

## Local Pension Board

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**MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 1 FEBRUARY 2023 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.**

**Present:**

Mark Spilsbury (Chairman), Marlene Corbey (Vice-Chairman), Paul Smith, Laura Fisher, Asifa Ashraf and Mike Pankiewicz

**Also Present:**

Cllr Richard Britton, Christopher Moore, Richard Bullen, Ellen Ghey, Cameron Osborn, Jennifer Devine, Denise Robinson and Liam Robson

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**166 Apologies and Membership**

Apologies were received from Juliet Weimar.

The Chairman informed Members that Asifa Ashraf would shortly be leaving Wiltshire Council and as such would be unable to continue as an Employee Board Member. The Chairman thanked Asifa on behalf of the Board for her attendance and time invested into attending and participating in training and meetings over the course of her term.

**167 Minutes and Action Tracking**

The Part I (public) minutes of the previous meeting held on 27 October 2022 were considered. After which, it was:

**Resolved**

**The Board approved and signed the Part I (public) minutes of the previous meeting held on 27 October 2022 as a true and correct record, and the Board's action log was noted.**

**168 Declarations of Interest**

There were no declarations of interest.

**169 Chairman's Announcements**

There were no Chairman's announcements.

170 **Public Participation**

There were no statements or questions submitted.

171 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee**

The Part I (public) minutes from the last ordinary meetings of the Wiltshire Pension Fund Committee (WPFC) meetings held on 17 November 2022 and 10 January 2023 were considered. Following which, it was:

**Resolved**

**The Board noted the Part I (public) minutes from the last ordinary meetings of the Wiltshire Pension Fund Committee held on 17 November 2022 and 10 January 2023.**

172 **Scheme, Legal, Regulatory and Fund Update**

Jennifer Devine, Head of Wiltshire Pension Fund, updated the Board on the various Scheme, Legal, Regulatory and Fund updates.

Additional information was provided regarding actions in respect of the McCloud decision and the Pensions dashboard data. It was stated that good progress had been made against recommended actions.

There being no further comments, it was then:

**Resolved**

**The Board noted the report.**

173 **Risk Register Update**

Richard Bullen, Fund Governance and Performance Manager, updated the Board in relation to the changes made to the Fund's Risk Register.

It was explained that a new Risk Register was introduced in November 2022 with officers subsequently undertaking an exercise whereby they compared the old register to the new one to ensure that all risks had been migrated across and the new document was fully embedded and established. Furthermore, the previous incarnation focussed on inherent risk whereas the new document focussed on residual risks once mitigations had been applied, and as such, the ratings in many respects would appear reduced. The register was noted as being updated monthly by officers and then reviewed internally to ensure consistency, and once approved brought forward to Committee and Board meetings.

Recent changes were highlighted with the review undertaken in January 2023 increasing the level of case work and data management risks experienced in December 2022. However, officers emphasised that they were not overly

concerned with the issues presented as they felt they would be minimised with time. Officers felt that the new design would support Board Members in making recommendations to the Committee through the observation of trends and themes.

The Board discussed the report and update and made comments on the graphics displaying the risks in the report. It was explained that the risk assessments depended on the weighting of the issues, for example a major administration risk that could significantly impact the operation of the Fund would be weighted more highly in comparison to others rated as less critical. It was further noted that officers would circulate information to Members after the meeting with regard to the effects of the Altair system on valuation reporting.

The Chairman welcomed the new design on behalf of the Board and commended officers on their work.

### **Resolved**

**The Board noted the attached Risk Register and recommended to the Committee that the risk assessments being made by the CROC Group were appropriate.**

#### 174 **Local Pension Board Budget 2023/24**

Chris Moore, Pension Fund Accounting and Investment Officer, briefly presented a proposed Local Pension Board Budget for 2023/24 for the consideration of the Board.

It was explained that officers were forecasting a small underspend with a slightly smaller proposed budget than the budget for 2022/23, however it was noted that the rising rates in inflation were accounted for.

Queries were raised in regard to training spends with Members seeking reassurance that all training opportunities were being passed on to Board and Committee Members. Officers confirmed that they were having discussions around signing Denise Robinson, Employer Engagement and Training Officer, onto the mailing lists for key providers such as Hymans Robertson so that she would have sight of all upcoming webinars and conferences and could then circulate to Members when appropriate.

