

# AGENDA

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**Meeting:** Wiltshire Pension Fund Committee  
**Place:** The Usher Suite, Trowbridge Civic Centre, St Stephen's Place,  
Trowbridge BA14 8AH  
**Date:** Thursday 15 March 2018  
**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)

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<b>Chairman's Briefing:</b>	<b>Date</b>	<b>Time</b>	<b>Place</b>
	15 March	10am	The Usher Suite

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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

#### Swindon Borough Council Members

Cllr Steve Allsopp  
Cllr Steve Weisinger

#### Substitute Members

Cllr Timothy Swinyard

#### Employer Body Representatives

Mrs Linda Stuart  
Mrs Diane Hall

### **Non-voting Membership**

#### Observers

Mike Pankiewicz

### **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.

The meeting may also be recorded by the press or members of the public. Any person or organisation choosing to film, record or broadcast any meeting of the Council, its Cabinet or committees is responsible for any claims or other liability resulting from them so doing and by choosing to film, record or broadcast proceedings they accept that they are required to indemnify the Council, its members and officers in relation to any such claims or liabilities.

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**Bourne Hill, Salisbury**  
**Monkton Park, Chippenham**

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### **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      **Welcome**      **10:30am**

To welcome those present to the meeting and note any changes to the membership of the Committee.

2      **Apologies for Absence**

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

3      **Minutes** (*Pages 7 - 14*)

To confirm the Part 1 (public) minutes of the meeting held on 23 November 2017.

4      **Declarations of Interest**

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

5      **Chairman's Announcements**

To receive any announcements through the Chairman.

6      **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 **8 March 2018** 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 **12 March 2018**. 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.

7 **Scheme, Legal, Regulatory and Fund Update** (Pages 15 - 22) **10:30am**

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

8 **Pension Fund Risk Register** (Pages 23 - 30) **10:40am**

An update from the Head of Pensions Administration on the Wiltshire Pension Fund Risk Register is circulated for consideration.

9 **Annual Business Plan Update** (Pages 31 - 40) **10:55am**

An update from the Head of Pensions Administration on the progress of implementing items on the Annual Business Plan.

10 **Administrative Key Performance Indicators** (Pages 41 - 46) **11:10am**

An update from the Head of Pensions Administration on the latest administrative KPIs for Member's to consider.

11 **Fund Administration Budget** (Pages 47 - 50) **11:20am**

Members are to asked to consider the Fund's Administration Budget for 2018/2019.

12 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 21 June 2018.

13 **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.

14 **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 15 – 19 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**

- |    |  |                |
|----|--|----------------|
| 15 | <b><u>Report on investment performance including PIRC data/national comparisons</u></b> <i>(Pages 51 - 56)</i><br><br>Interim Investment Manager to provide a report entitled "LGPS Investment performance analytics" for the Committee to consider.   | <b>11:45am</b> |
| 16 | <b><u>Brunel Pension Partnership Update</u></b> <i>(Pages 57 - 58)</i><br><br>A verbal update by the Interim Investment Manager on the progress of the implementation of the Brunel Pension Partnership.   | <b>12:00pm</b> |
| 17 | <b><u>Investment Quarterly Progress Report</u></b> <i>(Pages 59 - 112)</i><br><br>Three confidential reports are circulated updating the Committee on the performance of the Fund's investments as to the end of December 2018. These were considered by the Investment Sub-Committee at its meeting on 21 February 2018 are circulated for information only | <b>12:10pm</b> |
| 18 | <b><u>Minutes and Key Decisions of the Investment Sub Committee</u></b> <i>(Pages 113 - 118)</i><br><br>To consider the Part 2 (confidential) minutes, and any recommendations arising, from the Investment Sub Committee meeting held on 21 February 2018.  | <b>12:30pm</b> |
| 19 | <b><u>Minutes</u></b> <i>(Pages 119 - 126)</i><br><br>To consider the Part 2 (confidential) minutes of the meeting held on 23 November 2017.   | <b>12:40pm</b> |

**Close 12:45pm**

## **WILTSHIRE PENSION FUND COMMITTEE**

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### **PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 23 NOVEMBER 2017 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.**

#### **Present:**

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

#### **Also Present:**

Mr Jim Edney, Joanne Holden and Barry Reed

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#### **71 Membership**

There were no changes to the membership of the Committee.

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

Catherine McFadyen (Hymans Robertson) and Barry Reed (Local Pension Board member) were in attendance.

#### **73 Apologies for Absence**

Apologies for absence were received from Cllr Whitehead and Cllr Weisinger.

#### **74 Minutes**

##### **Resolved:**

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

#### **75 Declarations of Interest**

The Head of Pensions declared for transparency purposes in respect of items 15 and 16 that he was soon to leave the Fund and become employed by Brunel Pension Partnership.

76 **Chairman's Announcements**

The Committee thanked the Head of Pensions for his hard work supporting the Fund and driving its strong performance over the last 8 years.

77 **Public Participation**

There were no members of the public present.

78 **Minutes and Key Decisions of the Local Pensions Board**

The Head of Pensions updated the Committee on matters considered at the last meeting of the Local Pension Board including: fraud prevention and mitigation measures, the impact of the General Data Protection Regulations (May 2018) on the Risk Register, Key Performance Indicators, the final Audit Report, GMP reconciliations, Annual Benefit Statement exercise and late employer contributions.

The Committee discussed the comments the LPB had made on the Fund's website and agreed it could be more attractive and a self-service portal for members would be a welcome improvement. A discussion on the ability of retired members to use online services was had and it was felt a telephone service should also be available. Members agreed that emails should be used to contact active members as much as possible to reduce printing costs, it was noted that pensioner members were less likely to be computer literate. The Head of Pensions advised that Hymans were to provide and operate a template website in the interim until a bespoke site could be created.

**Resolved:**

**To note the minutes and recommendations of the Local Pension Board meeting held on 18 October 2017.**

**To support future plans to develop a self-service portal for members on the Fund's website and to recommend a telephone service continues to be offered for customers who are unable to make contact with the Fund online.**

**To recommend a system be developed requiring new active members of the scheme to opt in to hard copy letters from the Fund, with electronic communication to be the default position.**



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

The Committee was presented with the latest Scheme, Legal and Regulatory update for the Fund. A key update included the Government Actuaries Department had confirmed a final report, using the 2016 valuation results, was to be published in summer 2018. In general news the Committee heard that auto-enrolment for pension schemes had been updated to an age limit of 16, down from 22 years of age.

Members questioned the impact on the fund of a CPI increase above the assumption made at the Valuation, it was explained this would increase liabilities but shouldn't have a significant impact on cashflow. The Committee was advised the Markets in Financial Instruments Directive II was now a lesser risk for the Fund which was already in the process of achieving 'professional' investor status.

**Resolved:**

**To note the update and changes highlighted within the report.**

## 80 **Pension Fund Risk Register**

A report on the latest risks facing the Fund was presented. Four risks had been downgraded since the last report: PEN026 Impact of MiFiD II Regulations, PEN020 Failure to collect and account for Contributions from Employers on time, PEN010 Failure to keep pension records up-to-date and accurate, PEN011 Lack of Expertise of Pension Fund Officers and Service Director. The Committee was advised a new monitoring process was in place to track and address late contributions and that resource had been provided to manage pension records. Members were updated recruitment was underway to appoint to new Investments Manager and Head of Pensions Administration and Relations roles, and an interim Head of Pensions was in place in advance of the departure of the current Head of Service.

