

## AGENDA

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**Meeting:** Wiltshire Pension Fund Committee  
**Place:** Kennet Room, County Hall, BA14 8JN  
**Date:** Thursday 23 November 2017  
**Time:** 10.30 am

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Please direct any enquiries on this Agenda to Libby Johnstone, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email [libby.johnstone@wiltshire.gov.uk](mailto:libby.johnstone@wiltshire.gov.uk)

Press enquiries to Communications on direct lines (01225) 713114/713115.

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| <b>Chairman's Briefing:</b> | <b>Date</b>         | <b>Time</b> | <b>Place</b> |
|-----------------------------|---------------------|-------------|--------------|
|                             | 23 November<br>2017 | 9:30am      | Kennet Room  |

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### **Membership:**

#### **Voting Membership**

##### Wiltshire Council Members:

Cllr Tony Deane (Chairman)  
Cllr Simon Jacobs  
Cllr Gordon King  
Cllr Christopher Newbury  
Cllr Roy While (Vice-Chairman)

##### Substitute Members

Cllr Derek Brown OBE  
Cllr Sarah Gibson  
Cllr Jon Hubbard  
Cllr Bob Jones MBE  
Cllr Fleur de Rhé-Philippe  
Cllr Ian Thorn

##### Swindon Borough Council Members

Cllr Steve Allsopp  
Cllr Steve Weisinger

##### Substitute Members

Cllr Timothy Swinyard

##### Employer Body Representatives

Linda Stuart  
Diane Hall

#### **Non-voting Membership**

##### Observers

Mike Pankiewicz  
Stuart Dark

## **RECORDING AND BROADCASTING NOTIFICATION**

Wiltshire Council may record this meeting for live and/or subsequent broadcast on the Council's website at <http://www.wiltshire.public-i.tv>. At the start of the meeting, the Chairman will confirm if all or part of the meeting is being recorded. The images and sound recordings may also be used for training purposes within the Council.

By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and/or training purposes.

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Details of the Council's Guidance on the Recording and Webcasting of Meetings is available on request.

### **Parking**

To find car parks by area follow [this link](#). The three Wiltshire Council Hubs where most meetings will be held are as follows:

**County Hall, Trowbridge**  
**Bourne Hill, Salisbury**  
**Monkton Park, Chippenham**

County Hall and Monkton Park have some limited visitor parking. Please note for meetings at County Hall you will need to log your car's registration details upon your arrival in reception using the tablet provided. If you may be attending a meeting for more than 2 hours, please provide your registration details to the Democratic Services Officer, who will arrange for your stay to be extended.

### **Public Participation**

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

For assistance on these and other matters please contact the officer named above for details

## PART I

### Items to be considered when the meeting is open to the public

1 **Membership** **10:30am**

To note any changes to the membership of the Committee.

2 **Attendance of non-members of the Committee**

To note the attendance of any non-members of the Committee.

3 **Apologies for Absence**

To receive any apologies for absence or substitutions for the meeting.

4 **Minutes** *(Pages 9 - 16)*

To confirm the Part 1 minutes of the meeting held on 27 September 2017.

5 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

6 **Chairman's Announcements**

To receive any announcements through the Chairman.

7 **Public Participation**

The Council welcomes contributions from members of the public.

#### Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

#### Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on **Thursday 16 November** in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on **Monday 20 November**. Please contact the officer named on the front of this agenda for further advice. Questions may be asked

without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

8 **Minutes and Key Decisions of the Local Pensions Board** **10:30am**

To consider an update arising from the Local Pension Board meeting held on 18 October 2017.

The Board's current Work Plan is available [here](#). Minutes are to follow as a supplement.

9 **Scheme, Legal, Regulatory and Fund Update** *(Pages 17 - 24)* **10:35am**

A report from the Head of Pensions updates the Committee on the latest regulatory and legal updates for the LGPS.

10 **Pension Fund Risk Register** *(Pages 25 - 32)* **10:40am**

An update from the Head of Pensions on the Wiltshire Pension Fund Risk Register for members to note.

11 **Date of Next Meeting**

To note the next regular meeting of the Committee will be held on 15 March 2018.

12 **Urgent Items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

13 **Exclusion of the Public**

To consider passing the following resolution:

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 14 – 20 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.

## PART II

### Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

- 14 **Individual Employer Investment Strategy and Club Vita Update** 11:00am
- An update from Hymans Robertson on the development of bespoke investment strategies for different classes of employers and the outcome of the latest Club Vita longevity review for the Fund.
- 15 **Brunel Pension Partnership Update** 11:40am
- A verbal update by the Head of Pensions on the progress of the implementation of the Brunel Pension Partnership.
- 16 **Brunel Pension Partnership Exercising of Shareholder Reserve Matters** 11:45am
- A report is circulated by the Treasurer to the Pension Fund outlining two Specific Reserve Matter requests by the Brunel Company which require the approval of the Shareholders.
- 17 **Investment Strategy Away Day Review: Structured Equity, Liability Driven Investment & Carbon Footprinting Update** 12:00pm
- Confidential papers outline a recommendation from the Investment Sub-Committee proposing an approach for the further development of a Structured Equity strategy, revised Flight Path and options to utilise Liability Driven Investments, along with a review of the approach to carbon footprinting.
- 18 **Investment Quarterly Progress Report** (Pages 33 - 82) 1:00pm
- Three confidential reports are circulated updating the Committee on the performance of the Fund's investments as to the end of September 2017. These were considered by the Investment Sub-Committee at its meeting on 8 November 2017 are circulated for information only.
- 19 **Minutes and Key Decisions of the Investment Sub Committee**
- To consider the Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 8 November 2017 (to follow).
- 20 **Minutes** (Pages 83 - 90)
- To confirm the Part 2 (confidential) minutes of the meeting held on 27 September 2017.

**Close 1:15pm**

## **WILTSHIRE PENSION FUND COMMITTEE**

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### **PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 27 SEPTEMBER 2017 AT THE WEST WILTSHIRE ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.**

#### **Present:**

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Diane Hall, Cllr Simon Jacobs,  
Cllr Gordon King, Cllr Christopher Newbury, Linda Stuart and Cllr Roy While (Vice Chairman)

#### **Also Present:**

Mr Jim Edney, Howard Pearce, Barry Reed and Cllr Philip Whitehead

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#### **48 Membership**

The Chairman welcomed Diane Hall, Employer Body Representative, back to the Committee after a sabbatical year.