Following which, it was:

### **Resolved**

- 1) The Board agreed the draft Local Pension Board Budget and recommended to the Wiltshire Pension Fund Committee that this is included in the Fund's Administration Budget for 2023/24.**

- 2) The Board agreed to monitor their budget on a quarterly basis as Local Pension Board budget monitoring will form part of the quarterly budget report which is reviewed by the Wiltshire Pension Fund Committee.**

175 **Training Item**

Richard Bullen, Fund Governance and Performance Manager, introduced a report setting out a draft training programme for Board and Committee Members for the Scheme Year 2023/24 based on the Hymans Robertson National Knowledge Assessment (NKA) questionnaire completed by Members during 2022.

Officers commended all Board Members for completing the questionnaire. It was noted that there were a few Committee Members who had not completed the questionnaire, causing a slight disparity between the two groups' answers, however officers referred to the possible reasons outlined in the paper. Namely, the Board was more established, and the Committee had undergone a lot of Membership changes and thus many Members had experienced a big learning curve and weren't as experienced. However, officers emphasised that the results were just a snapshot in time. Key items gleaned from the report from Hymans Robertson were detailed, such as the order of training with 8 respondents out of 14 seeking further training on accounting and audit standards. Topical administration subjects were also noted. Officers noted that they were considering organising a training session clarifying roles and responsibilities of the Administering Authority, various advisers, officers and Members.

The attached training plan itself was raised and it was stated that it was not yet finalised and further changes could be made if required. The plan would be delivered in a variety of methods including online training, conferences, tPR toolkit and training sessions during meetings. It was confirmed that training was not mandatory for Committee Members, but the Board were reassured that the issue of training generally was being recognised at a national level relating to the need for the Committee as a decision-making body to undertake training.

In response to queries it was confirmed that training resources had been made available for Board and Committee Members online. During discussion it was agreed that it was not practical for all Board and Committee Members to attend the entirety of a meeting of the other body, for instance to attend a specific training item. It was suggested that training could take place at the beginning of or prior to a formal meeting, with hybrid capability, to enable all Members to attend the training only.

The Chairman further asked if there was scope for more detailed administration training which he felt could be more beneficial which officers agreed could be produced.

Following which, it was:

## Resolved

**The Board endorsed the implementation of the new Members training strategy covering the scheme year 2023/24, and the training plan for the Board, with the inclusion of additional training on Pensions Administration.**

### 176 **Effectiveness Review**

Richard Bullen, Fund Governance and Performance Manager, presented the report which outlined the recommendations identified by Hymans Robertson in their “Member Effectiveness Review” report 2022 and updated Members on the Fund’s implementation of the Pension Regulator’s (tPR) anticipated new single code of practice and its effective system of governance (ESoG) requirement.

The Chairman began by thanking all Board Members who responded to the questionnaire and acknowledged that there was scope for improvements. He expressed some disappointment in the wording used in the Hymans Robertson report, which he felt presented a more negative position than was the case. He additionally sought further clarification as to the reasoning behind some of the recommendations not all of which may have been justified by the presented responses.

Officers responded to the points raised and highlighted that in the interim since the previous report in 2018, many processes and areas had been introduced or refreshed and were well received and embedded within the operation of the Fund. It was proposed to seek further clarification to better understand the recommendations. Noting the update on training, it was considered that additional training for Members may not be realistic.

Officers informed Members that they were intending to present tPR actions log, however they had attended the National Governance Conference prior to the meeting which notified attendees that a new guidance document was due for publication and many changes were anticipated. As such, officers felt that it would be ineffective to communicate information that may change, therefore they were awaiting the new guidance which would be reviewed and then brought back to the Board.

The Chairman welcomed the feedback from officers and stressed that any actions taken from the recommendations should be proportionate and realistic. Following which, it was:

## Resolved

**The Board recommended the actions outlined in the Member Effectiveness Report 2022 be implemented by officers but, given that many relate to areas where only a small number of Members have expressed a need for additional training and/or training, the Board requested that the issues are addressed in a proportional manner,**

**including the signposting of relevant information already available on SharePoint.**

177 **Administration Quarterly Update**

Jennifer Devine, Head of Wiltshire Pension Fund, briefly presented the report to Board Members.

Members were informed that Andy Cunningham, Pension Administration Lead, would be leaving the Fund at the end of February 2023 and officers were in the process of recruiting a replacement. A plan was being developed for future improvements for the Fund which officers were targeting to be included in next years Business Plan. There was discussion of internal work to streamline administration processes to improve achievement of targets, as well as reorganisations of service areas to increase effectiveness.

The Chairman welcomed the openness on the difficulties which had been faced, and stated he was confident that the actions taken would lead to an improvement in achieving targets. Clarification was sought on raised risk ratings regarding underperformance due to staff shortages in December 2022. It was explained that the beginning of the month had been going well but the shortages had impacted on backlog work towards the end of the month.

In response to queries, officers confirmed that the Board would have sight of the improvement plan at their next meeting after consideration by the Committee in March 2023.

