	Set requirement in scheme regulations		Publish a guide to administration Strategy	Obtain and publish examples of existing PSAs
<b>E.3</b> Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service	Set requirement in scheme regulations or SG	CIPFA to include in AR&A guidance		
<b>E.4</b> Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.	Set requirement in statutory guidance at <b>A.1</b>	CIPFA to publish appropriate guidance		Investigate and publish current arrangements for agreeing pensions budget

<b>Recommendation</b>	<b>MHCLG</b>	<b>Other bodies</b>	<b>SAB Dependant Actions</b>	<b>SAB Immediate Actions</b>
<b>F.1</b> Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.	Set requirement in scheme regulations, and include in high level statutory guidance		Establish panel of experts to review biennial governance reviews	Investigate the work of any similar bodies and consider potential structure and membership
<b>F.2</b> LGA to consider establishing a peer review process for LGPS Funds.		LGA to consider proposal		Letter to LGA setting out request



# Powys

**CRONFA BENSIWN  
POWYS  
PENSION FUND**

Knowledge and Skills Framework  
Policy

Revised May 2022

## **1 Introduction**

- 1.1 This document sets out the policy of the Powys Pension Fund in relation to the knowledge and skills requirements that it places upon those serving as members of either:
- The Powys County Council Pensions & Investment Committee (being the principal decision-making and management body for the Powys Pension Fund), or
  - The Powys Pension Board
- 1.2 Commitment to this policy is an obligation placed upon those concerned as part of the discharge of their duties; as a matter of best practice and good governance.

## **2 Knowledge and Skills Framework**

- 2.1 The Powys Pension Fund has adopted the CIPFA Knowledge and Skills Framework, as set out in the Code of Practice on pensions, in partnership with the Pensions Regulator. The Framework provides a roadmap to the knowledge and skills that should be held by those involved in the management and governance of the Powys Pension Fund, who are not themselves pension professionals. Whilst the Regulator provides access to relevant study and training materials.
- 2.2 All relevant Members will be assessed against the criteria set out in the Framework, as soon as possible following their appointment. This will be done by the completion of a Member Training Needs Self-Assessment Form.
- 2.3 On completion of the self-assessment form, the Section 151 Officer will assess the Member against the Framework criteria and determined what training is required to be completed and within what time period.
- 2.4 In total there are 6 areas of knowledge and skills that CIPFA have identified as the core technical requirements:
- pensions legislative and governance context
  - pensions accounting and auditing standards
  - financial services procurement and relationship management
  - investment performance and risk management
  - financial markets and products knowledge
  - actuarial methods, statements and practices.

## **3 Meeting Knowledge and Skills Needs**

- 3.1 Identified knowledge and skills needs may be met by a variety of methods that will include, but are not restricted to:



- completion of specific modules in the e-Learning Public Service toolkit provided free online by the Pensions Regulator
- attendance at external training events for pension trustees and/or board members
- attendance at internal training events facilitated by Powys Pension Fund or Powys County Council
- attendance at pension conferences, seminars and workshops that cover fund investment, scheme administration, fund governance, actuarial matters or other relevant areas.

#### **4 Continuing Development**

- 4.1 Pension fund matters do not stand still. Therefore, there will be a requirement to undertake continual development to remain up to date with general pensions and LGPS specific issues. The requirement is for all relevant Members, regardless of professional background, to undertake a minimum of 4 days continuing development in each scheme year (ending 31<sup>st</sup> March).
- 4.2 Completion of this requirement may be achieved by a range of attendances at, for example, LGPS Trustees Conference or LAPFF seminars.

#### **5 Accountability and Transparency**

- 5.1 Accountability and transparency are principles of good governance and best practice. Therefore, knowledge and skills needs, training and development undertaken and continuing development, will be monitored and recorded and published annually.
- 5.2 Failure by a Member to meet their obligations under this policy, may result in them being barred from serving on either the Pensions & Investment Committee or the Powys Pension Board, as applicable, and as determined by the Section 151 Officer.

