

Wiltshire Pension Fund Committee

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 30 SEPTEMBER 2021 AT THE COUNCIL CHAMBER, COUNTY HALL, TROWBRIDGE, BA14 8JN.

Present:

Cllr Richard Britton (Chairman), Cllr Steve Heyes, Cllr Gordon King, Cllr Vijay Manro, Cllr Christopher Newbury, Cllr Elizabeth Threlfall, Mike Pankiewicz, Tracy Adams and Anthony

Also Present:

Anthony Fletcher and Mark Spilsbury

32 **Apologies**

Apologies were received from Councillor Jonathon Seed.

33 **Declarations of Interest**

There were no declarations.

34 **Chairman's Announcements**

There were no announcements.

35 **Minutes of the Previous Meetings**

The minutes of the meeting held on 24 June 2021 were presented for consideration. The minutes and recommendations of the Investment Sub-Committee meeting held on 2 September 2021 were also received and considered.

In relation to the minutes of the meeting held on 30 March 2021, an update was received on amendments which had been prepared following deferral of their approval at the last meeting.

After discussion, it was,

Resolved:

- 1) **To approve and sign the minutes of the meeting held on 24 June 2021 as a true and correct record.**

- 2) To receive the minutes of the Investment Sub-Committee meeting held on 2 September 2021, and approve the recommendations as follows:

Responsible Investment Update Report

- i. To use the report as a basis for monitoring the progress that is being made towards implementing responsible investment related issues;
- ii. To note the progress made against the Responsible Investment Plan 2021/22 actions and discuss whether any additional actions are needed at the current time;
- iii. To approve that Pensions for Purpose be invited to deliver a follow-on session on impact investing, at a cost of £1,700 (not included in the budget);
- iv. To approve that Brunel are invited to deliver a training session on the new Paris-aligned benchmark

Investment Quarterly Progress Report

- i. To use the investment reports and the update provided by officers and advisers at the meeting as a basis for monitoring the investment performance and implementation of the strategic asset allocation;
- ii. To use the report as a basis to ask questions of Magellan;
- iii. To approve that the Fund transfer the low carbon passive portfolio to the Paris-aligned passive portfolio on its inception in November 2021, in line with the net zero by 2050 ambition set out in the Investment Strategy Statement;
- iv. To approve that the Fund publicise the decision to be an initial investor in the Paris aligned passive portfolio, and the collaboration work done with other Funds to develop this benchmark;
- v. To approve the approach taken towards the property transition, and agree the milestones set before this can proceed

Protections Assets Review

- i. To approve that the Fund makes a 5% strategic long-term allocation to renewable infrastructure and a 5% strategic long-term allocation to impact affordable housing;
- ii. To approve that the strategic long-term allocation to secured income is reduced to 8% and the strategic long-term allocation to gilts is reduced to 7%;
- iii. To approve that the strategic interim allocation to bank loans is increased to 10.8%, and the strategic interim allocation to gilts is reduced to 21.7%, and that this is implemented by transferring £100m from the gilts portfolio to the bank loans portfolio;
- iv. To approve that officers begin work, in consultation with advisers, to bring a recommendation back to the Committee on how the new strategic allocations should be implemented.

- 3) To approve and sign the minutes of the meeting held on 30 March 2021 as a true and correct record, following circulation of textual changes to the Committee.

Councillor Christopher Newbury requested his vote in abstention to resolution 2 be recorded.

36 **Review of Actions Arising from Previous Meeting**

The Committee considered a report on actions arising from previous meetings. It noted that all actions were either completed or scheduled for future action.

It was then,

Resolved:

To note the action log.

37 **Review of the Minutes of the Local Pension Board**

The Committee considered the minutes and recommendations of the Local Pension Board meeting held on 24 August 2021. It noted the recommendations particularly in relation to Fund Cyber Security and the Risk Register.

It was then,

Resolved:

To note the minutes of the Local Pension Board meeting and the recommendations as set out in the report.

