

## Wiltshire Pension Fund Committee

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### MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 17 DECEMBER 2019 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

#### **Present:**

Cllr Steve Allsopp, Stuart Dark, Cllr Tony Deane (Chairman), Diane Hall, Cllr Simon Jacobs, Cllr George Jeans, Cllr Gordon King, Chris Moore, Cllr Christopher Newbury and Mike Pankiewicz

#### **Also Present:**

Cllr Richard Britton

Anthony Fletcher

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#### 88 **Membership**

It was noted that Cllr Simon Jacobs had been appointed as Vice Chairman to the Wiltshire Pension Fund Committee and the Investment Sub Committee.

#### 89 **Attendance of non-members of the Committee**

Cllr Richard Britton was in attendance.

#### 90 **Apologies for Absence**

Apologies were received from:

Howard Pearce (Chairman of the Local Pensions Board)

Barry Reed (Local Pension Board Member)

Cllr Brian Ford (Swindon)

Cllr Robert Jandy (Swindon)

#### 91 **Minutes**

The Minutes of the WPFC held on the 3 October and the 25 October were discussed.

An amendment was made to the minutes of the 3 October to the resolution of minute 68 to include the words "by Brunel".

The minutes were amended from:

*The appointment of an Asset Transition Manager would be recorded on the risk register.*

To:

*The appointment of an Asset Transition Manager by Brunel would be recorded on the risk register.*

## **RESOLVED**

**The minutes of the meetings held on the 3 and 25 October were approved with an amendment.**

### 92 **Review of Actions Log**

The item was deferred due to the report not being available.

### 93 **Declarations of Interest**

There were no declarations of interest.

### 94 **Chairman's Announcements**

The Chairman notified the committee that ex Cllr and committee member Roy While had recently passed away and a minutes silence was held in his memory.

### 95 **Public Participation**

Formal questions had been received from Jane Laurie and a response to those questions was included in agenda supplement 2.

Jane Laurie gave a three minute statement.

Members commented highlighting that the committee relied on government and professional advice and that there were still benefits of investing in fossil fuels, although a measured approach focussing on engagement was needed. Disinvesting from fossil fuels too soon could cause issues for beneficiaries as such the whole approach needed to be carefully managed. It was noted that WPF supported Brunel in their approach to responsible investment, including a full consideration of climate change risk, and that they were moving in the right direction.

## 96 **Minutes and Key Decisions of the Local Pensions Board**

The Committee discussed the minutes and decisions of the Local Pension Board and the key points were:

- Minute 76 – it was noted that the recommendation to produce metrics for comparison was not for a formal report, but for inclusion in the press release on the transition to low carbon passive equities. Officers noted that it would be complex to produce the metrics with the possibility of fees involved, also if the Environment Agency had not produced metrics then a comparison would not be able to take place. A report on the transition of funds would be available in due course which would be shared with the committee. Members accepted the officers comments and welcomed a report instead of producing metrics.
- Minute 82 – Officers noted that they had investigated whether employers should be expected to sign up to the strategy and concluded that it was not practical to request all employers to sign up. The usual process had been followed where employers had been consulted, employers also had a legal responsibility which they were aware of. The administration strategy clearly set out the requirements of employers and the consequences of non-compliance.

Members were happy with the results of the investigation and decided that it was not necessary to have employers sign up to the strategy.

### **RESOLVED**

**The minutes and key decisions of the Local Pensions Board were noted and all of the recommendations were accepted, except the recommendation of minute 76 where members were happy to receive an update report.**

## 97 **Scheme, Legal, Regulatory and Fund Update**

Andy Cunningham, Head of Pensions, introduced the item referencing the report included with the agenda. Key areas highlighted were:

- The Pensions Regulator (tPR) had produced a report showing their findings from engagement with 10 Local Government Funds, selected from across the UK, to understand scheme managers' approaches to a number of key risks. tPR fed back what they see as good practice and suggested improvements that could be made.

A self-assessed was carried out looking at the Fund's performance against the tPR recommendations, which was presented at the Local Pension Board meeting on 14 November 2019, item 17. On review it was identified that most of the tPR recommendations were already in place

and plans were in place to prepare or implement recommendations which were not currently met.