Attention was drawn to three high risks that remained: 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 officers advised the team had now gone through a restructure to build in future capacity and had recruited to a Systems and Data Manager role. The Chairman reminded the Committee of the importance that members continue to undertake training to keep their LGPS knowledge up-to-date.

**Resolved:**

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

81 **Date of Next Meeting**

It was noted the next meeting was to be held on 15 March 2018.

82 **Urgent Items**

There were no urgent items.

83 **Exclusion of the Public**

**Resolved:**

**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 84-90 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.**

84 **Individual Employer Investment Strategy and Club Vita Update**

Hymans Robertson updated on the development of bespoke investment strategies for different classes of employer and the outcome of the latest Club Vita longevity review for the Fund.

**Resolved:**

**To note the update from Hymans Robertson on the development of bespoke investment strategies for different classes of employer and the outcome of the latest Club Vita longevity review for the Fund.**

85 **Brunel Pension Partnership Update**

A verbal update was provided by the Head of pensions on the progress of the implementation of the Brunel Pension Partnership.

**Resolved:**

**To note the verbal update provided by the Head of Pensions on the progress of Brunel Pension Partnership.**

86 **Brunel Pension Partnership Exercising of Shareholder Reserve Matters**

A report outlined two Specific Reserve Matter requests by the Brunel Company which required the approval of the Shareholders. The Treasurer advised he was to present the report and would ask the Head of Pensions to leave the room in the event the Committee felt it was not appropriate he stay due to his imminent

employment within Brunel. The Committee confirmed it was comfortable the Head of Pensions remain in the room in an observer capacity.

**Resolved:**

**To agree the arrangements outlined in paragraph 5 of the report in respect of a Shareholder vote on Special Reserve Matters, namely:**

**a) When possible decisions will be made at the next full Committee meeting;**

**b) If this is not possible, a Special Meeting will be called, or the Chairman may exercise delegated authority to cast the Shareholder vote, following consultation with other members.**

**To agree the Reserve Matter Notice for the amendment to the Business Plan or Operating Model to authorise expenditure (paragraphs 7 to 12 of the report) and to request that, if this funding is used, a report be presented as to why this could not be sourced from savings elsewhere within the budget.**

**To agree the Reserve Matter Notice to amend the Remuneration Policy or adopting any new or replacement policy, as outlined in the report in respect of recognition awards and reward benefits (paragraphs 16 & 17).**

**To agree the Reserve Matter Notice to amend the Remuneration Policy or adopting any new or replacement policy, as outlined in the report in respect of maximum Chair and NED Payments per annum (paragraph 15). To request when this matter is reviewed in 1 year this is done with a view to reducing the maximum figure, as part of this process evidence from the Remuneration Committee to justify recommendations is expected.**

87 **Investment Strategy Away Day Review: Structured Equity, Liability Driven Investment & Carbon Footprinting Update**

Confidential papers outlined a recommendation from the Investment Sub-Committee which proposed an approach for the further development of Structured Equity Strategy, revised Flight Path and options to utilise Liability Driven Investments, along with a review of the approach to carbon footprinting.

**Resolved:**

**1.**

**a) To note the proposed approach to Equity Protection and to delegate authority to officers, in consultation with the Chairman and Vice Chairman of the Committee, to progress discussions with advisors and agree all matters in respect of an equity protection strategy, including procurement of this product.**

b) That authority be delegated to the Treasurer to allocate funding from the budget to support the provision of Equity Protection.

c) That updates on this approach are regularly provided to the Committee.

2.

a) To note the proposed approach to the Flight Path and LDI and to delegate authority to officers, in consultation with the Chairman and Vice Chairman of the Committee, and advisors to explore Flight Path and LDI options, and associated governance arrangements, to bring a final proposal to a future meeting.

b) To delegate authority to the Treasurer to allocate funding from the budget to support this.

c) That an update on this approach is provided for the next meeting of the Investment Sub Committee.

3. To note the advice on ESG and carbon footprinting and request further communication on these issues be available on the Fund's website.

4. To note the Fund's Investment Strategy Statement will be reviewed in March 2018, including in respect of ESG matters.

88 **Investment Quarterly Progress Report**

Confidential reports were circulated updating on the performance of the Fund's investments.

**Resolved:**

**To note the performance of the Fund's investments and update provided by Mercers.**

89 **Minutes and Key Decisions of the Investment Sub Committee**

The key recommendations arising from the recent Investment Sub Committee meeting were noted.

**Resolved:**

**To note the minutes and key decisions of the Investment Sub Committee held on 8 November 2017.**

90 **Minutes**

**Resolved:**

**To confirm the Part 2 Minutes of the meeting held on 27 September 2017.**

(Duration of meeting: 10.30 am - 1.30 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

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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
15 March 2018

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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 Administration and Relations 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 Committee is asked to note the changes highlighted within this report.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: Andy Cunningham, Head of Pensions Administration and Relations

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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>	(No change) 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, to consider making it harder for fraudsters to open dubious pension schemes and to limit the statutory right to transfer to some occupational pension schemes.	
	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>	Following the Government's consultation on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age, on 22 January 2018 the Government decided to extend the temporary arrangements which initially came into force for the period 2016 to 2018. The temporary arrangements effectively mean that for pensioners who reach state pension age between 6 April 2016 and 5 April 2021, any GMP element of the member's pensions receive the same pension increase amounts as the non-GMP element of a member's pension. The Government has extended the temporary arrangement as it has still not decided what to do in the long-term in this area.	
	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 has been delayed and is now expected to have its second reading debate on 11 May 2018. 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.	



Organisation	Subject	Link	Comments	Risk
	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% and this rate has now been confirmed as the 2018 rate of pension increase / CARE revaluation. This is above the CPI assumption made at the 2016 valuation for all LGPS funds.	II
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 2017.	
	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 remained hopeful that it will be published before Christmas 2017, subject to Ministerial approval, but no further update has still been published.	
	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>	

Organisation	Subject	Link	Comments	Risk
The Department of Work and Pensions (DWP)	Auto-enrolment changes	<a href="https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum">https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum</a>	On the 18 December 2017, DWP published report on <i>Automatic-enrolment review 2017: maintaining the momentum</i> . The report reviews the level of success of auto-enrolment to date and confirms the intention to: lower minimum age criteria from 22 years to 18 years, apply pension contributions from the first pound of earnings but maintain an earnings trigger of £10,000. The changes are not planned until the mid-2020s and are unlikely to have a significant effect on the LGPS and the Fund.	
	Pension dashboard project	<a href="https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/">https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/</a>	During the 2016 Budget, the government made the commitment that Pension Dashboards would be created by the pensions industry, enabling everyone to view details of all their pensions together (all private, public and state pensions).  DWP has now taken over from HM Treasury in leading this project and the intention is to 'go live' during 2019.	
<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.	
	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.	
	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.	