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

Howard Pearce and Barry Reed, Local Pension Board, were in attendance.

Philip Whitehead, Cabinet Member for Finance, was also in attendance.

#### **50 Apologies for Absence**

Apologies for absence were received from Mike Pankiewicz and Cllr Steve Weisinger.

#### **51 Minutes**

##### **Resolved:**

**To confirm the Part 1 minutes of the meeting held on 28 June 2017.**

#### **52 Declarations of Interest**

David Anthony, Head of Pensions, made a declaration in respect of the agenda item on Brunel Pension Partnership as he had been appointed to a role within

the company and was to leave his role at the Wiltshire Pension Fund at the end of November.

53 **Chairman's Announcements**

The Chairman reminded members to make every effort to attend the Fund's Investment Away Day on 1 November, when there would be further opportunity to discuss Liability Driven Investments.

54 **Public Participation**

There were no members of the public present.

55 **Scheme Regulatory and Legal Update**

The Head of Pensions provided an update on the latest regulatory and legal updates for the LGPS. A key update from HM Treasury was that Government intended to bring forward legislation banning cold calling in relation to pensions. Additionally, a further consultation was planned on the implications of reform to public sector exit payments, such changes would have implications on the Fund and its members.

Attention was drawn to two updates which carried high risk for the Fund. The first was the implementation of the General Data Protection Regulations (GDPR) from May 2018 as this would have significant impact on the Fund's data management processes, the Fund was already preparing for the new regulations, however this required significant resource. In response to questions, it was confirmed the Fund was investigating whether it required an individual DPO or could share one with Wiltshire Council. It was noted that, if needed, the Fund could bring in external advice on GDPR to assist the team and also collaborate with other Funds within Brunel Pension Partnership (BPP) to share best practice. A second key risk was the requirement on the Fund to opt up to Professional investor status under MiFid II to allow it retain its current holdings from January 2018.

Finally, members heard from August the Fund had launched ill-health liability insurance for most scheme employers, it was mostly only large employers which had opted out.

**Resolved:**

**To note the regulatory and legal update and the changes highlighted in the report.**

56 **Local Pension Board Annual Report and Update**

A report presented the LPB Annual Report for Committee consideration. The Chairman of the Board summarised the role of the Board and advised there had



been no reportable regulatory breaches over the last 12 months. The Fund was compliant with the Pensions Regulator (tPR) Code of Practice, although some actions for improvement had been identified, and it was noted the Pensions Regulator recently had more resource to monitor compliance. The Chairman also highlighted that the role of the LPB was being reviewed and the Fund awaited the responses from the Scheme Advisory Board as to how the Boards were functioning nationally since they had now been in place for two years.

Members of the Committee commended officers on the quality of the report and were keen to hear the results of the LPB survey to explore where the Board could add value to the work of the Fund.

**Resolved:**

**To note the minutes and key decisions of the Local Pension Board meeting held on 13 July 2017.**

**To note the LPB Annual Report and approve its publication.**

57 **External Audit Report**

The Head of Pensions presented KPMG's final audit report, for which a certificate of assurance had now been provided and would be included in the Fund's Annual Report. There were no significant issues arising from the external audit. Following a question from the Committee, it was confirmed the internal audit report addressed the issue of GMP reconciliations between Altair and SAP.

The Committee discussed the appointment of the external auditor and their fee basis. The Treasurer advised that external auditors were now appointed on a national basis and therefore KMPG would not be the auditor for the next year, this process should also see a reduction in fee basis.

**Resolved:**

**To note KPMG's final audit report on the 2016-17 Annual Report**

58 **Annual Report 2016-17**

The Fund's Annual Report was presented for the Committee's consideration and it was highlighted this would include the external audit certificate.

The Committee and LPB representatives were pleased with the quality and accessibility of the report; it was noted the report was available in hard copy to stakeholders upon request.

A question was raised over the employer contribution rates identified in the Annual Report and officers advised these had increased following each triennial

Valuation and future rates would increase in line with the 2016 Actuarial Valuation.

**Resolved:**

**To approve the draft Annual Report for 2016-17.**

59 **Budget Monitoring 2017-18 Report**

A report on the latest budget monitoring position for the Fund was circulated for members' information. The report separated the investment manager fees and operational costs of the Fund and identified the Fund was currently £111k underspent. The Fund had an underspend on custodian costs of £89k as a result of increased income from the security lending programme and had saved money on the administration side by pushing back progress of the employer self-service system. It was stressed the self-service system was a priority for the next 12 months.

Members noted a significant performance fee paid to Baillie Gifford, this was because the manager had performed well beyond their benchmark and the rest of the market.

**Resolved:**

**To note the latest budget monitoring position for the Wiltshire Pension Fund.**

60 **Key Performance Indicators**

The Head of Pensions provided an update on performance against the Fund's Administration Key Performance Indicators which had previously been agreed by Committee and would be reported on bi-annually. In future, KPIs would also be developed to monitor the performance of employer members, both in terms of their payment of contribution rates and providing quality to the Fund by employer bodies.

Members considered the report contained useful information, however highlighted the capacity issues for the Pensions team which was operating on reduced resource. In response to a question on the uneven distribution of pension leavers to deferred status, it was confirmed this was likely due to delays in getting information in from employers.

**Resolved:**

**To note the Fund's performance against its key performance indicators.**

## 61 **Pension Fund Risk Register**

The Head of Pensions introduced the Fund's latest Risk Register for the Committee to consider. Two risks had risen since the last report: PEN009 'Failure to Hold Personal Data Securely' and 'PEN023 Resources of Officers and Members to Meet the Expansion of Business Items'. Current staffing levels mean 'PEN011: Lack of expertise of Pension Fund Officers', 'PEN012: Over-reliance on key officers' and 'PEN020 Pooling of LGPS assets' remained red risk.

The Treasurer highlighted the key issue behind all of these risks was limited resource due to recent staff departures and the imminent departure of the Head of Pensions. It was however considered the mobility of staff into new private sector jobs reflected well on the Fund. The Treasurer advised the demands of the role of Head of Pensions had increased significantly in recent years and proposed the team be restructured to be led by a Head of Administration to manage the Fund's increasing administration requirements and a Head of Investments to performance manage Brunel. The Committee heard there would also be some changes to increase capacity to lower level staffing with a total cost of a further £195k to the Fund.