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



# Powys

**CRONFA BENSIWN  
POWYS  
PENSION FUND**

**Conflicts of Interest Policy**

Drafted April 2022

## **Introduction**

Conflicts of interest exist within the LGPS by its nature, as many of those involved with managing LGPS Pension Funds have a variety of roles and responsibilities simply by being a scheme member, or as an elected member of a participating employer within the LGPS, or as an adviser to more than one LGPS administering authority. In addition, any of those persons may have a personal, business or other interest which might conflict, or be perceived to conflict, their responsibility of managing or advising an LGPS Fund.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy for the Powys Pension Fund, which is managed by Powys County Council. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Powys Pension Fund whether directly or in an advisory capacity.

This policy is established to guide members of the Pensions and Investment Committee, Pension Board, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund.

## **Aims and Objectives**

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and ensuring that decisions taken are robust and well documented
- Understand and monitor risk

- Strive to ensure compliance with appropriate legislation and statutory guidance and to follow best practice
- Clearly state its objectives and how it intends to achieve those objectives through business planning, then continually measure and monitor success

The identification and management of potential and actual conflicts of interest is integral to the Administering Authority achieving its governance objectives.

### **To whom this Policy Applies**

This Conflicts of Interest Policy applies to all members of the Pensions and Investment Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not. It applies to all senior officers involved in the management of the Fund (the Section 151 Officer).

The Pension Fund Manager will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

The Policy also applies to all advisers and suppliers to the Fund, whether advising the Pensions and Investment Committee, Pension Board or Fund officers.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes, but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority and any other body on which they represent the Administering Authority, on any actual or potential conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

## **Legislative and related context**

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance.

### **The Public Service Pensions Act 2013**

Section 5 of this Act requires that the scheme manager (this is the administering authority within the LGPS) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Furthermore, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue.

### **The Local Government Pension Scheme Regulations 2013**

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each Administering Authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment, or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each Administering Authority must have regard to guidance issued by the Secretary of State in relation to Pension Boards. Furthermore, regulation 110 provides that the national scheme advisory board has a function of providing advice to Administering Authorities and Pension Boards.

### **The Pensions Act 2004**

The Public Service Pensions Act 2013 also added provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that existing code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

## **CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance**

The CIPFA governance principles guidance states "*the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have.*" It highlights the need for Administering Authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities;
- ensure declarations are updated appropriately.

This Conflicts of Interest Policy takes account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

### **Local Government Act 2000**

All members and co-opted members of the Powys Pensions and Investment Committee are required by the Local Government Act 2000 to abide by Powys' Members' Code of Conduct, which contains provisions relating to personal interests, personal and prejudicial interests, their disclosure and limitations on members' participation where they have any such interest.

### **The Public Services Ombudsman for Wales' Ten Guiding Principles**

The Local Government Act 2000 empowered the National Assembly to issue principles to which local authority elected members must have regard in undertaking their role as a member. These principles draw on the 7 Principles of Public Life which were set out in the Nolan Report "Standards of Conduct in Local Government in England, Scotland and Wales".

The current principles were set out in a statutory instrument and are detailed below. Many of the principles are integral to the successful implementation of this Policy.

1. Selflessness
2. Honesty
3. Integrity and Propriety
4. Duty to Uphold the Law
5. Stewardship
6. Objectivity in Decision-making
7. Equality and Respect
8. Openness
9. Accountability
10. Leadership

### **Advisers' Professional Standards**

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any

Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

## **Other Administering Authority Requirements**

### **Pensions and Investment Committee Members**

In addition to the requirements of this Policy, Pensions and Investment Committee members and co-opted members are required to adhere to the Powys County Council Members' Code of Conduct which includes requirements in relation to the disclosure and management of personal and prejudicial interests.

### **Pension Board Members**

In addition to the requirements of this Policy, Pension Board members are required to declare any interests that may lead to a conflict situation.

### **Employees**

In addition to the requirements of this Policy, officers of Powys County Council are required to adhere to the Powys County Council Officers' Code of Conduct which includes requirements in relation to the disclosure and management of personal and pecuniary interests.

### **Advisers**

Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pensions and Investment Committee or Fund officers, as long as there is no conflict of interest between the two roles.