Organisation	Subject	Link	Comments	Risk
Information Commissioners Office	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>	
Government Actuaries Department (GAD)	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.	
Financial Conduct Authority (FCA)	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>  <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>On coming into force, MIFID2 re-designates local authorities as 'retail' investors from their current status as 'professional' investors.</p> <p>Guidance is being produced for LGPS funds and managers with regard to communications post Jan 2018 under MiFID II. Jeff Huston will be providing an update on progress at the LGC Investment Conference in early March 2018.</p>	

Organisation	Subject	Link	Comments	Risk
Scheme Advisory Board (SAB)	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 commission PwC to produce a report on "Options for Academies in the LGPS" commissioned and the report was 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. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund.</p> <p>On 17 July 2017, SAB issued a consultation on LGPS academy objectives which then closed on 29 September 2017.</p> <p>Following the consultation, the SAB, on 16 November 2017, has created two work streams to take the project forward which are based on a). Administration/overall service and b). Funding.</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 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.</p>	

Organisation	Subject	Link	Comments	Risk
	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 (excludes academies). SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. 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. Aon Hewitt have been commissioned to produce a report on this area. They are currently gathering feedback from Funds (we have contributed to this).	
CIPFA	No updates have been issued by CIPFA since the last Pension Board meeting			
Wiltshire Pension Fund	Pension Administration Software review		The Fund is currently going through an informal review of its Pension Administration Software to help establish how best to use technology to meet its longer-term goals, as outlined in the business plan. We have made allowance for increased use of technology within the 2018/2019 budget.	

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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
15 March 2018

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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. One risk has decreased since the last report in November 2017: **PEN023: Resources of Officers and Members to meet the expansion of business items:** Following appointments to the Head of Pensions Administration & Relations, Investment Manager and Fund Governance & Performance Manager, the ability of officers to satisfactorily support members should be increased although further vacancies elsewhere means some residual risk remains.
5. There remains two "red", high risks: **PEN012: Over-reliance on key officers:** The new pension restructure has been completed and vacancies are being filled. However, the Pension Fund Treasury is now leaving in May 2018 and the Strategic Pension Manager & Technical & Compliance Manager posts have only just been filled and an permanent Investment Manager has yet to be appointed. Some other key vacancies also still remain. **PEN020: Pooling of LGPS assets:** Significant amount of resource still required by officers to progress this project. The next couple of months will be particularly challenging as the fund goes through the 17/18 financial year-end, with a new Custodian and limited staff experience.
6. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

#### Financial Implications

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

#### Legal Implications

8. There are no known implications from the proposals.

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

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

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

10. There are no known implications at this time.

### **Proposals**

11. 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: Andy Cunningham, Head of Pensions Administration and Relations

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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.	Andy Cunningham	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	Andy Cunningham		2	2	4	Low	1 March 18	---->
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	Andy Cunningham	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	Andy Cunningham		4	1	4	Low	1 March 18	---->
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	Andy Cunningham	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	Andy Cunningham		4	1	4	Low	01-Mar-18	---->
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.	Andy Cunningham	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.		Sep-17	2	1	2	Low	01-Mar-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 as is likely to effect all redundancy calculations.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	Andy Cunningham	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	Not anticipating any change to occur quickly (2nd reading in the House of Commons is not due until 11 May 2018 before additional readings etc). Depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications.	Andy Cunningham	Mar-18	1	3	3	Low	01-Mar-17	---->
PEN022	Reconciliation of GMP records	Benefits Administration	From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to Funds.	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Andy Cunningham	Large on-going project is currently in place using 2 Data Quality Analysts 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 to complete the first stage of comparing Altair records to those of HMRC. Need to agree policies for tolerances with Committee prior to any rectification phase.	Mark Anderson	Jun-18	1	3	3	Low	1 Mar 2017	---->

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.	Nick Weaver	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	None	Nick Weaver	4	1	4	Low	1 Mar 18	→
PEN006 a	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.	Andy Cunningham	Longevity and bond yields are generally 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.	Andy Cunningham	2	2	4	Low	1 Mar 18	→
PEN006 b	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.	Andy Cunningham	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). The Fund undertakes quarterly monitoring as stated above. The 2016 Valuation set employer rates for the 3 years from April 2017 and new employers are set employer rates based on the latest financial data and actuarial assumptions.	2	2	4	Low	The better than expected investment performance since the last Valuation has had a positive impact on funding levels.	Andy Cunningham	2	2	4	Low	1 Mar 18	→
PEN007 a	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	Nick Weaver	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 employers. In February 2018 Mercer recommended the Fund go to market for a single provider to manage all aspects of risk management. Further training, open to all Committee and Board members, will take place in the next couple of months, to allow a recommendation to be brought to the June meeting.	Nick Weaver	2	2	4	Low	1 Mar 18	→

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
PEN007 b	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	Nick Weaver	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. It will be continuously reviewed, as part of the updating of the Investment Strategy Statement.	Nick Weaver	2	2	4	Low	1 March 18	→

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	Andy Cunningham	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	New pension structure is now in place, allowing the new Head of Pensions Administration and Relations to spend more time with the Pension Fund Relations Manager to review existing cessations and seek to reduce the risk related to future cessations.	Andy Cunningham	Jun-18	2	1	2	Low	1 March 18	→
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	Nick Weaver	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 (then Roz Vernon following return to work)		3	1	3	Low	1 March 18	→
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.	Nick Weaver	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	The markets and weightings are closely monitored as part of the "fightpath" and "rebalancing" processes. A single provider to manage all aspects of risk management, is also under consideration.	Nick Weaver	Jun-18	3	1	3	Low	1 March 18	→
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.	Nick Weaver	The Fund is awaiting national guidance as LGA discuss implications for LGPS with FCA.	2	2	4	Low	Guidance is being produced for LGPS funds and managers with regard to communications post Jan 2018 under MiFID II. Jeff Huston will be providing an update on progress at the LGC Investment Conference in early March 2018.	Nick Weaver	Jun-18	3	1	3	Low	1 March 18	→

											Current Risk Rating				Target Risk Rating				
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Date of Review	Direction of Travel
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.	Nick Weaver	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	Implemented. Reconciled to the bank account every month and monitored in dedicated monthly meeting, by management. From 1 April 18 will be regularly reported to the Committee. Will also be included in the 18/19 statutory accounts.	Chris Ashton (then Roz Vernon following return to work)	Nov-18	2	2	4	Low	1 March 2018	→
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	Andy Cunningham	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 have previously reported on the Fund's compliance to Committee and this showed no material issues.	Andy Cunningham	Sep-17	2	2	4	Low	01-Mar-18	→