Following questions from the Committee it was clarified the new roles would be out to advertise shortly with a view to holding interviews at the start of November to allow a handover period before the current Head of Pensions left his role. Committee meeting dates had also been altered to allow the Committee to meet before the end of November supported by the Head of Pensions, and the Treasurer confirmed an interim arrangement could be made if necessary should suitable candidates not apply for the new roles. Members agreed it was important to advertise roles at the market rate to attract the right candidates to these specialist roles, and were supportive of the need for two roles at the top tier of the structure to allow the Fund to focus more on administration as this matter had tended to be a lower priority whilst the Fund was focusing on asset pooling.

It was commented that with the number of employers in the Fund growing and LGPS regulations increasing the Fund needed to allow more resource to managing administration. Members also agreed both the Head of Administration and Head of Investment should have experience in both areas of business so as to allow a strategic overview and resilience in the team. The Chairman highlighted it was important at this time that members support officers and keep abreast of latest updates to ensure they could steer the Fund through this transition. It was considered that Committee members should play a role in the interview process and they were invited to submit their availability for interview dates.

Both the Treasurer and the Committee expressed their thanks to the Head of Pensions for his excellent work and dedication to improve the performance of the Fund during his time in the role.

**Resolved:**

**To note the Risk Register and measures being taken to mitigate risks.**

**To support the proposed structural changes and additional budget to address resource issues.**

**To thank the Head of Pensions for his excellent work supporting the Fund and improving performance during his time in the role.**

62 **MiFid 2 Election to Professional Status**

A report from the Head of Pensions recommended the Committee resolve to seek professional investor status for its investments ahead of the implementation of MiFiD 2 in January 2018. Templates were available for LGPS funds to apply for professional status and the Fund also had to demonstrate it could meet certain requirements.

**Resolved:**

**a) Note the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018.**

**b) Agree to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.**

**c) In electing for professional client status, the committee acknowledges and agrees to forgo the protections available to retail clients as detailed in APPENDIX 1 on attached link <http://www.lgpsboard.org/index.php/opting-up-process>**

**d) Agree to approve delegated retrospective responsibility to Head of Pensions for the purposes of completing the applications and determining the basis of the application as either full or single service.**

63 **Date of Next Meeting**

It was noted the next regular meeting of the Committee was to be held on 23 November 2017, brought forward from 7 December 2017.

**Resolved:**

**To note the change to the next meeting date.**

64 **Urgent Items**

There were no urgent items.

65 **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 Minute Numbers 66-70 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.**

66 **Brunel Pension Partnership Update**

A verbal update was provided by the Head of Pensions on the progress of the Brunel Pension Partnership for the pooling of Local Government Pension Scheme assets.

**Resolved:**

**To note the update on the progress of Brunel Pension Partnership.**

67 **Investment Strategy Update**

Confidential papers outlined the high-level asset allocation review undertaken by Mercers and outline the proposed focus for the next 12 months as proposed by the Investment Sub Committee.

**Resolved:**

**To agree proposals from the Investment Sub Committee as to the Fund's investment strategy for the next 12 months.**

68 **Investments Quarterly Progress Report**

Three confidential reports were circulated updating the Committee on the performance of the Fund's investments as to the end of June 2017.

**Resolved:**

**To note the reports on the performance of the Fund's investments as to the end of June 2017.**

69 **Minutes and Key Decisions of the Investment Sub-Committee**

Committee was asked to consider the minutes and key decisions of the Investment Sub Committee meeting held on 13 September 2017.

**Resolved:**

**To note the key decisions of the Investment Sub Committee held on 13 September 2017.**

70 **Minutes**

**Resolved:**

**To confirm the Part 2 minutes of the meeting held on 28 June 2017.**

(Duration of meeting: 10.30 am - 12.30 pm)

The Officer who has produced these minutes is Libby Johnstone, of Democratic Services, direct line 01225 718214, e-mail [libby.johnstone@wiltshire.gov.uk](mailto:libby.johnstone@wiltshire.gov.uk)

Press enquiries to Communications, direct line (01225) 713114/713115

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
23 November 2017

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### **Scheme, Fund, Regulatory & Fund Update**

#### **Purpose of the Report**

1. The purpose of this report is to highlight the latest legal, regulatory and Fund updates.

#### **Background**

2. The attached appendix outlined the current and recent scheme and regulatory changes. The purpose is to keep the Committee abreast at a high level of the latest changes and developments involving the Local Government Pension Scheme.
3. The Head of Pensions will provide a verbal update on these changes at this meeting for discussion with the Committee.

#### **Considerations for the Board**

4. To note the discussions in relation to the latest scheme and regulatory updates as listed in the table in the appendix.

#### **Environmental Impact of the Proposal**

5. There is no known environmental impact of this proposal.

#### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

6. There are no known implications at this time.

#### **Financial Considerations & Risk Assessment**

7. There is no financial consideration resulting from this proposal.

#### **Proposals**

8. The Board is asked to note the changes highlighted within this report.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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Unpublished documents relied upon in the production of this report: NONE

**APPENDIX 1**

| Organisation          | Subject  | Link  | Comments  | Risk |
|-----------------------|--|---|---|------|
| HM Treasury           | Pensions scams: consultation response  | <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf</a>   | On 21 August 2017 the Government published its response to its consultation on pension scams issued in December 2016. As part of this response it has confirmed it intends to bring forward legislation banning cold calling in relation to pensions (to include texts and email) when Parliamentary time allows.                   |      |
|                       | Indexation and equalisation of GMP in public service pension schemes   | <a href="https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes">https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes</a>   | Although closed on 20 February 2017 we are still awaiting further comment from Government on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age. It is unclear when such clarification will be forthcoming.                                  |      |
|                       | Reforms to public sector exit payments: response to the consultation   | <a href="https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments">https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments</a>   | This Bill is expected to have its second reading debate on Friday 1 December 2017. It was presented to Parliament on Tuesday 5 September 2017 and there was no debate. It is a Private Member's Bill, which are often not printed until close to the second reading debate. The text is not yet available.                          |      |
|                       | Pension Increase / Revaluation for 2018  | <a href="https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23">https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23</a>   | It has been confirmed that the CPI increase in the year to 30 September 2017 was 3%. It is assumed it will be confirmed as the 2018 rate of pension increase / revaluation in due course. This is above the CPI assumption made at the 2016 valuation for all LGPS funds.   |      |
| HM Revenues & Customs | Revenue and Customs Brief 14 (2016): VAT, Deduction of VAT on pension fund management costs following Court of Justice of the European Union decision in PPG | <a href="https://www.gov.uk/government/publications/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision">https://www.gov.uk/government/publications/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision</a> | Changes to the reclamation of VAT on fund management costs may affect LGPS funds once pooling is in place. These changes were originally due with effect from 1st January 2017 but have now been pushed back to at least 1st January 2018. Project Brunel will be keeping an eye on how it is evolving and take appropriate advice. |      |
| DCLG                  | Local government pension scheme statistics   | <a href="https://www.gov.uk/government/collections/local-government-pension-scheme">https://www.gov.uk/government/collections/local-government-pension-scheme</a>   | This collection brings together all statistics on the local government pension scheme in England and Wales. Data for 2016/17 was published on 25 October.   |      |