38 **Public Participation**

There were no questions or statements received.

39 **Committee Structure and Meeting Arrangements**

The Chairman introduced a report proposing that the Committee stand down its Investment Sub-Committee, and instead arrange additional meetings of the Committee to consider investment items. It was proposed this would avoid duplication, delay and ensure all Committee members were involved in decision making.

The Committee discussed the proposals, noting that as it had been non-decision-making meetings of the Investment Sub-Committee had taken place online, while meetings of the Committee were legally required to have Members attend in person. It was considered whether training or other items could possibly take place online in order to keep agendas as manageable in length as possible.

Some Members did not consider there was a need to alter the arrangements of the Committee or investment Sub-Committee, or that any issues had arisen as a result of the arrangements. In response to queries it was confirmed that any constitutional changes to remove formal delegations to the Investment Sub-

Committee would need to be approved by Full Council, and that delegations to Fund Officers remained in place. There were also comments on being flexible in what each meeting of the Committee focused upon, and the need for all Members to engage with training to properly consider all Investment and other matters.

It was then,

Resolved:

- 1) That the Investment Sub-Committee should be stood down with immediate effect, to be replaced with an equal number of additional meetings of the Wiltshire Pension Fund Committee, leaving eight full Committee meetings per year in total.**
- 2) That the Wiltshire Pension Fund Committee meets with a separately-focussed agenda on alternate dates: An investment agenda and a non-investment administration agenda. Exceptions for urgent items will still be able to apply where it is necessary to break this cycle.**
- 3) To request the Standards Committee progress recommended changes to the constitution as appropriate.**
- 4) To delegate to the Chairman and officers to explore and agree any desirable changes with MJ Hudson which are possible under the existing contract (and to make alterations when re-tendering).**

40 **Headlines and Monitoring (HAM)**

A report was received to update the Committee on key issues and developments across a range reports, including in relation to the Risk Register, Training, Scheme, Regulatory and Legal Updates, budget monitoring, and others as detailed in the agenda.

Points discussed including the annual benefits statement, that the administration key performance indicator update was up to the end of June 2021 but that a similar pattern was expected for the next quarter.

It was then,

Resolved:

- 1) To use the information in the report as a basis for monitoring the Fund's core activities**
- 2) To use the report as a basis to discuss training requirements, discuss whether any additional training needs to be arranged, and share feedback from any recent training events attended**
- c) To approve the changes to the Risk Register and accept the recommendations for changes/actions made submitted by the Board**

LPB Recommendation

To note the updated Risk Register and recommend the changes/actions proposed at paragraphs 5-9 of the report to the Committee.

5. During the last quarter no “new risks” were identified.
6. The evidence-based review of the register identified the following risks had changed or need to be re-categorised;
 - *PEN058: Service disruption is created during the implementation of the Council's Evolve Programme on the Fund (From Green to Amber) A potential lack of co-ordination between the Evolve & Altair payroll project management timetables could increase the risk of success of this migration. Regular communication between project managers should be established.*
 - *PEN052: COVID-19: (From Red to Amber) An infectious global virus which WHO has classed as a pandemic. The impact of COVID-19 is being largely managed and there are signs that the nation is returning to normal. Recommend that this risk be moved to ongoing.*
 - *PEN055: Failure by Brunel Pension Partnership to properly address shareholder concerns via the governance review: (From Red to Amber) The governance arrangements by which BPP will operate have been set out in a terms of reference and Wiltshire along with all the shareholders are satisfied with the breadth and depth of the resulting changes. Recent communications suggest progress is beginning to be made. Recommend that this risk be monitored and moved to ongoing.*
 - *PEN024: The implementation of Brexit causes investment volatility or unexpected legislative changes: (From Amber to Green) Any impact which would have been caused by Brexit has now been built into investment valuations. Recommend that this risk be moved to dormant.*
 - *PEN012: Over-reliance on key officers: (From Amber to Green) A full complement of staff are now appointed to roles enabling suitable cover. The majority of appointments are experienced and have served in their positions for quite some time. Recommend that this risk be moved to dormant.*
 - *PEN011: Lack of expertise of Pension Fund Officers and Service Director, Finance: (From Amber to Green) Senior Officer appointments are experienced and have served in their positions for quite some time. Recommend that this risk be moved to dormant.*
 - *PEN009: Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018): (From Amber to Green) SWAP audit actions concerning GDPR were minor in nature & have now been completed.*
 - *PEN026: A lack of effectiveness of Committee meetings due to the impact of MiFID II Regulations: (From Green to Amber) Recent changes to the Committee and the consequential loss of knowledge have increased the risk of the Committee's effectiveness. Recommend that this risk be moved to ongoing.*
7. Risks remaining “red”, high risk:

- *PEN022: Rectification of records with GMP issues – Time-consuming, costly & may causes reputational damage: (From Red) Potentially incorrect liabilities being paid by the Fund as a result of GMP and other pension component values missing, incorrectly recorded or incorrectly valued. Consequently, progress with the Pensioner Payroll Database reconciliation project may impact on the Fund's liabilities and its reputation.*
 - *PEN041: The Fund's inability to implement a strategy to ensure Climate Change considerations are integral to its investment strategy: (Red) Work on developing the Fund's policies, disclosures and strategy is ongoing. Additional resource will be required, likely to be by way of specialist consultancy support.*
 - *PEN042: Significant retrospective legislation changes related to the McCloud case: (Red) Following the release of the Government's consultation document in July 2020 analysis of the Scheme's members who may be affected was undertaken. Indications suggest that potentially c27k members may be affected, as well as increasing the work on several supplementary administrative tasks. The impact actuarially speaking is likely to be minimal. Members requested that it be kept as a red risk until the administrative impact is completely clear.*
 - *PEN048: The transition of the pooling of LGPS assets with BPP fails to deliver the projected savings: (Red) Progress and updates should continue to be regularly reported to Committee. The Board recommended the introduction of a monitoring & reporting timetable & an independent audit should be conducted in 2021.*
8. *It is recommended that three risks which are currently in Dormant/Closed be deleted on the basis that they are no longer relevant. These are;*
- *PEN046: The transition of assets to the Brunel global high alpha equities portfolio does not go according to plan resulting in investment losses: No longer relevant (Green).*
 - *PEN020: The transition to pooling of LGPS assets with BPP proves ineffective causing higher costs, poorer returns and/or weak controls: (Red) However it has been replaced by PEN048.*
 - *PEN014: Failure to provide the service in accordance with sound equality principles: (Green) Risk description is vague and the basis for its reason has been replaced by more specific risks such as PEN055: The Goodwin Case & PEN055: The Accessibility Regulations.*
9. *General comment – It is recommended that risk PEN058: Service disruption is created during the implementation of the Council's Evolve Programme on the Fund (Green) be split into two risks. The first risk managing the migration of the Fund's pension payroll and the second risk managing the remaining Evolve Programme activities affecting the Fund. This second risk be categorised as Green.*

41 **Training Update**

An update on training was provided by the Fund Governance and Performance Manager. A four-year strategy had been developed to be implemented following

the May 2021 local elections. Knowledge assessments completed by the Committee would be used to develop a specific list of training needs and to identify training packages to address those needs.

Other issues raised included developing a document library for use by Committee Members, developing technical expertise, and the need to deliver proportionate training taking account of necessary skills and the availability of Members.

The Committee thanked officers for the update on training.

42 **Additional Voluntary Contribution (AVC) Review**

A verbal update was received in respect of a review of Additional Voluntary Contributions, plans set up for scheme members to make further contributions to their pensions. Due to the Fund's provider (Prudential) experiencing some IT system issues there had been some subsequent service issues in late 2020, but these were being addressed and the service issues should be resolved for 2022. The Committee was informed scheme members had not been financially dis-advantaged by administrative delays.