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.	Andy Cunningham	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. Resources are being prioritised to avoid becoming a significant risk.	Andy Cunningham	May-18	2	1	2	Low	18 Sep 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.	Andy Cunningham	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 working with Heywood's software provider to review data and prioritise improvements.	Mark Anderson	Jun-17	2	1	2	Low	18 Sep 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.	Andy Cunningham	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	The new pension restructure has been completed and vacancies are being filled. However, the Pension Fund Treasury is now leaving in May 2018 and the Strategic Pension Manager & Technical & Compliance Manager posts are still vacant (and are due to re-advertised and advertised respectively shortly).	Andy Cunningham	Nov-17	2	1	2	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		
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.	Andy Cunningham	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	The new pension restructure has been completed and vacancies are being filled although a number of vacancies still exist (as as appointments have been internal so far). However, the Pension Fund Treasury is now leaving in May 2018 and an permanent Investment Manager has yet to be appointed.	Andy Cunningham	Jun-18	2	1	2	Low	1 March 2018	→
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 Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	Andy Cunningham	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. A further review of training is required and will be undertaken by the new Governance and Performance Manager.	Andy Cunningham		2	1	2	Low	18 Sep 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.	Andy Cunningham	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.	Andy Cunningham		1	3	3	Low	18 Sep 17	→
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of additional fees and poor investment returns.	Nick Weaver	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	Significant amount of resource still required by officers to progress this project. The next couple of months will be particularly challenging as the fund goes through the 17/18 financial year-end, with a new Custodian and limited staff experience.	Nick Weaver	Jun-18	1	3	3	Low	1 March 18	→

**Current Risk Rating**

**Target Risk Rating**

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Date of Review	Direction of Travel
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.	Andy Cunningham	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	3	9	Medium	Following appointments to the Head of Pensions Administration, Investment Manager and Fund Governance & Performance Manager, the ability of officers to satisfactorily support members should be increased although further vacancies elsewhere means some residual risk remains.	Andy Cunningham	Jun-18	1	2	2	Low	1 March 18	↓
PEN025	Academisation of Schools	Regulatory & Governance	Potential for large number of schools 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.	Andy Cunningham	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 but we will wait for the outcome of the SAB review before making any	Denise Robinson		1	1	1	Low	1 March 2017	→
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.	Andy Cunningham	The Fund has a Communications Manager and Employer Relationship Manager posts 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	Although the Fund Communications Manager post is currently vacant, the key roles are currently being covered by other officers. Both Employer and Members newsletters are sent out during March / April. Employer forums are held in April and September with an AGM being planned in June. The Fund now has a Twitter account. Annual Benefit Statement sent to members by 31 August.	Denise Robinson		1	1	1	Low	1 March 2018	→

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## **WILTSHIRE COUNCIL**

### **WILTSHIRE PENSION FUND COMMITTEE**

15 March 2018

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#### **Wiltshire Pension Fund Business Plan 2015-18 Priorities**

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

1. The purpose of this report is to provide the Committee with an update on the implementation of the Wiltshire Pension Fund Business Plan 2015-18.

##### **Background**

2. The Wiltshire Pension Fund Business Plan was approved by the Committee at its meeting on 25 June 2015. The detailed plan can be found at the following link [Business Plan 2015-18](#).
3. This is the annual update provided on the implementation of the Plan to Committee.

##### **Considerations for the Committee**

4. The attached Appendix present the current action plan from the 2015-18 Business Plan. This plan is colour coded to reflect the priority of each action and the perceived resource risk that may delay the completion of that action. The priority and resource risks are colour coded Red (high), Amber (medium) and Green (Low). Those actions completed are shaded grey.
5. There are no action which is both a high priority and high risk in terms of resources.
6. There are two actions that are high priority with a medium resource risk. These relate to the implementation of performance reporting and covenant reviews for employer and the GMP reconciliation project. These are both partially complete with resources prioritised to ensure completion.
7. Due to recent changes in key personnel and current number of vacancies in the structure, officers have revised the target deadline for some of the outstanding activities.
8. In some cases, non urgent lower priority tasks are deferred to the next planning cycle.

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

9. Not applicable.

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

10. The financial implications of the Business Plan are considered in the budget set for the Fund. The mains risks highlighted above are incorporated into the Fund's Risk Register where appropriate, elsewhere on this agenda.

##### **Legal Implications**

11. There are no legal implications from this report.

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

12. There are no known implications at this time.

**Reasons for Proposals**

13. To provide an update of the implementation of the Wiltshire Pension Fund Business Plan.

**Proposals**

14. The Committee is asked to note the updated position from the Business Plan and agree where applicable the revised target dates and priority order.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: Andy Cunningham, Head of Pensions Administration and Relations

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



**WILTSHIRE PENSION FUND ACTION PLAN 2015-18**

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2018
1 Refresh key policy documents: -Statement of Investment Pripls. - Communication Strategy - Administration Strategy - Admin Authority Directions Policy - Cessation Policy - Funding Strategy Statement - Governance Comp. Statement - Investment Strategy Statement	Annually 2015 June 2015 Sept 2015 Dec 2015 Dec 2016 Jan 2017 <b>June 2018</b> Apr 2017	1	To seek Member approval and formally publish.	Medium	Low	All key policy documents have been reviewed once during the cycle but some documents are now due a second review and will be reviewed later this year.
2 Establish, train & agree work plan for the Local Pension Board	On-going from June 2015	3	To ensure the Local Pension Board becomes operational from 31 July 2015 in line with legislation.			
3 Rolling annual schedule of Pension Clinics	June 2015 onwards	6	To ensure a regular schedule of pension clinics take place every year.			
4 Review contract for Independent Governance Adviser	<del>July 2015</del> July 2018 Dec 2018	3	In line with good governance contracts should be reviewed on a periodic basis and this contract has been in place for 5 years.	Low	Medium	Low priority and preference to maintain continuity of advice during period of significant change.

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2018
5 Members' training: a) Specific issues b) Implement Plan c) Refresh Training Plan	As required, July 2015 Nov 2017	1 & 3	To provide training on specific issues ahead of relevant decisions by the Committee. To provide training for all Members of the Committee in line with the CIPFA Knowledge & Skills Framework as outlined in the current training plans.			
6 Gather external customers feedback on pension services & effectiveness	July 2015 onwards	8 & 6	To measure the quality and experience of the pension services being provided to see what developments are needed.			On-going.
7 Consider the Government's response to future of the LGPS consultation	Autumn 2015 onwards	10	To ensure the Fund is involved in trying to shape the future of the scheme and its implementation.			
8 Procurement & Implementation of new investment mandates resulting from Investment Review	Sept 2015 onwards	4	A number of new mandates could be required from the annual asset allocation review.			
9 Undertake overseas members existence exercise	Sept 2015	1 & 8	An audit requirement is that existence testing is carried out periodically on the membership to avoid overpayments. Separate			

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2018	
			exercise required for overseas pensioners.				
10	Run Annual Employer / Pensioner Meetings and other more regular road shows/seminars	Sept 2015 onwards	8 & 6	To improve communications with the Fund's members and employers organisations in line with best practice.			First AGM was held in 2017 and another is planned in 2018. Other regular road shows are on-going.
11	Implementation of regular covenant & risk review of employer bodies, including regular monitoring against the performance requirements within the Pension Administration Strategy	<del>Sept 2015 onwards</del> Sept 2017 Dec 2018	7	To ensure regular engagement takes place with all employers and that risks to the Fund are periodically assessed.	High	Medium	Partially complete - covenant & risk review framework has been used at the last valuation but further development of employer covenant reviews and KPIs is required.
12	Set up a formal process for monitoring the performance of the Fund's advisors	<del>Oct 2015</del>	3	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.	Low	Medium	Low priority. Undertaken informally. This is best practice.
13	Review Pension Fund Website	Dec 2015	1, 6, 8	To ensure that the Fund's website provision has been reviewed, up-to-date, in line with best practice and serving the needs of our customers as well as possible.			A new website has been recently updated and further website developments (for example, for employers) is being developed.
14	Implement Bi-annual Performance Reporting	Dec 2015	1 & 8	To improve management information to assist with			Bi-annual performance reporting (KPIs) has