| Organisation                       | Subject   | Link  | Comments  | Risk |
|------------------------------------|---|---|---|------|
|                                    | LGPS Regulations: Best Value & Fair Deal consultation                         | <a href="https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations">https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations</a>   | DCLG has not yet published the long promised further consultation bringing into effect the revised Fair Deal principles for Best Value Authorities. It is understood officials remain hopeful that it will be published before Christmas, subject to Ministerial approval.  |      |
|                                    | Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS) | <a href="https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement">https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement</a> | <p>Following the High Court ruling on 23rd June that elements of the Governments Statutory Guidance on preparing and maintaining an Investment Strategy Statement was unlawful the Government subsequently published updated guidance removing the offending clauses - that funds should not pursue policies that are contrary to UK foreign policy or UK defence policy.</p> <p>The Government has been given leave to appeal the High Court decision, so further updates will be given once the outcome of any appeal is known.</p> |      |
| <b>The Pension Regulator (TPR)</b> | Public Sector pensions website update   | <a href="http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx">http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx</a>   | The Regulator dedicated public sector web pages provides a wealth of information regarding its Code of Practice 14 and public service toolkit. The toolkit which provides a foundation to effective scheme governance and administration has been updated and additional guides and checklist have been published.  |      |
|                                    | Annual survey of public sector schemes  | <a href="http://www.thepensionsregulator.gov.uk/docs/public-service-research-2017.pdf">http://www.thepensionsregulator.gov.uk/docs/public-service-research-2017.pdf</a>   | <p>Now that we have successfully completed the despatch of the 2017 annual benefit statements the Fund is able to turn its attention to the findings of the Regulator's 2016 annual survey results and any actions we require to implement relating to governance, internal controls, record keeping and member communication.</p> <p>We will be bringing forward recommendations for any changes required in the coming weeks and months.</p>  |      |
|                                    | Record Keeping Guide  | <a href="http://www.thepensionsregulator.gov.uk/docs/record-keeping-quick-guide.pdf">http://www.thepensionsregulator.gov.uk/docs/record-keeping-quick-guide.pdf</a>   | A quick guide designed to understand why record keeping is important and steps needed to take to ensure records are complete and accurate.  |      |

| Organisation                                 | Subject  | Link   | Comments  | Risk |
|--|--|--|---|------|
|  | Self Assessment Tool for Public Service Pension Schemes  | <a href="http://www.thepensionsregulator.gov.uk/docs/PS-assessment-tool.xls">http://www.thepensionsregulator.gov.uk/docs/PS-assessment-tool.xls</a>  | The TPR toolkit for Funds to complete to check their own compliance with the Code of Practice is available for Committee and Pension Board members to use.  |      |
| <b>Information Commissioners Office</b>      | General Data Protection Regulations (GDPR)   | <a href="https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/">https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/</a>  | <p>Comes into effect in May 2018 and replaces the Data Protection Act 1998. Introduces new obligations on data controllers. The Fund is both a data controller and a data processor and needs to ensure that it has appropriate processes in place in order to comply with the changes being introduced.</p> <p>Wiltshire Pension Fund is working closely with a group of LGPS Funds in developing project plans, template notifications and policies, together with all other necessary solutions required in order to successfully comply with GDPR by May 2018. We are also feeding the work undertaken with this group into Wiltshire Council's GDPR project team.</p>                |      |
| <b>Government Actuaries Department (GAD)</b> | Section 13 of the Public Services Act 2013 requires GAD to review the funding valuations and employer contribution rates across the LGPS | <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651721/GAD_E-news_issue_29_Oct_2017.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651721/GAD_E-news_issue_29_Oct_2017.pdf</a>  | In their recent newsletter GAD has confirmed the final report, using the 2016 valuation results, is expected to be published in the summer of 2018.   |      |
| <b>Financial Conduct Authority (FCA)</b>     | CP16/29: Markets in Financial Instruments Directive II (MIFID2)  | <a href="https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation">https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation</a><br><br><a href="http://www.lgpsboard.org/index.php/schemedata/mifidii">http://www.lgpsboard.org/index.php/schemedata/mifidii</a> | <p>In early July, the FCA published their final policy statement on the implementation of the EU's Markets in Financial Instruments Directive II (MIFID2) from January 2018.</p> <p>Upon coming into force, MIFID2 will re-designate local authorities as 'retail' investors from their current status as 'professional' investors. The policy statement confirmed significant revisions to the criteria via which a local authority pension fund will be able to opt up to professional status and follows detailed discussions undertaken by the SABEW with the FCA.</p> <p>Further information on the implications of MIFID2 on LGPS administering authorities can be found on the</p> |      |