The Committee thanked officers for the update.

43 **Pension Payroll Database Reconciliation**

The Committee received a further update on the ongoing reconciliation progression between the pension administration system and the pensions payroll system, as well as the project to move to an integrated pensioner payroll system.

It was stated that each case that remained was taking a long time to resolve, with peer reviewing, as officers wanted to ensure sufficient thoroughness and controls existed to reach the correct conclusions. Work was being undertaken to align with the council's Evolve programme for a new payroll system. Details were sought on remaining issues with the reconciliation, how dependent the project was on wider council projects and that further updates would be provided.

At the conclusion of discussion, it was,

Resolved:

To note the update.

44 **Officer Staffing**

A report was received on the current staffing structure for the Fund, requesting that the budget set for 2021-2022 to appoint three staff for 12 months be made permanent. It was stated this would not affect the current years' budget.

The Committee discussed the report, seeking confirmation that they could approve the proposal within the council budget, with the Fund having exceptions on wider recruitment pauses. The risk register was discussed in relation to key officers, and details were sought on staffing costs.

At the end of discussion, it was then,

Resolved:

That budget approval be granted to allow the three current temporary roles in the staffing structure to be made permanent.

A break was taken from 1120-1125

45 **Data Improvement Strategy and Plan**

A report was received providing an update to the Data Improvement Strategy and Plan, which was originally approved in March 2019, and to present proposed changes to the strategy and plan. The Pension Regulator recommends that all funds should review their data quality at least annually.

The Committee discussed the update. In response to queries it was confirmed that the pension regulator was primarily concerned with integrity and accuracy of data not access or security, ensuring compliance with appropriate data protection legislation. Details were sought on when the Fund last participated in the National Fraud Initiative. It was also confirmed that a strategy for long term storage of data would be reviewed in 2022/23.

At the conclusion of discussion, it was,

Resolved:

To approve the Data Improvement Strategy and Plan as detailed in the appendix to the report.

46 **Responsible Investment Progress Report**

A report was received updating the Committee on Responsible Investment issues, following approval at the last meeting of a Responsible Investment Plan and providing updates on the actions agreed as detailed in the agenda.

Representatives from Mercers then provided a detailed presentation and update on their analysis and proposals relating to setting a pathway to net zero, identifying time periods to meet the targets approved by the Committee at previous meetings to achieve net zero by 2050. This included interim targets for carbon reduction and analysis of emissions for specific companies.

The Committee discussed the presentation. Some Members considered that the targets proposed were more demanding than the Committee had committed to, and whether the financial prospects of the fund were appropriately considered

in the proposals, and whether further information was available on the likely financial impacts of the different target options. Questions were also raised on modelling the financial impacts, with it stated that modelling had been undertaken and would be reviewed at least every three years. The Fund would retain flexibility within its strategy in order to generate the financial returns that it was aiming to generate.

During discussion it was noted that the Committee had considered climate scenario analysis and approved that setting a target of net zero by 2050 would be in the best financial interests of the Fund, and that it was necessary to set interim targets to ensure the agreed objectives were achieved. It was noted that the investment options in relation to low carbon passive benchmarks had developed significantly recently. There was also discussion of Paris agreement aligned benchmarks and how these could be calculated, and of internal legal advice previously raised at Committee.

There was then a proposal that a decision be deferred pending the outcome of the consultation on making TCFD (Task Force on Climate-related Financial Disclosures) mandatory for Local Government Pension Scheme funds, which is shortly anticipated to be launched by the now Department for Levelling Up, Housing and Communities. Following a vote the motion was lost.