### **Conduct at Meetings**

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pensions and Investment Committee meeting, and that this will be recorded in the minutes.

## **What is a Conflict or Potential Conflict and how will they be managed?**

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by Powys County Council, and
- at the same time has:
  - a separate personal interest (financial or otherwise) or
  - another responsibility in relation to that matter,



giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 1. The appendix also illustrates where disclosure of a personal or prejudicial interest may separately be required for Pensions and Investment Committee members (including co-opted members) under the Powys County Council Members' Code of Conduct.

Powys County Council will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pensions and Investment Committee meeting)

Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, Powys County Council shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

## **Responsibility**

Powys County Council as the scheme manager for the Powys Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Pension Fund Manager is the designated individual for ensuring the procedure outlined below is carried out.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

## **Operational procedure for officers, Pensions and Investment Committee members and Pension Board members**

The following procedures must be followed by all individuals to whom this policy applies.

However, it should be noted all members of the Pensions and Investment Committee (including co-opted members) have a pre-eminent requirement to follow and abide by the requirements of the Powys County Council Members' Code of Conduct relating to the treatment and disclosure of certain personal and prejudicial interests. Accordingly, for those members, disclosures under this policy may **be in addition** to disclosures under the Council's Code of Conduct.

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<b>What is required</b>	<b>How this will be done</b>
<i>Step 1 - Initial identification of interests which do or could give rise to a conflict</i>	<p>On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 2.</p> <p>The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest in a format the same or similar to that included in Appendix 3.</p>
<i>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</i>	<p>At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the minutes of the meeting and also in the Fund's Register of conflicts of interest.</p> <p>At Powys Pensions and Investment Committee meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda.</p> <p>Any individual who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chairman and the Pension Fund Manager prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Pension Fund Manager, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>If such a conflict is identified outside of a meeting the notification must be made to the Pension Fund Manager and where it relates to the business of any meeting, also to the Chairman of that meeting. The Pension Fund Manager, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the Pension Fund Manager may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest and in the minutes of the meeting if raised during a meeting.</p>
<i>Step 3 - Periodic review of potential and actual conflicts</i>	<p>At least once every 12 months, the Pension Fund Manager will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund conflicts of interest. All individuals will complete confirm that their information is correct or highlighting any changes that need to be made.</p>

## **Operational procedure for advisers**

All of the key advisers are expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients.

Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead, all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the Pension Fund Manager in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to Powys County Council
- notify the Pension Fund Manager immediately should a potential or actual conflict of interest arise
- highlight at all meetings should a potential or actual conflict of interest arise, preferably at the start of the meeting.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

## **Monitoring and Reporting**

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Pension Fund Manager.

In order to identify whether the objectives of this Policy are being met the Administering Authority will:

- Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity

## **Key Risks**

The key risks to the delivery of this Policy are outlined below. These could potentially result in an actual conflict of interest arising if not properly managed. The Pension Fund Manager will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy

- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

## **Costs**

All costs related to the operation and implementation of this Policy will be met directly by Powys Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

## **Approval, Review and Consultation**

This Conflicts of Interest Policy will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

## **Further Information**

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Chris Hurst,  
Pension Fund Manager, Powys County Council  
E-mail – [chris.hurst@powys.gov.uk](mailto:chris.hurst@powys.gov.uk)  
Telephone – 01597 827640

## Examples of Potential Conflicts of Interest

Examples of Pension Related Potential Conflict of Interest	Also a Personal or Prejudicial Interest*
a) An elected member on the Pensions and Investment Committee may be required to provide views on a funding strategy which could result in an increase in employer contributions payable by the employer he or she represents.	No
b) A member of the Pensions and Investment Committee member is on the board of an Investment Manager that the Committee is considering appointing.	Yes
c) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.	No
d) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.	Yes
e) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Section 151 Officer, who has responsibility for the Council budget, is expected to approve the report to go to the Pensions and Investment Committee which, if agreed would result in a material reduction in the recharges to the Council from the Fund.	No
f) Officers of the Fund are asked to provide a report to the Pension Board or Pensions and Investment Committee on whether the administration services should be outsourced which, if it were to happen could result in a change of employer or job insecurity for the officers.	No
g) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only serves to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.	No
h) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, providing delegated or fiduciary management of Fund investments, providing assistance with monitoring the covenant of employers or where they are also advisers to the Wales Pensions Partnership.	No
i) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pensions and Investment Committee or Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out	No