| Organisation                       | Subject                                | Link  | Comments   | Risk |
|------------------------------------|--|---|--|------|
|                                    |  |   | Scheme Advisory Website. Wiltshire Pension Fund is in the process of reviewing this guidance and the steps required to opt up to professional status and a paper on this agenda will request the Committee agree to request an opt up to “professional” investor status with its investment managers and advisers.   |      |
| <b>Scheme Advisory Board (SAB)</b> | Academies’ review                      | <a href="http://www.lgpsboard.org/index.php/structure-reform/review-of-academies">http://www.lgpsboard.org/index.php/structure-reform/review-of-academies</a> | <p>SAB in support of its work plan for 2016/17, invited proposals from interested parties to assist it in developing options with regard to the plan to convert all schools to academies and what this would mean for LGPS pension funds and their host authorities.</p> <p>The resulting PwC report “Options for Academies in the LGPS” commissioned by the Board is published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted.</p> <p>SAB has said that it will continue to gather relevant evidence before developing specific proposals and recommendations for submission to Ministers for their consideration</p> <p>Wiltshire Pension Fund is currently reviewing the way it deals with academies in the Fund, to ensure there is a consistent approach taken and clear lines of communication with the academies themselves.</p> |      |
|                                    | Investment fees - Code of Transparency | <a href="http://www.lgpsboard.org/index.php/structure-reform/cost-transparency">http://www.lgpsboard.org/index.php/structure-reform/cost-transparency</a>     | <p>The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government’s criteria for pooling investments.</p> <p>To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis SAB has published its Code of Transparency</p>   |      |

| Organisation           | Subject   | Link  | Comments  | Risk |
|------------------------|---|---|---|------|
|                        |   |   | in May 2017. The Code is voluntary and asset managers who sign up will demonstrate their commitment to transparent reporting of costs. SAB will procure a third party to monitor compliance of those who sign up.   |      |
|                        | LPB Survey  | <a href="http://www.lgpsboard.org/index.php/board-publications/board-surveys">http://www.lgpsboard.org/index.php/board-publications/board-surveys</a>         | This was launched in May, with a closing date of the end of July 2017, although this was extended to 29 September due to a lack of responses received. The aim was to assess the effectiveness and compliance of local pension boards. Wiltshire Pension Fund responded to the survey, the findings of which will be reported to SAB in October 2017, although it is still unclear whether recommendations will then be made to Ministers.  |      |
|                        | Tier 3 employers  | <a href="http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid">http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid</a> | Covers those Fund employers with no tax raising powers or guarantee. SAB is keen to identify the risk to LGPS Funds of default by such employers. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps.  |      |
| CIPFA                  | No updates have been issued by CIPFA since the last Pension Board meeting |   |   |      |
| Wiltshire Pension Fund | Update on Insurance Indemnity Issue                                       |   | Further guidance isn't expected from Scheme Advisory Board. Therefore, following review the Local Pension Board have agreed to obtain a minimum level of cover.   |      |
|                        | Ill Health Liability Insurance  |   | <p>The Fund launched ill health liability for most scheme employers with effect from 1 August 2017 (Wiltshire and Swindon Councils together with a small number of other larger employers are not included). The insurance is financed via the employer contribution rate and provides cover for each employer covered by the policy against the significant strain costs that can result from either a tier 1 ill health retirement.</p> <p>All new employers joining the Fund will automatically be covered by the insurance.</p> |      |

| Organisation | Subject                                | Link  | Comments  | Risk |
|--------------|--|---|---|------|
| General News | Plan to reduce auto-enrolled age to 16 | <a href="https://www.professionalpensions.com/professional-pensions/news/3018329/auto-enrolment-may-be-extended-to-16-year-olds">https://www.professionalpensions.com/professional-pensions/news/3018329/auto-enrolment-may-be-extended-to-16-year-olds</a> | It has been reported that the Government is planning to remove the lower age limit for automatic enrolment, as part of its review of automatic enrolment. Workers as young as 16 years old may therefore need to be enrolled into pension schemes in the future. The current limit is 22 years old. |      |

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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
23 November 2017

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### WILTSHIRE PENSION FUND RISK REGISTER

#### Purpose of the Report

1. The purpose of this report is to update the Committee in relation to changes to the Fund's Risk Register (see Appendix).

#### Background

2. The Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. Members requested that the highlights, particularly upward/downward movements in individual risks, be reported back to the Committee on a quarterly basis.

#### Key Considerations for the Committee / Risk Assessment

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. There are four risks decreasing since the last report in September 2017.
5. **PEN026: Impact of MiFiD II Regulations:** This has been lowered from amber to green as the Fund has now submitted its applications to all its investment managers to elect to professional status. Early feedback has been very positive with 3 out of the 9 managers already confirming this status for the Fund. There has been no negative feedback to date and managers yet to confirm appear confident they will be in a position to do this based on the data submitted prior to January 2018.
6. **PEN020: Failure to collect and account for Contributions from Employers on time:** This has been lowered from amber to green as the new contributions framework has now been implemented (October 2017) which was an audit recommendation when they assessed the Fund against the Pension Regulators Code of Practice. The new framework provides a robust approach to tracking, following up, and reporting unpaid contributions to the Committee and Local Pension Board. The performance of employers will be reported to future meetings of this Committee.
7. **PEN010: Failure to keep pension records up-to-date and accurate:** This has been lowered from amber to green as the result of a report from our pension database provider Heywood's who have analysed the Fund's data in line with the requirements under the Records Keeping Act. The Fund's Common Data is 99.2% accurate and its conditional data is 94% accurate both are significantly higher than the Pension Regulator minimum threshold. This information represents the results of the continual data cleansing that has been on-going, and a priority plan is also provided to focus on the outstanding areas. A full report will be brought to the future Pension Committee meeting.
8. **PEN011: Lack of Expertise of Pension Fund Officers and Service Director:** This has been lowered from red to amber as the result of the appointment of an interim Head of Pension to provide cover between the appointment of a replacement on a permanent

basis. The Interim has 12 years' experience of operating as Head of Pensions for a large LGPS fund, and will provide the expertise and experience to ensure the smooth transition over the next 3-month period.

9. There remains three "red" high risks. ***PEN023: Resources of Officers and Members to Meet the Expansion of Business Items, PEN012: Over-reliance on key officers and PEN020: Pooling of LGPS assets.*** The revised pension team structure has now been finalised and is currently being implemented. This review considers realignment of cover to take account of changes to roles arising from the Brunel Pension Partnership, along with additional capacity to support the governance, benefits and data work undertaken by the Fund. The recruitment for the Head of Pensions replacement is continuing with interviews being held on 21/22 November. Recruitment for all the other posts in the structures has also started. Until all posts are filled, Hymans Robertson will continue with their technical support as required.
10. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

### **Financial Implications**

11. There is a potential increase in staff costs as a result of any staffing review that will be funded from the Wiltshire Pension Fund administration budget.