- tPR had recently issued a Regulatory Intervention report for the London Borough of Barnet detailing the actions they had taken in relation to Barnet's Superannuation Fund in order for the Fund to make improvements. The notice had been issued due to not complying with some of the regulations.

It was the first time the tPR had issued an improvement notice to a LGPS Fund and provided a useful overview of the actions taken.

- The Terms of Reference for the Local Pension Board and Wiltshire Pension Fund Committee had been amended and were ready to be re-submitted to the Constitutional Focus Group before progressing to the Standards Committee and Full Council for approval in early 2020.
- The results of the triennial valuation were presented to the Committee and employers on 25 October 2019. The decision at the meeting on the 25 October was to delegate approval to officers, as such officers were now in the process of agreeing final contribution rates with employers within the parameters agreed by the Committee in the funding strategy statement. It was noted that March 2020 was the deadline to agree the final contribution rates, although it was hoped this would happen sooner.
- I-connect was now live with its first three employers after a period of testing and dual running. It was looking to on board on average 10 employers per month over a period for around 1.5 years. Officers noted that the exercise was labour intensive and resources would be reviewed in March.

## 98 **Fund Benchmarking**

The Fund Governance and Performance Manager introduced the item noting that new CIPFA guidance on accounting standards "Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2019 Edition)" had come into effect. Previously, benchmark comparisons had been difficult to undertake due to the statistics being produced by different Fund's being based on different assumptions. It was hoped that the new guidance would attempt to make comparison easier. A number of the WPF's peer group had not yet adopted the new guidance therefore officers had only been able to make comparisons on the cost per member basis and not on administrative processing targets. Once more Funds had adopted the CIPFA guidance a more in depth analysis could take place.

It was noted that whilst there was a degree of comparability at a high level, caution should be exercised as at a more granular level there were material differences in how costs were attributed. The total cost per member value for funds ranged between about £150 & £300 per annum and as a broad

assessment against its peers, the WPF's cost per member results sat approximately of its peer group.

Members expressed the need for officers to communicate with other Funds and Brunel informally on the issue.

## **RESOLVED**

**The committee noted the report and the officers' intention to align future budget setting between the categories of Administration, Governance and Investment and to re-assess its approach to the SF3 categories.**

**The committee agreed for officers to discuss benchmarking issues with Brunel and informally with other Funds.**

## 99 **Key Performance Indicators (KPIs)**

The Head of Pension Administration and Relations introduced the item noting that the following changes had been made to KPI's:

- Appendix 2: tPR Measures – The pension software provider, Heywood, were commissioned to produce revised Common and Conditional data in line with the approach agreed by the Pension Regulator and Scheme Advisory Board.

Previously there had been no guidance on the approach used to produce the data, this year a methodology was used by the Fund for self-assessing. This measure was more vigorous than the approach agreed between the Regulator and Heywood which resulted in the percentage score increase rather than an underlying improvement in data quality.

- Appendix 4: Employer breakdown - A breakdown of the figures shown in table 1 for the largest 5 employers was available for members to show where employer delays came from.

Officers expressed the desire to include a customer service KPI and the importance it had on monitoring the customers experience and ensuring consistent standards.

Officers were working to deliver projects to improve the overall administration infrastructure which would give longer-term benefits to processing figures, although material shorter term improvement was unlikely without further resources being available.

There had been an increase in cases which had caused the rate to go up and more resources would be needed to tackle the backlog, options to tackle the issues were currently being explored. It was noted that I-connect would have an impact once with more employers using the system.

Members discussed the issue of Refund of Contributions not being collected and that potentially the letter being sent out was difficult to understand. Officers explained that the letter was currently under review and they were working to ensure the Refunds of Contributions were claimed.