their functions as a member of the Pensions and Investment Committee or Pension Board.	
j) An officer of the Fund or member of the Pension Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process	No
k) An officer of the Fund is asked to provide guidance to the Local Pension Board on the background to an item considered at the Pension Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Committee item.	No
l) A member of the Pensions and Investment Committee or officer of the Fund is on a Wales Pensions Partnership committee/group and a matter is being considered that would benefit their originating Council or Pension Fund to a greater degree than other participating Councils or Funds.	No

\* This indicates those interests that must also be declared by Pensions and Investment Committee members in accordance with the Powys County Council Members' Code of Conduct.

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## Declaration of Interests relating to the management of Powys Pension Fund administered by Powys County Council

*Tick as appropriate*

I, \_\_\_\_\_ [insert full name], am:

- an officer involved in the management
- Pensions and Investment Committee Member
- Pension Board Member

of Powys Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Powys Pension Fund Conflicts of Interest Policy. I have put “none” where I have no such interests under any heading.

**Responsibilities or other interests that could result in a conflict of interest** (please list and continue overleaf if necessary):

*A) Relating to me*

*B) Relating to family members or close colleagues*

### **Undertaking:**

I declare that I understand my responsibilities under the Powys Pension Fund Conflicts of Interest Policy. I undertake to notify the Pension Fund Manager of any changes in the information set out above.

Signed \_\_\_\_\_ Date \_\_\_\_\_

Name (CAPITAL LETTERS) \_\_\_\_\_



### Powys Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Powys County Council, the Administering Authority.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified(1)	Action taken(2)	Follow up required	Date resolved
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(1) E.g. verbal declaration at meeting, written conflicts declaration, etc

(2) E.g. withdrawing from a decision making process, left meeting

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Risk Ref	Risk Identified	Potential Consequence	Date Identified	Service Area	Inherent Profile	Owner	Portfolio Holder	Control / Action Status	Control/Action	Residual Profile
ADMIN0001	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.	01/12/2016	Administration Risk	Medium	Chris Hurst	Clr David Thomas	Control In Place	Maintenance and update of Altair and Trent systems, sufficient staff resources and training. Quality assurance processes. Continuing Review of processes and procedures	Low
ADMIN0002	Inability to deliver service as a result of loss of pensions administration system, or any other system used in the provision of service (eg. pensioner payroll). Failure of any system used by the service as a result of a breach of cyber security.	Failure to provide service. 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.	04/10/2016	Administration Risk	Medium	Chris Hurst	Clr David Thomas	Control In Place	Business Continuity Plan under review. Periodic review by the Pension Board of provider assurances in respect of cyber security. Business continuity planning and systems providers assurance	Low
ADMIN0003	Failure to hold scheme member's personal data securely.	Poor data quality; compromised data; fines	12/06/2017	Administration Risk	Medium	Chris Hurst	Clr David Thomas	Control In Place	Data protection audit in conjunction with TPR data quality standards to be undertaken. Compliance with Powys County Council Data Protection and ICT policies.	Medium
ADMIN0004	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.	29/08/2017	Administration Risk	High	Chris Hurst	Clr David Thomas	Control In Place	Pensions team work with employer payrolls to ensure data quality; data validation checks undertaken & training. Additional data validation and quality checks to be implemented as required by the TPR code of practice.	Medium
ADMIN0005	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.	25/01/2016	Administration Risk	Medium	Chris Hurst	Clr David Thomas	Control In Place	Communications policy in place.	Medium
ADMIN0006	Pensioners living longer and, changing retirement patterns.	Increased employer contribution rates.	30/01/2017	Administration Risk	Medium	Chris Hurst	Clr David Thomas	Control In Place	The Fund actuary investigates these matters at each valuation or more frequently where appropriate.	Low
ADMIN0007	Deteriorating patterns of ill health or other early retirements.	Increase in employer contribution rates and deficit recovery payments.	30/01/2017	Administration Risk	Medium	Chris Hurst	Clr David Thomas	Action In Progress	Employers are required to pay the capital costs of early retirements (pension strain), upfront for all cases.	Low
ADMIN0008	Failure to reconcile all relevant active, deferred and pensioner member GMP records against the data held by DWP in respect of the cessation of contracting out.	Increase in Fund liabilities; increased employer contribution rates and deficit recovery payments; and, payment of incorrect pension benefits.	02/01/2017	Administration Risk	Medium	Chris Hurst	Clr David Thomas	Control In Place	Reconciliation Complete. Work on Rectification continuing	Medium
ADMIN0009	Cessation of Service Contract for Pensions Administration System	Failure to meet legislative requirements and administer the LGPS. Risk of intervention by the Pensions Regulator, legal challenges, reputational risk.	09/10/2020	Administration Risk	High	Chris Hurst	Clr David Thomas	Control In Place	Appoint external partners to a) identify scale of work required; b) bank 'quick wins'; complete reconciliations by September 2022.	Medium
ADMIN0010	Payments to overseas pensions.			Administration Risk	Medium	Jane Thomas	Unassigned			Medium