It was then:

**Resolved**

**The Board noted the update.**

178 **Key Financial Controls**

Chris Moore, Pension Fund Accounting and Investment Officer, presented the report to Members.

The Annual Report & Accounts for 2019/20 and 2020/21 were noted as being closer to being signed off with all work on the Fund's side being completed and the delay due to audit work with the Council accounts. However, as so much time had passed since 2019/20, officers were required to prepare a 'subsequent events note' to be included in accordance with accounting regulations. Payroll reconciliations were then raised with officers noting that the discrepancies between the two systems were continuing to be resolved. It was confirmed that officers had selected an investment manager to implement the SALAMI (Strategic Allocation to Liquid Asset Matching Investments) portfolio and strategy which would ultimately allow the Fund to maintain a smaller cash balance aiding in managing cashflow. Lastly, officers noted that an updated Service Level Agreement charge from the Wiltshire Council Finance Team had

been received after Fund officers sought details from the Council on their proposed methodology. Officers were awaiting the finalisation of a formal legal document that would outline the agreement.

In response to a question, officers clarified that the national pensions Liability Driven Investment (LDI) issue had led to a delay on the audit and was not as a result of the Fund itself, but instead due to the gilts crisis which forced the auditors to quickly undergo urgent reviews on other Funds, thus delaying auditing work being completed for the Fund.

It was then:

### **Resolved**

**The Board agreed to use the report to monitor progress against resolving the issues which have been identified, and the progress being made to develop accounting and control improvements.**

## 179 **Draft Investment Strategy Statement**

Liam Robson, Pension Fund Accounting and Investment Officer, updated the Board in relation to changes to the Fund's Investment Strategy Statement (ISS).

It was explained that the Strategic Asset Allocation (SAA) of the Fund was reviewed in November 2022 with minor amendments being recommended, predominantly around changes to investment classification and category rationalisation. Officers noted that the modelling predicted a slight increase in expected overall returns but would have a slight impact on risk. Furthermore, the ISS had been redrafted in consideration of expected higher inflation periods, and a new policy document had been developed covering Environmental, Social and Governance (ESG) factors. It was explained that further amendments to the ISS may be made as a result of expected upcoming consultations and as such the strategy would be kept under review. Employers would be consulted in the next few weeks with officers hoping for the updated document to be brought to the March 2023 meeting of the Pension Fund Committee for final sign off.

In response to a question, officers explained that Mercer had provided advice as the Fund's Investment Consultant which had helped draft a detailed paper alongside a presentation for the November 2022 meeting of the Committee. Committee Members were noted as having received training on the SAA in early 2022 which aided them in asking many questions to Mercer, ensuring a thorough process had been undertaken. Officers acknowledged that a mistake had been made in the paper on Page 122 which stated that the current and long-term SAA were displayed but it was only the long-term SAA. Reference was then made to the approach to pooling investments and Members requested that the governance structure of Brunel be revisited in a future training session.

The Board also briefly discussed the recent news in regard to the Royal Borough of Kensington and Chelsea (RBKC) stating that they were considering

exiting their membership of the London CIV Local Government Pension Scheme pool. It was noted that the RBKC had not yet transferred any assets within their pool, which was not the case with Wiltshire and Brunel, with a commitment to making the relationship work.

### **Resolved**

**The Board noted the attached draft Investment Strategy Statement and agreed to provide any comments to the Wiltshire Pension Fund Committee (via officers) by Thursday 23 February 2023.**

## 180 **Investment Governance Update**

Liam Robson, Pension Fund Accounting and Investment Officer, provided a verbal update for the Board on the Fund's TCFD (Taskforce for Climate-Related Disclosures) response and confirmation of the Fund's compliance with the CMA (Competition and Market Authority).

It was explained that the TCFD consultation was opened in September 2022 and officers had produced a response which was under consideration. Officers highlighted that many of the proposals were already being fulfilled by the Fund. However, it was expected that following the consultation and subsequent review, certain provisions would be put in place to make the proposals mandatory and what the Fund was already doing voluntarily would align with the rest of the LGPS by December 2023.

With regard to the CMA Order, it was explained that the Order covered the whole pensions space and mandatorily required pension funds to produce a compliance statement every January to confirm that funds were complying with requirements around fiduciary management and objective setting. Reference was then made to MiFID II and it was explained that it was a compliance piece of work related to the Committee with a refresher training session delivered in their November 2022 meeting, with one response pending on self-certification by Committee Members.

It was then:

### **Resolved**

**The Board noted the update.**

## 181 **Audit Update**

Richard Bullen, Fund Governance and Performance Manager, updated the Board on the Fund's audit plan for 2023/24 approved by the Committee at their meeting on 10 January 2023.

