

POWYS PENSIONS BOARD

Held at County Hall, Llandrindod Wells

on 31st July 2015

PRESENT:

Gerard Moore (Chair)

John Byrne and Mick Hutchison (Member Representatives)

Geoff Petty and Wayne Thomas (Employers Representatives)

Joe Rollin (Secretary to the Board)

		Action
1.	Introduction The Chair welcomed everyone to the meeting and introductions were made.	
2.	Apologies None	
3.	Conflicts of Interest None	
4.	Terms of Reference of Powys Pensions Board The Board's Terms of Reference were considered. Paragraph 15b, requiring the appointment of a Scheme member not nominated by the trade unions had been considered to be impractical and, therefore, both member representatives had been nominated by the trade unions. Paragraph 38 dealt with the quorum for the Board. At least one employer representative and one member representative needed to be present for a meeting to be quorate. The Board agreed confirmed that the Chair also needed to be present to have a quorate meeting and that no decisions could be taken in the Chair's absence. The Board considered what to do when either an employer representative or a member representative was absent. It was agreed that in those circumstances one member from the larger group would not vote so as to avoid an imbalance. This would be managed on a meeting by meeting basis. The Board endorsed the principle of transparency (paragraph 48) and agreed that their meetings would be open to the public and noted that this would mean that	Secretary & Clerk

	<p>agendas and minutes would be split into public and confidential sections.</p> <p>The Secretary was asked to send a copy the Council's Whistleblowing Policy to the members of the Board.</p> <p>These clarifications will require some re-wording to the Terms of Reference, following which the revised Terms of Reference will be signed and published.</p>	<p>Secretary</p> <p>Secretary</p>
5.	Review of Principal Pension Fund Documents	
a)	<p>Annual Report</p> <p>The Chair noted the increase in both investment management expenses and direct administration fees between 2012/13 and 2013/14 and asked for the Board to be given details at the next meeting when the equivalent figures for 2014/15 would also be available.</p> <p>The Board noted, and were comfortable with, the critical judgements in applying accounting policies on unquoted private equity investments and the pension fund liability.</p> <p>The Secretary was asked to check if non-voting members of the Pensions and Investment Committee were required to declare interests.</p>	<p>Secretary</p> <p>Secretary</p>
b)	<p>Funding Strategy Statement</p> <p>The Board noted (paragraph 1) the inter-relationship between the Actuary's Valuation Report, The Funding Strategy Statement (FSS) and the Statement of Investment Principles (SIP).</p> <p>The Board also noted and were comfortable with the 25 year recovery period. The Board also noted the provision to extend to an absolute limit of 40 years in exceptional circumstances and agreed that this needed to be kept under review so that it did not become too extended. The Secretary was asked to include an item on the planning and timescale for the Actuarial Valuation 2016 on the agenda for the next meeting.</p>	<p>Secretary</p>
c)	<p>Statement of Investment Principles</p> <p>Received</p>	
d)	<p>Actuarial Valuation Report</p> <p>The Chair was surprised that the funding level was not referred to in the executive summary as this was a key statistic.</p>	

e)	<p>Governance Compliance Statement</p> <p>The Board noted that the Governance Compliance Statement was due to be revised and updated at the next meeting of the Pensions and Investment Committee. The revised statement would be put on the agenda for the next meeting of the Pensions Board.</p>	Secretary
f)	<p>Scheme Members Communications Strategy</p> <p>This was being reviewed by the Council's Internal Audit section and would be reported to the Pensions and Investment Committee on 30th September and then to the Pensions Board at its next meeting.</p>	Secretary
6.	<p>Board Budget</p> <p>The Board noted its budget for the year had been set at £39,343. This sum allowed for additional meetings and projects in addition to the quarterly scheduled meetings.</p>	
7.	<p>Review of Pensions and Investment Committee Constitution</p> <p>It was noted that the minutes of Powys Pensions Board meetings would be a standing item on Pensions and Investment Committee agendas. Any issues that needed to be referred to the Committee would be done so through the Secretary with the added proviso that the Chair of the Pensions and Investment Committee reserved the right for any member of the Board to attend and to speak at that Committee.</p>	
8.	<p>Pensions and Investment Committee 16th July 2015 Quarterly Investment Update</p> <p>The Chair reported on his attendance at the meeting of the Pensions and Investment Committee on 16th July. He had been impressed by the priority given to holding questioning underperforming managers to account.</p> <p>The Board considered the content of the information provided to Committee members from the perspectives of ease of readability, understanding and interpretation.</p> <p>The Chair asked the Secretary to research the basis on which the benchmark figures reported on page 3 of the Aon Hewitt quarterly report related to the objectives as on reported in the Annual Report, Appendix 5, Paragraph 7 as it was unclear if the benchmark figures in the quarterly report were inclusive of the performance target objectives as set out in the Annual Report. The Secretary was asked to check this with Aon Hewitt and to report back to the next meeting. The Board agreed that it would be helpful if the quarterly report contained a more explicit explanation of</p>	Secretary