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Risk Ref	Risk Identified	Potential Consequence	Date Identified	Service Area	Inherent Profile	Owner	Portfolio Holder	Director or Head	Control/Action	Control Action Details	Residual Profile
GOVERN0001	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 financial reporting; and potential delay to production of annual report and accounts.	02/12/2019	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	Contributions received monitored on a monthly basis by Fund accounting staff. Requirement that each end of scheme year, Fund employers certify they have paid over contributions at the correct rates and time	Contributions received monitored on a monthly basis by Fund accounting staff.	Medium
GOVERN0002	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.	03/10/2016	Governance Risk	High	Chris Hurst	Cllr David Thomas	Jane Thomas	Cashflow forecast in place. Review strategic asset allocation to keep positive cashflow	Funding strategy statement in place	Medium
GOVERN0003	Inability to deliver service as a result of the loss of key personnel	Failure to provide service at all, or at an acceptable level	27/09/2016	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	Business Continuity Plan in place for the pensions administration service. Keep Business Continuity Plan under review	Assurances received from all systems providers in relation to their current resilience to the threat of a failure in cyber security.	Medium
GOVERN0004	Loss of funds through fraud or misappropriation	Financial loss to the Fund	08/11/2016	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	Audit and control tests, due diligence done when new manager appointed	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.	Low
GOVERN0005	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.	04/09/2017	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	Employers have Discretionary Powers Policies that help to control liabilities. Insurance options investigated as a potential mitigation.	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.	Low
GOVERN0006	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	04/10/2016	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	In process of developing risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty	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  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. control.	Medium
GOVERN0007	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.	04/09/2017	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classes	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.	Low
GOVERN0008	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; IDRP and Ombudsman appeals; TPR fines for non-compliance.	11/10/2017	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	Rigorous checking/authorisation procedures for pension benefit calculations and payments, review governance policy; Closer partnership working with employer payrolls to facilitate accurate data receipts;	Rand, regular review of governance compliance policy. Staff training and development.	Medium
GOVERN0009	Lack of expertise of Pension Fund Officers and Senior Officers	Poor decision making in relation to principal functions of the Pension Fund, particularly in relation to investments.	25/01/2016	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	Training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both PIC & PB. training and performance reviews, conferences, seminars to upskill and develop knowledge	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.	Medium
GOVERN0010	Over-reliance on key Officers	When senior Officers leave or are absent due to long term sickness, large knowledge gaps remain.	25/01/2016	Governance Risk	High	Chris Hurst	Cllr David Thomas	Jane Thomas	In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance. Formalise succession planning by including in Officer individual training plans for less senior Officers.	In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance from consultants.	Medium
GOVERN0011	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.	26/01/2016	Governance Risk	High	Chris Hurst	Cllr David Thomas	Jane Thomas	The Fund maintains a Welsh Language register in respect of scheme members and employers. To utilise technology to enable access to service and information for stakeholders with disabilities, other language needs etc.	The Fund maintains a Welsh Language register in respect of scheme members and employers.	Medium
GOVERN0012	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.	25/01/2016	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	employer covenants, guarantor bonds, risk sharing agreements	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.	Medium
GOVERN0013	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.	25/01/2016	Governance Risk	High	Chris Hurst	Cllr David Thomas	Jane Thomas		To seek funding guarantees wherever possible, from other Scheme employers or outside bodies. To require, in all cases, a bond or other form of security to protect the Fund in the case of unexpected cessation and insolvency. Ensuring that admitted bodies are fully aware of their obligations and responsibilities to the Pension Fund and the benefits of their employees.	Medium
GOVERN0014	An admitted body ceasing to exist with insufficient funding or level of a bond available to meet all its Fund liabilities.	Unfunded pension liabilities being orphaned without sufficient funding/guarantees in place, resulting on increased liabilities falling on other Fund employers.	01/11/2017	Governance Risk	Medium	Chris Hurst	Cllr David Thomas	Jane Thomas	To seek funding guarantees wherever possible, from other Scheme employers or outside bodies. Regular review of admitted body covenants and financial health.	To seek funding guarantees wherever possible, from other Scheme employers or outside bodies. To require, in all cases, a bond or other form of security to protect the Fund in the case of unexpected cessation and insolvency. Ensuring that admitted bodies are fully aware of their obligations and responsibilities to the Pension Fund and the benefits of their employees.	Medium
GOVERN0015	Appointment of new Pension Board Chair in July 2021 and additional Scheme member and Employer Representatives.	Non compliance with Public Services Pension Act. Challenge and scrutiny from the Pensions Regulator. Reduced quality of governance.	09/10/2020	Governance Risk	High	Chris Hurst	Cllr David Thomas	Jane Thomas			Medium
GOVERN0016	Pension Fund Personnel and/or key suppliers are unable to work due to extreme weather, fire, epidemics	Inability to deliver administration services or investment of the Fund. Impact of welfare of Pensions Section Staff.	29/03/2020	Governance Risk	High	Chris Hurst	Cllr David Thomas	Jane Thomas	Business Continuity Plan	Business Continuity Plan, assessment of Pensioner Payroll services. Electronic implementation of paperwork.	Medium