## **RESOLVED**

**The committee noted the Fund's performance against the KPI's and the offices intention to add benchmarked KPIs against other Funds each year following the publication of each Fund's Annual Report and Accounts.**

### 100 **Budget Monitoring Report**

Rozalyn Vernon, Fund Investment & Accounting Manager introduced the item, key points included:

- There was a projected net over-spend of £47k against the controllable budgets which comprised of £22k projected underspend against Fund Scheme Administration and a £69k overspend against Fund Investment Costs.
- The cost of pooling was expected to be £395k higher than previously estimated. This was due to increased Brunel budgets and amended business case which was reviewed and approved by the Brunel Oversight Board, which had not been incorporated into the Pension Fund's budget

Members sought further clarification on the large increase and it was explained that Brunel had underestimated their original budget as well as changes to regulations meant Brunel required extra resources to deliver on their timeline. The Brunel Oversight Board had thoroughly examined the increase. The cost would be equally spread throughout the funds going forward. Due to a correction to the fee basis used in the business case, the breakeven date would now be in 2024. Additionally, currently Brunel did not offer stock lending and as a result officers were in the process of asking Brunel to implement this as a priority.

- The overspend against Fund Investment Costs included £50k overspend against Investment Administration. This related to agency costs from the previous financial year which were reported at the previous meeting.
- Investment overspend included a £19k overspend against Investment Consultancy fees. This related to greater than expected costs associated with developing the new strategic asset allocation.
- Investment consultancy costs had reduced in some areas where previously commissioned work was carried out in-house and officers would continue to monitor investment consultancy costs and endeavour

to keep costs as low as possible while ensuring that appropriate advice is sought when required;

- There was a projected £22k net underspend against the Administration budget as a result of projected underspend for external legal costs and increased bank interest rates received;

## **RESOLVED**

**The committee noted:**

- **The projected outturn for 2019/20;**
- **The move to reporting and budgeting for Governance costs separately to Investment and Administration.**

### 101 **Pension Fund Risk Register**

Members accepted the changes to the risk register & the recommendations made by the Board, namely;

- PEN042 –should remain a red risk due to the potentially significant administrative impact;
- PEN011 – should remain amber until a s151 Officer is permanently appointed;
- PEN017 – should be split into two risks, PEN017a covering Committee members knowledge & understanding & PEN017b covering compliance with all relevant regulations;
- PEN049 – concerning the introduction of a MiFID II compliance risk;

## **RESOLVED**

**The risk register was noted**

### 102 **Good Governance Report (Phase 2)**

The Head of Pension Administration & Relations presented the report of Phase II of the review commissioned by the Scheme Advisory Board (SAB) which was produced and published by Hymans Robertson in November 2019. The report examined the effectiveness of the current LGPS governance models and considered alternatives or enhancements which could strengthen LGPS governance going forward. The report made 16 recommendations, those highlighted were:

A.2: LGPS Senior Officer (*Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund*) – Officers noted that they had concerns that this could cause unintended consequences and have passed their comments on.

D.1 & D.2 (*Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively & D.2 - Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding*) – Officers explained that the training requirements of the committee and S151 officer would need to develop further. Currently the training requirements for the committee were lower than for the LPB.

E.3. (*Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service*) – there were no comments made.

E.5 (*Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function*) – It was explained that this recommendation was for a separate approach to pay for the Fund to that of the host authority.

Officers noted that overall the recommendations were good. They had made comments and given feedback to the Scheme Advisory Board who were seeking feedback before going to consultation.

## **RESOLVED**

**The committee noted the report.**

### 103 **Administration Strategy**

The Head of Pension Administration & Relations introduced the strategy explained that the administration strategy had been rewritten and modernised to align with KPI's although there were no significant changes.

## **RESOLVED**

**The committee approved the Wiltshire Pension Fund Administration Strategy.**



104 **Communication Strategy**

The Head of Pension Administration & Relations introduced the Communications Strategy and explained that changes had been made to link the strategy with the business plan. The focus would be on moving to a digital approach to all communications, although members could opt in to receiving paper communications if they wanted to. The strategy was required by legislation and would be reviewed every two years. Officers were looking at a structured approach to receiving customer feedback.

**RESOLVED**

**The committee approved the Communication Strategy.**

105 **Annual Training Review**

The Fund Governance & Performance Manager referred to the report included with the agenda and highlighted the training strategies for the Board & Committee Members and Officers.

An annual self-assessment of member training needs was carried out during October. Based on the feedback, the following key areas for training and development were identified: Governance & Legislation, Investment and Accounting & Audit.