### **Legal Implications**

12. There are no known implications from the proposals.

### **Environmental Impacts of the Proposals**

13. There is no known environmental impact of this report.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

14. There are no known implications at this time.

### **Proposals**

15. The Committee is asked to note the attached Risk Register and measures being taken to mitigate risks.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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Unpublished documents relied upon in the production of this report: NONE



| Ref.   | Risk   | Risk Category           | Cause  | Impact  | Risk Owner    | Controls in place to manage the risk  | Current Risk Rating |            |   |               | Further Actions necessary to manage the risk   | Risk Action Owner | Date for completion of action | Target Risk Rating |            |   |               | Date of Review | Direction of Travel |
|--------|--|-------------------------|--|---|---------------|---|---------------------|------------|---|---------------|--|-------------------|-------------------------------|--------------------|------------|---|---------------|----------------|---------------------|
|        |  |                         |  |   |               |   | Impact              | Likelihood | x | Level of risk |  |                   |                               | Impact             | Likelihood | x | Level of risk |                |                     |
| PEN001 | Failure to process pension payments and lump sums on time                            | Benefits Administration | Non-availability of ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.  | Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members. | David Anthony | Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations.   | 2                   | 2          | 4 | Low           | None   | David Anthony     |                               | 2                  | 2          | 4 | Low           | 16 Nov 17      | →                   |
| PEN004 | Inability to keep service going due to loss of main office, computer system or staff | Benefits Administration | Fire, bomb, flood, etc.  | Temporary loss of ability to provide service  | David Anthony | Business Continuity Plan reviewed in Dec 2016 and in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.                                       | 4                   | 1          | 4 | Low           | None   | David Anthony     |                               | 4                  | 1          | 4 | Low           | 16 Nov 17      | →                   |
| PEN005 | Loss of funds through fraud or misappropriation                                      | Benefits Administration | Fraud or misappropriation of funds by an employer, agent or contractor   | Financial loss to the Fund  | David Anthony | Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration. | 4                   | 1          | 4 | Low           | None   | Catherine Dix     |                               | 4                  | 1          | 4 | Low           | 18 Sep 17      | →                   |
| PEN014 | Failure to provide the service in accordance with sound equality principles          | Benefits Administration | Failure to recognise that different customers have different needs and sensitivities.  | Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.   | David Anthony | The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place  | 2                   | 1          | 2 | Low           | Review procedures / policies to ensure compliant with Wiltshire Council Trans gender policy.   | Craig Payne       | Sep 17                        | 2                  | 1          | 2 | Low           | 18 Sep 17      | →                   |
| PEN021 | Ability to Implement the Public Sector Exit Cap                                      | Benefits Administration | Introduction of exit cap will require an additional burden on the administration team.   | Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved  | David Anthony | Currently monitoring the progress of the current consultations and responding where appropriate. Briefings being provided to team and stakeholders. Concern that further information is still pending from Government.  | 2                   | 2          | 4 | Low           | Discussions with employers on how to implement. Training for the team on how to implement. Project to amend systems and letters to accommodate changes. Not anticipating implementation currently. | Craig Payne       | Sep-17                        | 1                  | 3          | 3 | Low           | 18 Sep 17      | →                   |
| PEN022 | Reconciliation of GMP records  | Benefits Administration | From 1 April 2016 SERPS will cease and HMRC no longer provide GMP data on members. Fund will be unable to check accuracy of its GMP records. | If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.   | David Anthony | Project has been set up and 2 Data Analysts employed to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.   | 2                   | 4          | 8 | Medium        | Reconciliation project on-going. Ahead of most LGPS Funds but reliant on HMRC responses. Need to agree policies for tolerances with Committee prior to any rectification phase.                    | Mark Anderson     | Dec-17                        | 1                  | 3          | 3 | Low           | 18 Sep 17      | →                   |

| Ref.    | Risk   | Risk Category         | Cause  | Impact   | Risk Owner    | Controls in place to manage the risk   | Current Risk Rating |            |   |               | Further Actions necessary to manage the risk   | Risk Action Owner | Date for completion of action | Target Risk Rating |            |   |               | Date of Review | Direction of Travel |
|---------|--|-----------------------|--|--|---------------|--|---------------------|------------|---|---------------|--|-------------------|-------------------------------|--------------------|------------|---|---------------|----------------|---------------------|
|         |  |                       |  |  |               |  | Impact              | Likelihood | x | Level of risk |  |                   |                               | Impact             | Likelihood | x | Level of risk |                |                     |
| PEN003  | Insufficient funds to meet liabilities as they fall due  | Funding & Investments | Contributions from employees / employers too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.   | Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months. | David Anthony | Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.  | 2                   | 2          | 4 | Low           | None   |                   |                               | 4                  | 1          | 4 | Low           | 16 Nov 17      | →                   |
| PEN006a | Significant rises in employer contributions for secure employers due to increases in liabilities         | Funding & Investments | Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position. | Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.  | David Anthony | Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.   | 2                   | 1          | 2 | Low           | The Stabilisation Policy has limited increases for secure employer. This approach has been used for the 2016 Valuation.  |                   |                               | 2                  | 2          | 4 | Low           | 16 Nov 17      | →                   |
| PEN006b | Significant rises in employer contributions for non-secure employers due to increases in liabilities     | Funding & Investments | Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position. | Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.  | David Anthony | Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2016 Valuation will set employer rates for the 3 years from April 2017.                         | 2                   | 2          | 4 | Low           | The rates for the 2016 Valuation were presented in October. The better than expected investment performance along with improving membership experience and reviewing of assumptions has meant most increases have not been significant.  |                   |                               | 2                  | 2          | 4 | Low           | 16 Nov 17      | →                   |
| PEN007a | Significant rises in employer contributions for secure employers due to poor/negative investment returns | Funding & Investments | Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.                            | Poor/negative investment returns, leading to increased employer contribution rates   | David Anthony | Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code. | 2                   | 1          | 2 | Low           | The implementation of the Stabilisation Policy limits increases for secure employer. This policy has continued in the 2016 Valuation. A new Investment Strategy Statement was implemented in April 2017, following approval by this Committee in March. Risk mitigation tools being considered currently by Committee. |                   |                               | 2                  | 2          | 4 | Low           | 16 Nov 17      | →                   |