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2018	
			performance monitoring and increase transparency.			been implemented and further development is planned.	
15	Review / Retender Custody Contract	Dec 2015	1 & 5	To ensure that the Fund achieves best value for money in relation to its investment custody arrangements.			
16	Develop use of social media in development of communications strategy	March 2016	6	To consider all forms of digital communications / social media that may assist in communicating with the membership.	Low	Low	Complete - Twitter account is active (Feb 2017). Other social media platforms will be considered as the industry develops.
17	Set up a formal process for monitoring the performance of the Committee	<b>March 2016</b>	12	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.	Low	Medium	Partially complete – have reviewed ISC, looking to see if same approach used for main committee. <b>Defer to next Business Plan</b>
18	Retender print contract	March 2016	8 & 6	To ensure most cost-effective contract in place.			
19	Consider implementation of “flight path” liability monitoring framework	March 2016	4	To have a framework / plan in place should funding levels (i.e. gilt yields revert) improve that could reduce the future funding risk.			
20	Review potential to implement differing investment strategies for employers	March 2016	4 & 11	In light of the differing set of risks different employers in the Fund now face there is a potential need for different investment strategies when			Agreed this is preferable and this is now being developed in conjunction with our actuary.

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2018
				looking at ways for employers to address deficits.			
21	Monitor the Fund's performance against the Pension Regulator's Record Keeping requirements and ensure plan in place to meet targets	March 2016 August 2018	1 & 8	To ensure the Fund has liaised with its employers, checked and cleansed its own data and have processes in place to ensure compliance, while developing the Fund's own data cleansing practices using mortality screening against governmental databases.	Medium	Medium	Re-opened as the Pension Regulator has revised its methodology which requires that further data cleansing developments are required. A plan is currently being formulated.
22	Implement changes to tax liability information for members	April 2016	1 & 8	To provide the correct information to members for the changes in the tax relief allowances and ensure the systems are able to accommodate any additional procedures from a administration perspective.			
23	Full Actuarial Valuation (Actuary)	May - Oct 2016	1 & 8	To identify the Funding Level at a whole Fund and Employer level and the associated Employer Contribution Rates.			Completed
24	Members' Handbook	<del>May 2016</del> May 2017	1 & 12	To refresh the Members' Handbook for the benefit of newly elected Members of the Committee.	Low	Medium	Complete
25	Review effectiveness and work plan of Investment Sub-Committee	<b>June 2016</b>	4	To consider the effectiveness of the recently established ISC and its contribution to overall governance.			

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2018
26	Discuss & agree Actuarial Valuation results with Committee & employers	Oct - Dec 2016	1 & 8	To have the Actuarial Valuation formally signed off by 31 December 2016 (three months ahead of statutory deadline).			Complete
27	Draft separate Financial Standards for the Pension Fund	Oct-2016	1 & 5	The Pension Fund currently uses the Wiltshire Council standards which are not always applicable.	Low	Low	Low priority and resource availability. No current material operational issue from delay.
28	Implement scheme members self-service	Dec-2016 Dec 2018	5, 6, 10	To improve the level of access for members for their benefits.	Medium	Medium	On-going – different pensions software are being reviewed (see action 31)
29	Complete GMP reconciliations project	Dec-2016 Dec 2018	1 & 8	To reconcile all the GMP members data on the pension database to ensure it matches with HMRC as HMRC are removing this support facility in 2016.	High	Medium	On-going – timescale led by HMRC responses. All data reviewed for pensioners & deferred members. Target for completion December 2018 in line with HRMC deadline.
30	Refresh Funding Strategy Statement	Jan 2017	1	To have an up-to-date Funding Strategy Statement, which is a statutory document required to set-out the longer-term view of how liabilities will be funded and the agreed level of compromise between stability and affordability of employer contributions.			

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2018
31	Review / Retender Altair Pension Software contract	<del>Jan 2017</del> Dec 2018	1 & 8	To ensure the Fund is achieving best value from its current contract.	Medium	Low	We are currently reviewing pension software providers and are considering whether a full tender is necessary.
32	Re-tender / drawdown from framework Actuarial Contract	<del>Sept 2017</del> Sept 2018	1 & 12	To ensure that there is an up-to-date and competitive actuarial contract in place.	High	Low	Fund will use the national framework when the South West ones ends. Fund is contracted to use Hyman Robertson until end of 2018.
33	Re-tender / drawdown from framework Investment Consultancy contract	<del>Sept 2017</del> Sept 2018	1 & 12	To ensure that there is an up-to-date and competitive investment consultancy contract in place.	High	Low	Fund will use the national framework when the South West ones ends. Fund is contracted to use Mercers until end of 2018.
34	Review pension payroll service	<del>Jan 2018</del> Dec 2018	1 & 8	To review the potential options for pension payroll.	Medium	Low	This review is being undertaken as part of pension software review.
35	Review, retendering and implementation of the Fund's ESG arrangements	Jan 2018	1 & 4	To ensure that the Fund is complying with best practice and is achieving best value in relation to environmental, social and governance issues.	Low	Low	The Fund is currently in a strong position and this will need to be maintained when the assets are move to BPP.

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2018
36	Review employers method of data submission & potential for self-service	<del>Mar 2018</del> Dec 2018	6, 8, 10	To improve the quality of data submission and access to employer bodies.	Medium	Low	This review is being undertaken as part of the pension software review
37	Continue to develop a high performing team	On-going	2	To have a highly motivated staff team with the necessary professional, managerial and customer skills to provide excellent service, implement changes and have the technical detail to meet the ever increasing complexities of the scheme.	Medium	Low	Following the recruitment to the key management vacancies which currently exist, we will re-focus on team training and development needs.
38	Continually review opportunities for further collaboration with partners	On-going	12	To continue to be involved and utilise national frameworks to reduce the procurement costs of adviser services and to benefit from bulk discounts.	Medium	Medium	The Brunel Pension Partnership is currently being implemented. Other collaborative opportunities will be explored as they arise.
39	Review potential for "opportunistic" investments and 'inward' investments as they arise	On-going	4	To keep abreast of potential opportunities for the Fund.	Medium	Low	This will be done, in accordance with the Investment Strategy Statement, in conjunction with Fund's advisors.



## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
15 March 2018

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### **PENSION FUND KEY PERFORMANCE INDICATORS**

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

1. The purpose of this report is to present the Fund's performance against its key performance indicators (KPIs) in relation to the administration of benefits.