The results indicated that overall members felt that they operated at a “Skilled” level requiring only developmental training. The results also indicated that there were differences in the knowledge & understanding between members leading to a potential over reliance on knowledgeable members. It was hoped that through implementing the training strategies and identifying the training themes, this would bring the knowledge & understanding of all members to the same level and eliminate over reliance.

Members noted that officer training and competence was important as members relied upon their professional advice. It was explained that there was a training strategy in place for officers which included a training tool kit which would be implemented throughout the next appraisal cycle.

**RESOLVED**

**The Board & Committee member training self-assessment outcomes for 2020-21 were approved**

**The officer training policy was approved.**

106 **Audit Plan 2020-2021**

The Fund Governance & Performance Manager explained that to ensure good governance the committee needed to determine its audit plan each year. The scope of the plan would need to consider audits by the external auditors

(Deloitte), internal auditors (SWAP) and officers self-assessment. Officers would try to schedule the audits simultaneously to make them cost effective.

It was noted that although the Fund's annual accounts had been completed by the 31 July 2019, Deloitte's were unable to sign off their audit report due to an audit requirement connected with the Council's annual accounts. It was hoped that the audit report would be signed off in the near future.

Members discussed the merits of an independent review of Brunel's business plan. It was agreed that the matter would be raised at the next Brunel Oversight Board to assess whether such a review was shared by other Funds. Officers would check if auditing the business plan would increase fees and the permissions involved.

It was agreed to continue with the existing practice of combined Wiltshire Council & Fund accounts for the 2019/20 Scheme year annual report & accounts..

## **RESOLVED**

**The Committee approved the continued joint Wiltshire Council & Fund accounting arrangements for 2020.**

**The Committee approved the scope of the internal audits in 2020/21, covering the Fund's internal financial controls, MiFID II & Data Protection Act 2018/GDPR compliance.**

**The Committee approved that only an officer self-assessment of the Pension Regulator's Code of Practice 14 would take place in 2020, with an internal audit planned for 2021.**

Lunch was held from 13:15 to 13:30.

Cllr George Jeans left the meeting at 13:15.

## 107 **Contract Management Review**

Officers explained that they had met with a number of the Fund's service providers to review their service standards, measure their performance over the last 12 months and provide an assessment of best value.

An update of the Fund's key service provider contracts was provided which detailed the reviews that had taken place in 2019 and the reviews which would form part of the Fund's best value reviews in 2020, to reassure members that a best value approach was being maintained as part of the Fund's overall procurement arrangements.

Members welcomed the report and requested that contract start and end dates were included in future.

**RESOLVED**

**The committee noted the best value contract management review strategy.**

Cllr Christopher Newbury left the meeting at 13:55.

108 **Date of Next Meeting**

The next meeting of the Wiltshire Pension Fund would take place on the 26 March 2020.

109 **Urgent Items**

There were no urgent items.

110 **Exclusion of the Public**

**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 111-114 because it was 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.**

111 **Brunel Pension Partnership update**

The Head of Pension Fund Investments gave a verbal update on the Brunel Pension Partnership.

112 **Investment Quarterly Progress Report**

The Head of Pension Fund Investments informed the committee that the incorrect report had been included with the agenda. Advice was sought and the decision was made that members were still able to make decisions based on the verbal update provided at the meeting.

**RESOLVED**

**The Committee approved the ISC recommendations.**

113 **Investment Sub-Committee Minutes**

It was noted that the agenda item should have been titled: Part 2 Minutes of the Wiltshire Pension Fund Committee with an action to confirm the Part 2 minutes of the meetings held on 3 October and 25 October, the correct minutes for approval were attached to the agenda.

**RESOLVED**

**The Part 2 minutes of the Wiltshire Pension Fund Committee held on 3 October and 25 October were approved.**

114 **Brunel Oversight Board Meeting Minutes**

No meeting of the Brunel Oversight Board had taken place.

(Duration of meeting: 10.35 am - 2.15 pm)

The Officer who has produced these minutes is Jessica Croman of Democratic Services, direct line 01225 718262, e-mail [jessica.croman@wiltshire.gov.uk](mailto:jessica.croman@wiltshire.gov.uk)

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