| Ref.    | Risk   | Risk Category         | Cause   | Impact  | Risk Owner    | Controls in place to manage the risk   | Current Risk Rating |            |   |               | Further Actions necessary to manage the risk  | Risk Action Owner | Date for completion of action | Target Risk Rating |            |   |               | Date of Review | Direction of Travel |
|---------|--|-----------------------|---|---|---------------|--|---------------------|------------|---|---------------|---|-------------------|-------------------------------|--------------------|------------|---|---------------|----------------|---------------------|
|         |  |                       |   |   |               |  | Impact              | Likelihood | x | Level of risk |   |                   |                               | Impact             | Likelihood | x | Level of risk |                |                     |
| PEN007b | Significant rises in employer contributions for non-secure employers due to poor/negative investment returns | Funding & Investments | Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues. | Poor/negative investment returns, leading to increased employer contribution rates  | David Anthony | Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code. | 2                   | 2          | 4 | Low           | A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rates to assist in affordability issues where requested by an employer. A new Investment Strategy Statement was implemented in April 2017, following approval by this Committee in March. Risk mitigation tools being considered currently by Committee. | David Anthony     |                               | 2                  | 2          | 4 | Low           | 16 Nov 17      | →                   |
| PEN015  | Failure to collect payments from ceasing employers   | Funding & Investments | When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities       | Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund                                 | David Anthony | The Pension Fund Committee approved a new Cessation Policy in March 2016 to provide an updated agreed framework for recovery of payments. All new admitted bodies require a guarantor to join the Fund. It also provides additional flexibilities for the Fund dealing with employers cessation payments.  | 2                   | 2          | 4 | Low           | Concern over ability for Head of Pensions to spend sufficient time covering the strategic employer issues with the on-going Brunel project. Additional time to be planned to assist in training Employer Relations Manager and new procedures being drafted.  | David Anthony     |                               | 2                  | 1          | 2 | Low           | 16 Nov 17      | →                   |
| PEN016  | Treasury Management  | Funding & Investments | The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.                                       | Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund  | David Anthony | The Pension Fund will review an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.  | 3                   | 1          | 3 | Low           | The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.  | Chris Ashton      |                               | 3                  | 1          | 3 | Low           | 16 Nov 17      | →                   |
| PEN024  | Impact of EU Referendum  | Funding & Investments | The impact of the EU referendum   | A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.   | David Anthony | The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to a 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling.  | 3                   | 2          | 6 | Medium        | Markets have appeared to have settled since the BREXIT vote. Will monitor markets as exit negotiations begin. Risk mitigation tools be considered by Investment Sub Committee to protect Fund from future downside risk.  | David Anthony     | Sep-17                        | 3                  | 1          | 3 | Low           | 16 Nov 17      | →                   |
| PEN026  | Impact of MiFid II Regulations   | Funding & Investments | New MiFID 2 investment regulations from Jan 2018 will classify LGPS Funds as "retail" investors. They will need to opt up to professional status                            | If Wiltshire Pension Fund is unable to attain "professional" status it will limit the range of investments available and may lead to the forced sale of assets. | David Anthony | The Fund is awaiting national guidance as LGA discuss implications for LGPS with FCA.  | 2                   | 2          | 4 | Low           | LGE and Scheme Advisory Board now agreed standard templates for application of LGPS funds to opt up to "professional" status. On this agenda to agree application.  | David Anthony     | Sep-17                        | 3                  | 1          | 3 | Low           | 16 Nov 17      | ↓                   |

| Ref.   | Risk  | Risk Category           | Cause  | Impact  | Risk Owner     | Controls in place to manage the risk  | Current Risk Rating |            |   |               | Further Actions necessary to manage the risk   | Risk Action Owner | Date for completion of action | Target Risk Rating |            |   |               | Date of Review | Direction of Travel |
|--------|---|-------------------------|--|---|----------------|---|---------------------|------------|---|---------------|--|-------------------|-------------------------------|--------------------|------------|---|---------------|----------------|---------------------|
|        |   |                         |  |   |                |   | Impact              | Likelihood | x | Level of risk |  |                   |                               | Impact             | Likelihood | x | Level of risk |                |                     |
| PEN002 | Failure to collect and account for contributions from employers and employees on time | Regulatory & Governance | Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014                         | Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.  | David Anthony  | Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments.   | 2                   | 2          | 4 | Low           | The amount of employers (170) to review and monitoring is too high for current resource level and in order to ensure compliance with TPR Code, need to ensure each missed payment is reported to Regulator after 90 days. A revised contributions framework was implemented and effective from October 2017.                                 | Chris Ashton      |                               | 2                  | 2          | 4 | Low           | 16 Nov 17      | ↓                   |
| PEN008 | Failure to comply with LGPS and other regulations                                     | Regulatory & Governance | Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc  | Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc | David Anthony  | Sufficient staffing, training and regulatory updates. Competent software provider and external consultants. Technical & Compliance post reviews process and procedures and maintains training programme for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. Their code of practice includes a number of new requirements which the Fund has assessed itself against | 2                   | 2          | 4 | Low           | Work continues to ensure the Fund can comply fully with the tPR Code of Practice requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator. An audit report on the Fund's compliance was presented to the last Committee which showed no material issues. | David Anthony     | Sep-17                        | 2                  | 2          | 4 | Low           | 16 Nov 17      | →                   |
| PEN009 | Failure to hold personal data securely  | Regulatory & Governance | Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.                           | Poor data, lost or compromised, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.  | David Anthony  | Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team.  | 2                   | 3          | 6 | Medium        | The Fund needs to ensure it meets with the new General Data Protection Regulations (GDPR) coming into effect in May 2018. Currently working with a number of other Funds to review implications and updating the Wiltshire Council corporate project team on position. Requires resources prioritised to avoid                               | Nick Weaver       | Apr-18                        | 2                  | 1          | 2 | Low           | 16 Nov 17      | →                   |
| PEN010 | Failure to keep pension records up-to-date and accurate                               | Regulatory & Governance | Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc  | Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.   | David Anthony  | Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.   | 2                   | 2          | 4 | Low           | From 1 April 2014, the Pension Regulator will require additional checks on data. Data cleansing is taking place to address this. Fund received Heywood's software provider report showing performance and priorities for improvements  | Mark Anderson     |                               | 2                  | 1          | 2 | Low           | 16 Nov 17      | ↓                   |
| PEN011 | Lack of expertise of Pension Fund Officers and Service Director, Finance              | Regulatory & Governance | Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability | Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.   | Michael Hudson | Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.  | 3                   | 3          | 9 | Medium        | Head of Pensions leaving 30 November, Strategic Pension Manager left during September. The replacement posts have been advertised and interviews are on 21/22 Nov. Interim Head of Pension in place to provide short term cover. Consultancy support continues with Hymans Robertson for departing Technical & Compliance Manager.           | Michael Hudson    | Nov-17                        | 2                  | 1          | 2 | Low           | 16 Nov 17      | ↓                   |