#### **Background**

2. As part of the Fund's 2015/18 Business Plan, the Fund has a commitment to introduce bi-annual performance reporting of KPIs in order to improve management information, assist with performance monitoring and increase transparency of the administration performance. This objective fits in with our overriding objectives to ensure the effective management and governance of the Fund and to provide an effective, customer friendly benefits administration service.
3. This commitment is also in line with the Pensions Regulator's increased focus on governance of public service pension schemes resulting from the extension of its remit to cover public service pension schemes via the Public Service Pension Act 2013 and the resulting *Code of Practice 14 - Governance and administration of public service pension scheme* which sets out the wide-ranging governance requirements the Regulator expects to see adhered to.
4. At its meeting on 23 March 2017, the Committee agreed a set of KPIs that the Fund would be measured against which are now attached to this report.

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

5. The following KPIs are reported on and shown on the attached APPENDIX for 2017-18 Quarter 3 along with a trend analysis for the previous 3 quarters:
  - Putting benefits into payment on retirement from active status;
  - Commencing payment of benefits for deferred members;
  - Provision of retirement estimates;
  - Provision of deferred benefit statements to members who leave before 55;
  - Processing of transfer payments into and out of the Fund;
  - Provision of cash equivalent values in cases of divorce;
  - Processing of refunds of contributions;
  - Processing of inter-LGPS Fund transfers; and
  - Payment of death grants and applicable survivor's pensions.
6. The data is subdivided into the time taken to complete each task into different tranches (0 to 5 days, 6 to 10 days, etc.), as well as setting out those instances where performance was outside of the statutory time limits. This information allows the Fund to look at trends and to provide a better understanding of any potential issues impacting the day-to-day administration of the Fund.

7. Separately the Fund is currently developing its reporting capability to provide splits between employer and Fund performance and also to provide comparisons against statutory disclosure timelines and the Fund's administration strategy.

### **Conclusions**

8. This information provides short term analysis on the Fund's performance against key administrative tasks. As time passes, this will provide a greater insight into longer term trends and identify areas for improvements.
9. The **Active to retirement** metric has seen a fall each quarter in meeting the target timeframe although Q3 saw a slight recovery (see chart 1). This is related to resourcing issues at the Senior Pension Officer level, which has led to Pension Officers, who are responsible for these retirements, providing additional cover to maintain the service in **processing death cases**. Despite this, overall, the number of active retirement cases completed was at its highest level over the three quarters in Q2 (see chart 2). The resourcing issues have also had a similar impact on **transfer outs** cases where Q1 reflected a decline in the number of cases meeting the target but Q2 and Q3 saw a recovery. The increases in Q3 is partly due to the successful recruitment to the Senior Pension Officer level although ongoing training may influence the actual levels quoted.
10. The number of **Active to Retirement** cases that met the 20 days reduced due to an increase in the number of cases that required clarification from the member's employer's payroll agents. The Fund is continually striving to work with employers to highlight and address educational issues to ensure processes are seamless in providing the very best service for the member. Internal training needs to be conducted to ensure correct use of workflow when the Fund are waiting for responses from Employers and members.
11. **Refund of contributions and leavers to deferred status** has also seen a fall in terms of number of processed cases that meet targets. Although the number of completed cases has seen a significant increase in Q3, the impact of completing backlogs is reflecting in the drop in meeting targets in the short-term. Leavers to deferred cases increased from 383 cases in Q2 up to 796 cases in Q3 with the subsequent impact of a drop from 92% completed on time in Q2 to only 42% in Q3. Refunds of contributions followed a similar pattern.

### **Environmental Impact**

12. There is no environmental impact from this report.

### **Financial Considerations**

13. There are no immediate financial considerations resulting from the reporting of the Fund's performance against its key performance indicators.

### **Risk Assessment**

14. There are no direct risks to the Fund associated with this reporting.

### **Legal Implications**

15. There are no immediate legal implications arising from this report.

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

16. There are no implications at this time.

**Proposals**

17. The Committee is requested to note the Fund's performance against its key performance indicators.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: Andy Cunningham – Head of Pensions Administration and Relations