	<p>performance against the agreed objectives and not just the benchmark. The Board also agreed that it would be useful to have management fees incorporated into the report.</p> <p>The Board discussed the Pension Fund Perception Programme (PFPP) which gathered together performance data on the performance and perceptions of asset managers from all local authority and corporate pension funds. The Chair declared an interest as he was involved with the programme but explained that there was no conflict of interest as there was no cost to participating pension funds. The Secretary was asked to raise the potential use of this comprehensive information, to complement the reports from the independent investment adviser this with the Pensions and Investment Committee and to report back to the Board.</p> <p>The Board also asked for WM information on the contribution made to performance by stock picking and asset allocation to be put on the next agenda.</p> <p>The Chair noted the significant outperformance of the passive equity fund manager and the explanations in the commentary and requested that the Pensions and Investment Committee be asked to confirm that the manager was not taking any undue risks.</p> <p>In overall terms, the Board felt there was some scope for modifying the presentation to facilitate its understanding by the Committee.</p>	<p>Secretary</p> <p>Secretary</p> <p>Secretary</p>
9.	Risk Management	
a)	<p>Cashflow</p> <p>The Board sought assurances that the Fund would be able to meet its obligations to pay all due pensions on time in the short, medium and long terms.</p> <p>The fund was still cashflow positive as witnessed by the analysis provided, but was moving to a negative position as the fund matured. This position was being exacerbated by budget pressures facing the Council as redundancies reduced the active membership of the fund.</p> <p>The Secretary reported that the Actuary was looking at the maturity of the fund. He advised that there had been virtually no take up of the 50 50 option and that opt outs from the pension scheme remained stable with approximately one third of people opting out. It was still too early to see the effects of auto-enrolment which would be extended to existing members in 2017.</p>	

b)	<p>Employer Covenants The Board sought assurances that the Administering Authority had sufficient arrangements in place to minimize the danger of the insolvency of any scheme employer adversely impacting on all other scheme employers.</p> <p>The Board noted that Freedom Leisure needed to be added to the list of admitted bodies.</p> <p>The Board was content at the strength of the covenants and was assured by the Secretary that all contributions were received in a timely manner. The Board suggested that a statement should be included in the Annual Report confirming that all contributions had been received.</p>	<p>Secretary</p> <p>Secretary</p>
c)	<p>Internal Dispute Resolution Procedure and Pensions Ombudsman The Board sought assurances that the Administering Authority had adequate arrangements in place to minimize the risk of poor procedures resulting in adverse judgements against the Administering Authority, and their potential financial consequences, and damage to its reputational risk.</p> <p>The Secretary advised that there had been no appeals or referrals against decisions made by the fund in the last 5 years. There had been 8 Internal Dispute Resolution Procedure appeals against decisions made by employers submitted in the last year. These had been dealt with at stage 1 by the employer. Seven of these had been on issues of ill health, which was consistent with national statistics.</p>	
d)	<p>Cessation of Contracting Out: HMRC Registration The Board sought assurances that the Administering Authority had registered as required with HMRC, and that it would have sufficient resources in place to ensure reconciliation with HMRC figures within the prescribed timescale.</p> <p>The Secretary confirmed that the Administering Authority had already met the requirements to register with the HMRC.</p> <p>The Board noted that this was a huge exercise and, with the full cost of administering the cessation of contracting out falling on pension funds, one with considerable resource implications for participating employers and extra costs to scheme members. The Powys pensions team was working to assess the scale of the problem by comparing data supplied by HMRC with their own data. A similar exercise by</p>	<p>Secretary</p>

	<p>another Welsh authority had found anomalies in 60% of the data supplied by HMRC. The process was very resource intensive. One option would be contract the work out but this was likely to cost several hundred thousand pounds. The Secretary was asked to provide an update at the next meeting. The Board offered its support to the Secretary if he needed to make a case to the Section 151 Officer for a temporary increase in resources.</p>	
10.	<p>Board Media Protocol The Board agreed the inclusion of a section in the Powys County Council Protocol on Publicity and the Media dealing specifically with the Board.</p>	
11.	<p>Board Member Training</p>	
a)	<p>Training Policy The Training Policy paper approved by the Pensions and Investment Committee on 16th July 2015 applied equally to the Pensions Board. The Board agreed that it was content for the Chair and Secretary to assess what training would be most useful for members to attend.</p>	Chair & Secretary
b)	<p>Changes in Regulations – LGPS (Amendment) Regulations 2015 Received.</p>	
c)	<p>Training Needs Analysis Update The next meeting would take stock of members' training and training needs. All members would be required to complete a self-assessment form which the Secretary would circulate.</p>	Secretary
d)	<p>Future Proposals It was suggested that a work programme be drawn up for the Board.</p>	Chair & Secretary
12.	<p>Date of Next Meeting 16th October 2015</p>	

Gerard Moore
Chair