| Ref.   | Risk  | Risk Category           | Cause   | Impact   | Risk Owner     | Controls in place to manage the risk   | Current Risk Rating |            |    | Further Actions necessary to manage the risk | Risk Action Owner  | Date for completion of action | Target Risk Rating |        |            | Date of Review | Direction of Travel |           |               |
|--------|---|-------------------------|---|--|----------------|--|---------------------|------------|----|--|--|-------------------------------|--------------------|--------|------------|----------------|---------------------|-----------|---------------|
|        |   |                         |   |  |                |  | Impact              | Likelihood | x  |  |  |                               | Level of risk      | Impact | Likelihood |                |                     | x         | Level of risk |
| PEN012 | Over-reliance on key officers                                   | Regulatory & Governance | The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations   | If someone leaves or becomes ill, a big knowledge gap if less behind.  | Michael Hudson | Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.  | 3                   | 4          | 12 | High   | Hymans Robertson continue to provide consultancy support. Head of Pensions leaves 30 November, and Strategic Pension Manager now left. Technical & Compliance Manager leaves 8 December. Replacement posts for Head of Service scheduled 21/22 Nov. Restructure now finalised increasing team capacity & recruitment commenced for these posts.  | Michael Hudson                | Nov-17             | 2      | 1          | 2              | Low                 | 16 Nov 17 | →             |
| PEN017 | Lack of expertise on Pension Fund Committee                     | Regulatory & Governance | Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability  | Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee | David Anthony  | Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too.                                   | 2                   | 3          | 6  | Medium                                       | The new members training plan for 2015-17 was approved in March 2015. Induction training undertaken in May 2017.   | David Anthony                 |                    | 2      | 1          | 2              | Low                 | 16 Nov 17 | →             |
| PEN019 | Establishment of Local Pension Board & Investment Sub-Committee | Regulatory & Governance | Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee. | Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.                                   | David Anthony  | Local Pension Board, approved by Wiltshire Council on 24 February. Following. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members, in particular the need to undertake training and the pension officers time in the support and provision of information. | 2                   | 2          | 4  | Low  | A review of the effectiveness of the Investment Sub-Committee was undertaken which indicates its effectiveness and positive contribution in considering investments in more detail and freeing up Pension Committee agenda time. The Local Pension Board Annual Report has shown how its been effective over the past 12 months in assisting in the effectiveness of administration of the Fund. | David Anthony                 |                    | 1      | 3          | 3              | Low                 | 16 Nov 17 | →             |
| PEN020 | Pooling of LGPS assets  | Regulatory & Governance | The Fund needs to respond to the Government's consultation for significantly ambitious proposals for pooling of LGPS assets   | If not involved in forming proposals the Government may impose of pooling arrangement on the Fund over which it has not control. If implemented incorrectly this could be costly in terms of additional fees and poor investment returns.                                  | David Anthony  | The Fund is being proactive in exploring options with Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee. The Fund approved the submission to Government in response to the consultation in July 2016. The full business case was approved by Council in February. The implementation phase now commences.                  | 3                   | 4          | 12 | High   | Transfer to new custodian taking place 13 December. Development of Client Group required to establish intelligent client to hold Brunel to account. New Investment Manager role will provide this support and additional capacity once appointed.  | Michael Hudson                |                    | 1      | 3          | 3              | Low                 | 16 Nov 17 | →             |

| Ref.   | Risk  | Risk Category           | Cause   | Impact  | Risk Owner     | Controls in place to manage the risk   | Current Risk Rating |            |    |               | Further Actions necessary to manage the risk   | Risk Action Owner              | Date for completion of action | Target Risk Rating |            |   |               | Date of Review | Direction of Travel |
|--------|---|-------------------------|---|---|----------------|--|---------------------|------------|----|---------------|--|--------------------------------|-------------------------------|--------------------|------------|---|---------------|----------------|---------------------|
|        |   |                         |   |   |                |  | Impact              | Likelihood | x  | Level of risk |  |                                |                               | Impact             | Likelihood | x | Level of risk |                |                     |
| PEN023 | Resources of Officers and Members to meet the expansion of business items | Regulatory & Governance | The recent expansion of business items resulting from continued consultations, pooling of assets, and additional governance requirements. | It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details. | Michael Hudson | More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes will need to be monitored through work planning and appraisals. | 3                   | 4          | 12 | High          | With the Head of Pensions and Strategic Pension Manager leaving support available to service the Committees / Boards is limited. New structure finalised to provide additional capacity to support governance arrangements. Interim Head of Pension now appointed to cover until permanent positions confirmed. Risk can reduced once vacancies are filled.  | Michael Hudson                 | Nov-17                        | 1                  | 2          | 2 | Low           | 16 Nov 17      | →                   |
| PEN025 | Academisation of Schools  | Regulatory & Governance | The recent proposals from the Government to encourage all school to convert to academy status.  | Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 170 to between 400 and 500.  | David Anthony  | Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.   | 2                   | 3          | 6  | Medium        | PWC report issued on academies, identifies the issues but no recommendations. Fund is reviewing how academies are dealt with when MATs break-up and the additional governance involved with a report back to this Committee in December 2017.  | Denise Robinson                | Dec-17                        | 1                  | 1          | 1 | Low           | 16 Nov 17      | →                   |
| PEN013 | Failure to communicate properly with stakeholders                         | Communication           | Lack of clear communications policy and action, particularly with employers and scheme members.   | Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.           | David Anthony  | The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.   | 2                   | 2          | 4  | Low           | Member communication continues to be developed and the current round of pension clinics are being held. Both Employer and Members newsletters have been sent out during March / April. Employer forums were held in April and September with an AGM held in June. The Fund now has a Twitter account. Annual Benefit Statement sent to members by 31 August. | Zoe Stannard / Denise Robinson |                               | 1                  | 1          | 1 | Low           | 16 Nov 17      | →                   |

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