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**APPENDIX (Table 1)**

**Wiltshire Pension Fund**

**Benefit Administration Key Performance Indicators**

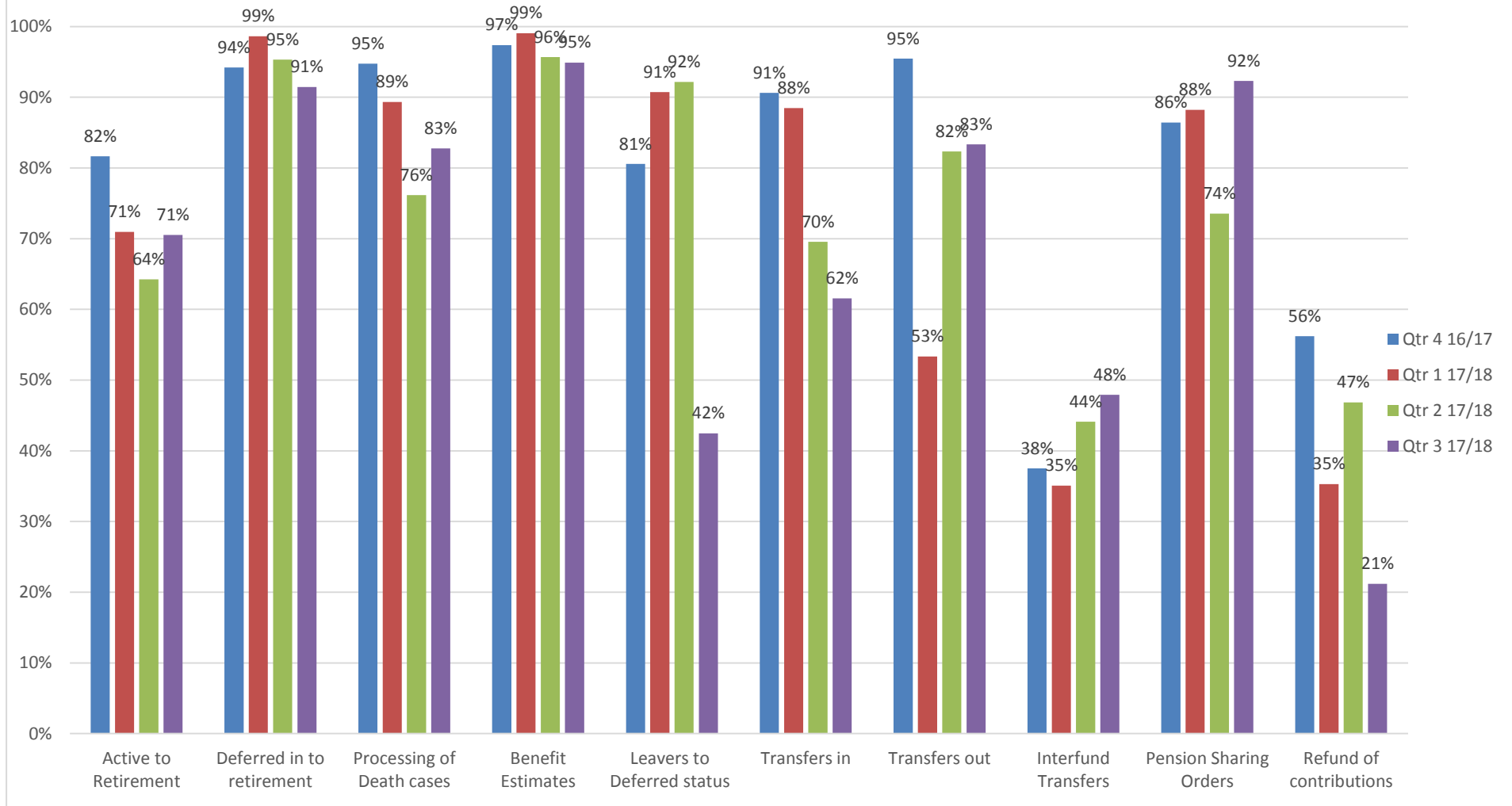
Period 01/10/2017 to 31/12/2017

Type of case	Time to complete					40 days +	Total	Timescales % on target	Timescales working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days				
Active to Retirement	33	35	25	17	23	23	156	71%	20
Deferred in to retirement	111	21	4	3	12	1	152	91%	20
Processing of Death cases	34	24	9	5	3	12	87	83%	20
Benefit Estimates	48	32	31	15	23	8	157	95%	40
Leavers to Deferred status	56	34	10	2	236	458	796	42%	40
Transfers in	0	3	5	0	0	5	13	62%	40
Transfers out	8	0	1	0	1	2	12	83%	30
Interfund Transfers	10	10	2	0	1	25	48	48%	40
Pension Sharing Orders	19	5	6	9	9	4	52	92%	30
Refund of contributions	17	17	19	23	56	227	359	21%	20
<b>Grand Total</b>	<b>336</b>	<b>181</b>	<b>112</b>	<b>74</b>	<b>364</b>	<b>765</b>	<b>1832</b>		
<b>Percentage</b>	<b>18%</b>	<b>10%</b>	<b>6%</b>	<b>4%</b>	<b>20%</b>	<b>42%</b>			

# APPENDIX (Chart 1)

## KPIs Q4 16-17 to Q3 17-18

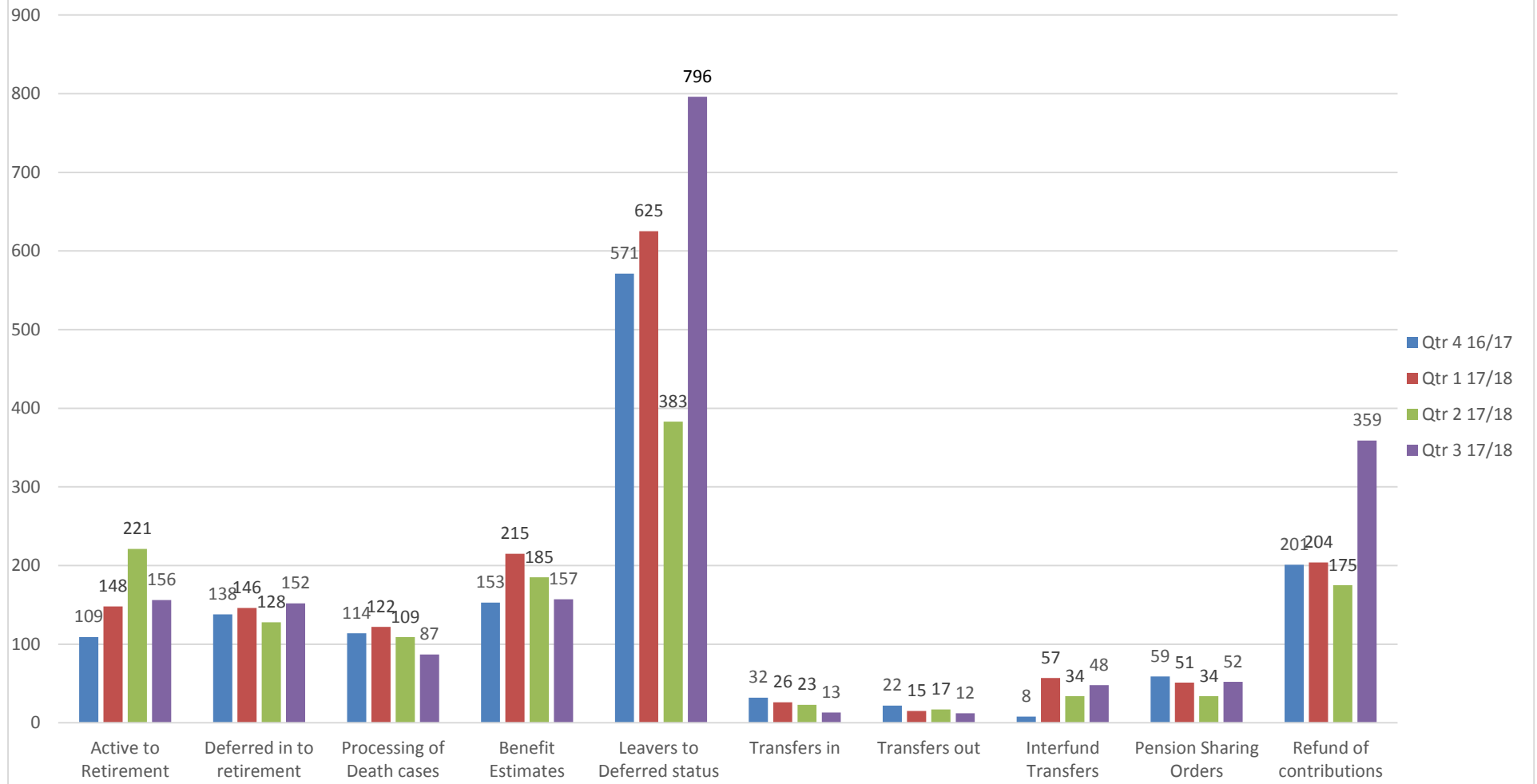
%age of cases completed within target number of days



## APPENDIX (Chart 2)

### KPI Totals Qtr 4 16/17 to Qtr 3 17/18

Number of cases completed during period



## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
15 March 2018

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### **WILTSHIRE PENSION FUND ADMINISTRATION BUDGET 2018-19**

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

1. This report seeks Members' approval for the 2018-19 Administration Budget for the Wiltshire Pension Fund, as shown in the attached Appendix. Actual costs for 2016-17 are also shown, together with the original budget for 2017-18.
2. As last year, the Appendix also shows indicative budgets for the following two years 2019-20 and 2020-21. These budgets are indicative and incorporate the actions outlined in the Wiltshire Pension Fund Business Plan.

#### **Background**

3. To ensure good governance budgets are required to monitor the stewardship of the Fund's expenditure and financial plans assist in mitigating risks by allocating necessary resources to develop the service.
4. A number of services are required to ensure delivery of the Local Government Pension Scheme (LGPS) administering authority function. The Committee has ultimate responsibility for the procurement and monitoring of these services. It should be noted, however, that Wiltshire Council, which is one of the employer bodies whose interests the Committee is responsible for, is at present also the provider of a number of these services.