The recommendation as set out in the report was then moved and seconded, and it was then,

Resolved:

- 1) To use the report as a basis for monitoring the progress that is being made towards implementing responsible investment policy;**
- 2) To note the progress made against the Responsible Investment Plan 2021/22 actions and discuss whether any additional actions are needed at the current time;**
- 3) To approve the Investment Sub-Committee's recommendation that Pensions for Purpose be invited to deliver a follow-on session on impact investing, at a cost of £1,700 (not included in the budget);**

Councillor Christopher Newbury requested his vote in opposition to the motion due to fiduciary concerns be recorded.

47 Responsible Investment Policy Report

Following the previous item, a report was received setting out a proposed Responsible Investment Policy. This followed approval in June 2021 of a Responsible Investment Plan to include the development of a policy including a climate statement and action plan.

The Policy contained information from the existing Investment Strategy Statement, the Responsible Investment Plan, and some new information,

including some updated investment beliefs, and the interim decarbonisation targets and other findings from the Mercer work discussed in the previous item. Officers explained that following advice from Mercer, the draft appended to the paper would be amended to refer to “well below 2°C”, and that reference to signing up to the UN PRI would be removed as that was not possible at the current time. Officers explained that the Policy was being graphically designed, and that following Committee approval, it would be shortly published on the Fund’s webpage and circulated to Committee members.

It was then,

Resolved:

To approve the Responsible Investment Policy.

48 **Committee Forward Work Plan**

The Committee received the forward work plan. It was noted that an amended meeting schedule would be arranged following the decision in relation to the committee structure.

It was then,

Resolved:

To approve the Committee Forward Work Programme

49 **Date of Next Meeting**

The date of the next meeting was confirmed as 25 November 2021.

50 **Urgent Items**

There were no urgent items.

51 **Exclusion of the Public**

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 - 26 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 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.

52 **Minutes of the Previous Meeting**

The Part II minutes of the meeting held on 24 June 2021 were presented for consideration, and it was,

Resolved:

To approve and sign the minutes as a true and correct record.

53 **Investment Sub-Committee and Local Pension Board Minutes**

The Part II minutes of the meeting of the Investment Sub-Committee held on 2 September 2021 and the Local Pension Board meeting held on 24 August 2021 were received, and it was,

Resolved:

To note the minutes and recommendations of the Investment Sub-Committee and Local Pension Board.

54 **Infrastructure Investment Considerations**

A report was received in relation in infrastructure investment, including potential nuclear energy investment. It was confirmed any potential investment, if recommended, would be made cautiously and financial risks carefully assessed.

It was then,

Resolved:

- 1) **To approve that the Fund exclude investing in nuclear projects via the unlisted infrastructure portfolios, unless officers and advisers have been given an opportunity to review the investment specifics, and have the power to opt-out of taking part in the investment if the risks are assessed to be too high;**
- 2) **To approve that officers should continue to work with Brunel with the aim to ensure that Wiltshire is able to review any proposed nuclear investments in the infrastructure portfolio, and have the power to opt out.**

55 **Fund Cyber Security and Business Continuity**

A report was received in relation to Fund Cyber Security. The need for updates from those with appropriate technical expertise was raised, and it was,

Resolved:

To defer consideration of the item to the December meeting of the Committee, to include officers from ICT.

56 **Key Financial Controls**

A report was received on key financial controls. Details were sought in relation to treasury limits and the approval of the 2021 accounts.

At the conclusion of discussion, it was,

Resolved:

- 1) **To increase the limits for holding cash within the 3 liquid funds used to hold cash locally from £6m each to £10m.**
- 2) **To note the issues identified within the report, and to use the information within the report to monitor the progress made to rectify problems and develop improvements.**

57 **Brunel Governance Review Update**

A verbal update was received stating that most previous governance issues with Brunel had been resolved, though officers would continue to challenge as appropriate on any operational issues.

(Duration of meeting: 10.00 am - 1.30 pm)

The Officer who has produced these minutes is Kieran Elliott of Democratic Services, direct line 01225 718504, e-mail kieran.elliott@wiltshire.gov.uk

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