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Alert	Risk Ref	Risk Identified	Potential Consequence	Date Identified	Service Area	Inherent Profile	Owner	Portfolio Holder	Director or Head of Service	Control/Action	Control Action Details	Residual Profile	Review Date
0	INVEST0001	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.	25/01/2016	Investment Risk	Medium	Chris Hurst	Clr David Thomas	Jane Thomas	anticipate long-term returns on a relatively prudent basis to reduce the risk of under-performance.	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.	Medium	10/07/2022
0	INVEST0002	Inappropriate long-term investment strategy.	Failure to meet funding objectives.	25/01/2016	Investment Risk	Medium	Chris Hurst	Clr David Thomas	Jane Thomas	Use of a Fund specific benchmark, as recommended by the Fund's investment consultant.	Use of a Fund specific benchmark, as recommended by the Fund's investment consultant.	Medium	10/10/2022
0	INVEST0003	Active investment manager under-performance relative to the benchmark.	Failure to meet funding objectives.	25/01/2016	Investment Risk	Medium	Chris Hurst	Clr David Thomas	Jane Thomas	Short-term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.	Short-term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.	Low	10/07/2022
0	INVEST0004	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.	29/01/2018	Investment Risk	Medium	Chris Hurst	Clr David Thomas	Jane Thomas	discuss every such situation with the Pension Fund actuary, for each individual employer.	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.	Low	10/07/2022
0	INVEST0005	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.	25/01/2016	Investment Risk	Medium	Chris Hurst	Clr David Thomas	Jane Thomas	Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted to three years, or 6 years, in very exceptional circumstances.	Each individual employer situation is discussed with the Pension Fund actuary, with stepping restricted to three years, or 6 years, in very exceptional circumstances.	Medium	10/10/2022
0	INVEST0006	Pay and price inflation significantly more than anticipated.	Increased employer contribution rates and deficit recovery payments.	30/01/2017	Investment Risk	High	Chris Hurst	Clr David Thomas	Jane Thomas	Employers 'pay' for their own salary awards and are reminded of the geared effect on salary-linked pension liabilities	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.	Medium	10/07/2022
0	INVEST0007	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.	03/03/2016	Investment Risk	High	Chris Hurst	Clr David Thomas	Jane Thomas	Increased investment manager diversification may be further facilitated by pooling via the Wales Pool that is currently under development. diversification of investment managers, limits for individual investments mandates.	Increased investment manager diversification may be further facilitated by pooling via the Wales Pool that is currently under development. As agreed by P & I Committee on 9th February 2017, when entering into new contractual arrangements with investment managers, contract documentation is to be referred to the Fund's legal advisers for review and appropriate due diligence.	Medium	05/07/2022
0	INVEST0008	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.	30/03/2017	Investment Risk	High	Chris Hurst	Clr David Thomas	Jane Thomas	Due diligence on all pooling proposals; full transparency of all pool proposals and costs; full participation of Pension Fund. Pooling vehicle to be structured so that each participating Fund has full representation the pool	Due diligence on all pooling proposals; full transparency of all pool proposals and costs; full participation of the Pension Fund in all pooling development.	Medium	08/10/2022
0	INVEST0009	MIFID II ongoing compliance	Financial implications of not being treated as an institutional investor	01/10/2019	Investment Risk	High	Chris Hurst	Clr David Thomas	Jane Thomas	Regular Review of MIFID Status	Regular Review of MIFID Status	Medium	10/07/2022
0	INVEST0010	Fall in the returns on Government bonds.	Increase to the value placed on Fund liabilities.	01/01/2015	Investment Risk	High	Chris Hurst	Clr David Thomas	Jane Thomas	Allowing for a risk-based approach should limit the impact of short-term changes in returns on Government bonds	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 changes.	Medium	10/07/2022
0	INVEST0011	Increased risk on Fund Employers.			Investment Risk	Medium	Jane Thomas	Unassigned	Jane Thomas			Medium	04/05/2023