It was noted that SWAP had undertaken a KFC (Key Financial Controls) audit in March 2022 in which a rating of "no assurance" was given, however this had been raised following the November 2022 audit to a rating of "limited

assurance". Officers noted that a significant programme of work had been undertaken over the summer of 2022 as a result and whilst further improvements were needed, officers were pleased with the increased rating. It was recorded that the key areas preventing further assurance were the aggregation processing and backlogs, pension payroll reconciliation project, new i-Connect enrolments, and the management of undecided leavers. Officers reiterated that these were large, slow-moving projects that were taking a lot of time and effort to complete. It was confirmed that none of the concerns raised in the audit were unknown to officers who were working hard to rectify any/all issues and that the actions log would be provided for Board Members at their next scheduled meeting.

The Brunel Cost Savings Audit was then raised, and officers noted that ClearGlass had been appointed as the auditor in November 2022, with field work still being undertaken. Members were assured that a report summarising the findings would be brought to the Board when completed.

Members highlighted that a few of the target dates felt close and sought reassurance that officers were on track to meet those targets. In response, officers confirmed that discussions would be taking place in the coming weeks among various managers and contractors. With regard to the Annual Report & Accounts, officers noted that they had been advised that there were concerns that the scheme year 2021/22 accounts may not be signed off by December 2023 due to the delays still being experienced, but they confirmed that all work had been completed. They further reassured Members that if a Fund does not meet their publication deadline for the Annual Report & Accounts due to an auditing delay, then they can be published with an explanation as to why they were yet to be audited, thus mitigating any legal repercussions and abiding by regulations.

In response to a query, officers noted that no employers responded to the consultation that had been circulated with regard to the introduction of imposing additional charges to employers that don't sign up to i-Connect. However, officers were working on further communications to provide more detail for employers through their Employer Engagement Services Team.

It was then:

### **Resolved**

- 1) The Board noted the Committee's approval of the audits commissioned on 10 January 2023.**
- 2) The Board endorsed the recommendations made by SWAP in their 2022/23 audit report and that officers should prepare an actions log based on those recommendations.**

182 **Cost of Living Review**

Chris Moore, Pension Fund Accounting and Investment Officer, introduced on the findings of a review into the impact of the cost-of-living crisis on the Fund.

Following from the results of the report, the Committee had commissioned Hymans Robertson to analyse the cash flow data for the SAA with a report summarising the results to be delivered at a future meeting of the Committee. The Fund and Committee welcomed the chance to review all areas of the Fund with the consideration of cost-of-living factors. The Chairman commended the report and noted how well received it had been by the Committee and looked forward to future updates.

**Resolved**

**The Board noted the work done and the impacts on the Fund.**

183 **Urgent Items**

There were no urgent items.

184 **Date of Next Meetings and Forward Work Plan**

The next ordinary meeting of the Local Pension Board would be held on 24 May 2023.

Future meetings are scheduled for 10 August 2023 and 1 November 2023.

The Board additionally considered the Scheme Year Forward Work Plan.

**Resolved**

**The Board noted the Scheme Year Forward Plan.**

185 **Exclusion of the Public**

The Board considered the recommendation to exclude the public. After which, it was:

**Resolved**

**To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 21-23 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.**

186 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee**

The Part II (private) minutes from the last ordinary meetings of the Wiltshire Pension Fund Committee (WPFC) meetings held on 17 November 2022 and 10 January 2023 were considered. Following which, it was:

**Resolved**

**The Board noted the Part II (private) minutes from the last ordinary meetings of the Wiltshire Pension Fund Committee held on 17 November 2022 and 10 January 2023.**

187 **Cyber Security Update**

A verbal update was provided on the report on Cyber Security received at the last meeting of the Committee. It had been confirmed that as a result of Aon being commissioned to consider the risks associated with cyber security and that there was no unstated additional duty on the part of the Fund regarding pressing of the Council to introduce any supplementary cyber security protections, the Committee had fulfilled its due diligence expected by the Regulator. Furthermore, it had been agreed that any future cyber security work would be delegated to officers and reviewed annually, with any reporting provided to the Committee and Board on an exception basis.

188 **Departmental Restructure**

It was explained that a staffing restructure was being undertaken to better position the Fund to deliver an improved service for the future. Many changes were explained to Members with updates provided on vacancies at both lower and senior levels and how specific changes would impact on the operation on the Fund. Further discussions were had in regard to contracting recruitment agencies and ensuring that any vacancies were filled with people who possessed the right skills for the role.

(Duration of meeting: 10.00 - 11.45 am)

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