

**CYNGOR SIR POWYS COUNTY COUNCIL**

**Pensions and Investment Committee  
13<sup>th</sup> March 2020**

**REPORT BY:** Head of Finance

**SUBJECT:** Governance Update

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**REPORT FOR:** Information

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**1 Introduction**

1.1 This report has been produced to provide Committee with an update on the LGPS governance matters and the potential impact of these on the Powys Pension Fund.

1.2 It is provided in addition to and supplements, where appropriate, the executive summary presented by the Powys Pension Board Chair and will provide updates on:

- Scheme Advisory Board's (SAB) Good Governance project
- The Pension Regulator
- Update on the Fund's risk register
- Updates on the Fund's breaches register

**2 Fund Governance**

2.1 SAB Update

2.2 SAB met on 3 February 2020. You can read an [update from the February SAB meeting](#) on the board website. A summary of the ongoing projects follows:

2.3 The SAB Good Governance Project Update

The SAB approved resources for Phase three of the Good Governance project. This phase will determine:

- the outcome measures it will use
- the format of this work, and
- a timetable for implementation

2.4 SAB Responsible Investment Guidance

On 24 February 2020 SAB published a [statement](#) on the draft responsible investment guidance.

Responses to the earlier consultation were generally positive with some helpful drafting points. Some respondents raised concerns about fiduciary duty in the context of the LGPS.

The issue of fiduciary duty was discussed in the Supreme Court hearing involving the Palestine Solidarity Campaign and MHCLG. When the judgment is handed down, it might help shed some light on how the fiduciary duty test applies to investment decision makers in the LGPS.

The Government recently introduced amendments to the Pension Schemes Bill 2020. These changes could also impact how investment strategy statements are prepared in relation to issues like ESG and climate change.

For these reasons, the SAB has decided not to offer definitive advice or guidance on how the fiduciary duty test applies in the LGPS at this time. It will change direction and restructure the draft guidance to:

- explain and clarify the terminology associated with responsible investment
- provide investment decision makers with a range of information, case studies and tools to help them meet the challenges associated with responsible investment.

SAB will circulate the revised draft guidance to scheme stakeholders for comment in the normal way.

2.5 The Pensions Regulator (TPR) seeks to extend supervision to select administrators

2.6 TPR is seeking a voluntary extension to its supervision regime. This has already been introduced for the largest schemes in the UK. It will attempt to build relationships with pensions administrators of critical importance. These are the top 75 outsourcing companies and in-house teams in the country.

Key areas of focus for interaction will include:

- trustee relationship management
- handling of client transitions
- data quality controls
- due diligence on scams
- member communications
- resourcing and training
- business continuity and cyber resilience.

2.7 Future Trusteeship and Governance response from The Pensions Regulator

2.8 TPR has recently responded to its [consultation](#) on the future trusteeship and governance of occupational pension schemes. Within

the LGPS, the items of particular interest are the proposals to continue the trend for developing the knowledge and understanding requirements of trustees (Committee members) and improving the governance structures to enable effective decision making. TPR will now begin the preparatory work to implement its proposals over the coming year.

## 2.9 PASA launches DB Transfers Code of Good Practice Consultation

The Pensions Administration Standards Association (PASA) launched its Defined Benefit (DB) Transfers Code of Good Practice Consultation. The consultation closes on 30 April 2020, with the aim of launching the Code in September.

## 2.10 Risk Register

2.11 The latest Risk register is enclosed for Committee's review. There are no changes since the last revision, but work will commence on a wholesale review of the register imminently and it will be presented to Committee at the next meeting for consideration and review.

## 2.12 Breaches Register Update

2.13 The latest version of the breaches log is attached, for your information.

No new recordable or reportable breaches have been added since the last meeting. There has been a small increase in the number of unpaid frozen refunds. However, the Fund has commenced work on actively locating these members and some payments have now been made. Work will continue to try and locate the outstanding ones.

## 3 Recommendation

3.1 To note the contents of this report.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
<ul style="list-style-type: none"> <li>To note the update and raise any points of discussion or concerns to ensure that the Fund continues to focus on high standards of governance.</li> </ul>		As per report	
<b>Person(s) To Action Decision:</b>	Pension Fund Manager		
<b>Date By When Decision To Be Actioned:</b>	Immediately		
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk

<b>Relevant Portfolio Member(s):</b>	Cllr Aled Davies
<b>Relevant Local Member(s):</b>	N/A