#### **Key features of the proposed 2018-19 budget**

5. The budget now proposed for 2018-19 is £11.703m, an increase of £1,534k (+15.1%) from 2017-18 (see Appendix). The largest proportion of the budget (£9.279m) is investment managers' fees that largely depend on the value of assets being managed, and the investment return performance which depends on market conditions.
6. The Investment Management Fees budget presented now also includes annual fees for the Brunel Partnership totalling £634,000 per year from April 2018. BPP has advised that in time these fees will be more than offset by reductions in Investment Managers' fees. The expectation is that this will break even by 2023. There are several headings that were previously met directly by the Pension Fund. These are now part of the BPP fee so there are some offsetting changes discussed below.
7. The Local Pension Board meets on the afternoon of the day of this meeting. Normally they would approve their budget prior to the approval of the overall budget by the full Pension Fund Committee. A budget of £27,414 is included for 2018-19 in the attached appendix for the Local Pension Board – the same figure as for 2017-18. This figure will be recommended to the Board this afternoon. Any small differences in the Local Pension Board budget can be accommodated using delegated authority with this Committee being informed accordingly.

8. The Fund's "controllable" budget (i.e. excluding investment management fees) is £2.424m, which is a £152k (6.7%) net increase. This reasons for this increase are:
- a) A restructure of the Administrative team of Wiltshire Pension Fund has added 3.5 FTE staff. The costs of the new posts plus the effect of pay awards, reintroduction of increments and increasing superannuation contributions adds approximately £201k to costs in 2018-19. New posts include the Investment Manager, Fund Governance & Performance Manager and a new Senior Pensions Officer post.
  - b) Against this, as the new budget includes just a 1% allowance for vacancies, we have removed the separate provision of £62k for Agency staff which was set to back-fill staff working on the Brunel project.
  - c) The costs of Performance fees (£37k), Custodian Fees (£43k) and Voting services (£32k) are all covered within the BPP fee so these can be removed from the "controllable" budget lines – a total reduction of £112k.
  - d) Development costs of the new Brunel Pensions Partnership should have largely dropped out of the budget with the new arrangements going live from April 2018. We have assumed a saving of £65k from this.
  - e) New developments in the Pensions administration systems provided by Altair. This is anticipated to initially add circa £168k to system costs in 2018-19 and a further £100k thereafter for years 2019-20 onwards.
  - f) The system developments are however, expected to generate savings in terms of Payroll recharges. We have used an indicative figure of £78k per year from 2019-2020.
  - g) A provision was made of £29k to fund DA Archive back-scanning during 2017-18. This is expected to be completed by 2018-19 and so this sum can be removed for that year and subsequent years.
  - h) An additional provision of £50k is made for actuarial costs following the experience of the last few years. Growing costs have been seen each year due to increasing employer numbers, additional complexity and fund developments (e.g. the implementation of employer investment strategies).
  - i) Additional provision of £74k is made for 2019-20 for the cost of the triennial actuarial valuation of the fund as at April 2019.

### **Summary**

- 9. The budget attempts to maintain service standards, fulfil statutory requirements while developing areas in response to the scheme changes. Comparability of data is difficult between funds nationally due to different methodology of reporting costs.
- 10. The budgeted Wiltshire Pension Fund administration costs are currently £28.30 per member for 2017-18. The proposed budget will take these costs to £32.95 per member (0.08% of the market value of the Fund's assets).
- 11. In terms of investment costs, the budget indicates spend of 36p per £1,000 (0.36% of market value) on managing its assets for 2018-19, including all pooled mandate costs.



We have previously compared this with the older CEM Benchmarking report which indicates that the total investment cost for an LGPS fund was on average 0.65%. The budget being proposed ensures the Fund remains well below this figure.

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

12. There are no known environmental impacts from these proposals.

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

13. There are no known implications at this time.

### **Risk Assessment**

14. The Committee is asked to recognise that some costs, particularly investment fees, are dependent upon factors that are outside of the Council's control. They may go up or down, depending on market conditions.

15. The approval of this budget is essential to continue the good governance of the Fund. When viewed in relation to the overall value of assets, these 'controllable' costs represent 0.09% of the total Fund value.

16. In line with good governance practice, officers are bringing budget monitoring reports back to Committee twice a year. In the interim, variations against budget will be monitored and if they become very significant, the Treasurer to the Pension Fund will approve variations to the budget and report these to the Committee retrospectively for ratification.

### **Reasons for Proposals**

17. The submission of the proposed budget to this Committee is in line with best practice and assists in mitigating a number of the risks outlined in the Risk Register elsewhere on this agenda.

### **Proposals**

18. The Committee is asked to:

- a) Approve the Pension Fund Administration Budget for 2018-19 shown in the Appendix totalling £11.703m;
- b) Note the indicative budget allocations for 2019-20 and 2020-21; and

Variations against budget will be monitored and if they become very significant, the Treasurer to the Pension Fund will approve variations to the budget and report these to the Committee retrospectively for ratification.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: Chris Ashton, Pension Fund Accountant (Maternity)

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

# APPENDIX

## Wiltshire Pension Fund Administration Budget 2018-21

2016-17		2017-18		2018-19	2019-20	2020-21		
Actual £		Budget £	Changes £	Budget £	Annual Change £	Annual Change £		
	<b>Fund Investment</b>							
8,617,551	INVESTMENT MANAGEMENT FEES	7,897,000	1,382,000	17.5%	9,279,000	716,000	1,193,000	Mgmt fees depend on mkt conditions - Also include inv mgmt fees from Brunel
111,385	Investment Administration Recharge	119,700	15,300		135,000	5,100	3,400	Team restructure - increased establishment
- 303,742	Investment Custodial & Related Services	23,000	- 43,000		- 20,000	-	-	Custodian charges now come via Brunel fees
222,770	Investment Professional Fees	149,350	- 65,050		84,300	12,500	- 12,500	BPP set up costs come out as goes live April 2018
37,819	Corporate Governance Services	40,300	- 32,000		8,300	-	-	Voting services now come via Brunel fees
31,034	Performance Measurement	36,500	- 36,500		-	-	-	Performance Measurement now come via Brunel fees
99,266	INVESTMENT ADMINISTRATION COSTS	368,850	- 161,250	-43.7%	207,600	17,600	- 9,100	
	<b>Scheme Administration</b>							
1,604,874	Pension Scheme Administration Recharge	1,632,131	262,869		1,895,000	65,950	27,000	New Altair developments and Team restructure - increased establishment, less reduced Payroll recharge
319,216	Actuarial Services	123,000	50,000		173,000	74,000	- 74,000	Triennial valuation allowed for April 2019
32,904	Audit	33,300	-		33,300	-	-	
8,454	Legal Fees	20,000	-		20,000	-	-	
62,963	Committee and Governance Recharge	94,969	-		94,969	1,000	1,000	
2,028,412	SCHEME ADMINISTRATION COSTS	1,903,400	312,869	16.4%	2,216,269	140,950	- 46,000	
2,127,677	<b>GRAND TOTAL (EXC INVEST MAN FEES)</b>	2,272,250	151,619	6.7%	2,423,869	158,550	- 55,100	
10,745,228	<b>GRAND TOTAL (INC INVEST MAN FEES)</b>	10,169,250	1,533,619	15.1%	11,702,869	874,550	1,137,900	

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