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Breach No	YEAR	Breach Type	Nature of Breach	Breach Description	Action	Material Significance (Y/N)	P & I Committee Notified	Pension Board Notified	TPR Notified	RAG Status
1	2018/19	Administration	Late Notification of deferred Benefits	Disclosure Regulations state that any deferred leaver should be notified of their deferred benefit options within two months of the fund receiving complete leaver information from the employer. Due to the backlog of casework in the fund these deadlines have not been met for a number of historic deferred members. <b>Cause:</b> The backlog has occurred through the introduction of the new LGPS and the increased complexity around administration (aggregations, final salary links etc). An increase in the numbers of deferred pensioners who have left employment through reorganisations in recent months has also had an impact. <b>Effect:</b> although a breach, it is not considered material, as the information is not critical when making future decisions. Where a deferred member reaches retirement age their calculation will be completed at that point. This is a national issue for most funds across the LGPS.	New letter produced and issued to leavers upon notification of leaving, stating their entitlements upon leaving membership of the LGPS (i.e. under 2 years = refund, over 2 years = Deferred)	N	N	Y	N	
2	2018/19	Administration	Automatic payment of refund after 5 years for post 2014 leavers	Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members.	The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014.	N	Y	Y	N	

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## CYNGOR SIR POWYS COUNTY COUNCIL

Pension Board  
27th June 2022

**REPORT BY:** Board Secretary

**SUBJECT:** Powys Pension Board Communications Log

**REPORT FOR:** Information

**1. Introduction**

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

**2. Communications Log**

**2.1**

**Communication**

**Date Sent**

TPR February Round Up	21.06.22
TPR March Round Up	21.06.22
TPR April Round Up	21.06.22
TPR May Round Up	21.06.22
TPR Conflict in Ukraine Email	21.06.22

**3. Recommendation**

Note communications issued.

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