

# AGENDA

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**Meeting:** Wiltshire Pension Fund Committee  
**Place:** Kennet Room - County Hall, Bythesea Road, Trowbridge, BA14 8JN  
**Date:** Thursday 14 March 2019  
**Time:** **10.30 am**

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Please direct any enquiries on this Agenda to Jim Brewster, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718242 or email [jim.brewster@wiltshire.gov.uk](mailto:jim.brewster@wiltshire.gov.uk)

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## **Membership:**

### **Voting Membership**

#### Wiltshire Council Members:

Cllr Tony Deane (Chairman)  
Cllr George Jeans  
Cllr Gordon King  
Cllr Christopher Newbury  
Cllr Roy While (Vice-Chairman)

#### Substitute Members

Cllr Derek Brown OBE  
Cllr Matthew Dean  
Cllr Sarah Gibson  
Cllr Gavin Grant  
Cllr Bob Jones MBE  
Cllr Fleur de Rhé-Philippe  
Cllr Ian Thorn

#### Swindon Borough Council Members

Cllr Steve Allsopp  
Cllr Timothy Swinyard

#### Substitute Members

#### Employer Body Representatives

Mrs Diane Hall

### **Non-voting Membership**

#### Observers

Mike Pankiewicz  
Stuart Dark

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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 Membership**

To note the following changes to membership of the Committee made at Full Council on Tuesday 26 February.

Cllr Tom Rounds is no longer a member of the Committee. Cllr George Jeans joins the Committee. Cllr Matthew Dean joins the Committee as a substitute.

**2 To confirm the membership of the ISC**

There were no changes to the membership of Investment Sub-Committee.

**3 Apologies for Absence**

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

**4 Wiltshire Pension Fund Committee Minutes Part 1 (Pages 7 - 12)**

To confirm the Part 1 minutes of the Wiltshire Pension Fund Committee held on 12 December 2018.

**5 Declarations of Interest**

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

**6 Chairman's Announcements**

To receive any announcements through the Chairman.

**7 Public Participation**

The Council welcomes contributions from members of the public.

**Statements**

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

**Questions**

To receive any questions from members of the public or members

of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on **Thursday 7 March** in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on **Monday 11 March**. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

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

8 **Minutes and Key Decisions of the Investment Sub-Committee**  
*(Pages 13 - 16)*

To receive the Part 1 minutes, and consider recommendations arising, from the last meeting of the Investment Sub-Committee held on 21 February 2019.

9 **Minutes and Key Decisions of the Local Pensions Board**  
*(Pages 17 - 24)*

To consider the Part 1 minutes, and recommendations arising, from the Local Pension Board meeting held on 24 January 2019.

10 **Scheme, Legal, Regulatory and Fund Update** *(Pages 25 - 30)*

A report from officers updating the Committee on the latest regulatory and legal updates for the LGPS.

11 **Pension Fund Risk Register** *(Pages 31 - 44)*

An update from officers on the Wiltshire Pension Fund Risk Register is circulated for Members' to note.

12 **Key Performance Indicators** *(Pages 45 - 56)*

The latest quarterly update from the Head of Pensions Administration & Relations on the Fund's KPIs.

13 **AVC Training and Options** *(Pages 57 - 64)*

A training item by the Fund Governance and Performance Manager.

14 **Additional Voluntary Contributions (AVCs) New Fund Proposals** *(Pages 65 - 90)*

A paper by the Investment Manager proposing that the Fund expand its range of fund options it offers to members.

15 **Data Improvement Plan** *(Pages 91 - 106)*

The Head of Pensions Administration & Relations will present a new data improvement strategy which Committee members are asked to approve.

16 **Business Plan and Budget** *(Pages 107 - 118)*

The Head of Pensions Administration & Relations will present the latest Fund Business Plan to Committee for approval.

17 **Administration Budget 2019/2020** *(Pages 119 - 122)*

A report from the officers proposed the Fund's budget for 2019/2020.

18 **Clarification of governance roles** *(Pages 123 - 130)*

A paper from the Fund Governance and Performance Manager clarifying the differing roles of the LPB and WPF Committee.

19 **Committee's requests to the Board**

20 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 18 July 2019.

21 **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.

22 **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 23 – 29 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**

23 **Triennial Valuation 2019**

A report from Hymans Robertson LLP on the key assumptions for the triennial valuation. Committee members are asked to approve the approach to assumption setting.

24 **Brunel Pension Partnership update**

A verbal update by the Investment Manager on the progress of the implementation of the Brunel Pension Partnership.

25 **Investment Quarterly Progress Report** *(Pages 131 - 186)*

Three confidential reports are circulated updating the Committee on the performance of the Fund's investments to 31 December 2018. These were considered by the Investment Sub-Committee at its meeting on 21 February 2019 and are circulated for information only.

26 **Investments - Listed Infrastructure Recommendation** *(Pages 187 - 188)*

A report from the Investment Manager with a proposal for investing in listed infrastructure.

27 **Part 2 Minutes and Key Decisions of the Investment Sub Committee** *(Pages 189 - 194)*

To consider the Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 21 February 2019.

28 **Local pension Board Minutes Part 2** *(Pages 195 - 204)*

To consider the Part 1 minutes, and recommendations arising, from the Local Pension Board meeting held on 24 January 2019.

29 **Wiltshire Pension Fund Committee Minutes Part 2** *(Pages 205 - 210)*

To confirm the Part 2 (confidential) minutes of the meeting held on 21 February 2019.

## **WILTSHIRE PENSION FUND COMMITTEE**

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**MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 12 DECEMBER 2018 AT ROOM CR1, SWINDON BOROUGH COUNCIL OFFICES, EUCLID STREET, SN1 2JH.**

**Present:**

Cllr Tony Deane (Chairman), Cllr Gordon King, Cllr Christopher Newbury and Cllr Roy While (Vice-Chairman)

**Also Present:**

Cllr Richard Britton, Stuart Dark, Mr Jim Edney, Mrs Diane Hall, Mike Pankiewicz, Howard Pearce and Barry Reed

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**69 Chairman's Announcements**

The Chair outlined the purpose of the committee as being to manage payments and balance the assets and liabilities of Wiltshire Pension Fund. Regular reporting on performance trends across a set of key performance indicators was said to be necessary for the committee to meet this purpose. Cllr Gordon King lent his support to the Chairs request for quarterly reporting to enable management of performance over time in a transparent way.

Officers stated that current reporting against basic metrics was bi-annual and would be quarterly in future. Future input from the committee on the nature and presentation of key performance indicators was requested.

**Resolution:**

**The reporting on basic metrics would be quarterly and the identification of key performance indicators would be developed by the committee.**

**70 Apologies for Absence**

Apologies were received from Cllr Tom Rounds and Cllr Philip Whitehead.

**71 Declarations of Interest**

There were no Declarations of Interest.

**72 Minutes**

**Resolved:**

**To confirm the Part 1 minutes of the meeting held on 20 September 2018.**

73 **Public Participation**

There were no members of the public present.

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

The minutes from the Local Pension Board meeting held on 11 October 2018 were considered.

**Resolved:**

**To note the minutes of the Local Pension Board meeting.**

75 **Pension Fund Risk Register**

Officers talked to the fund's Risk Register that identified, described, quantified and allocated identified risk to a named Officer. The only item on the Register highlighted as being of higher (red) risk was the pooling of assets through Brunel Partnership. The Investment Manager would talk to this issue in detail under her update on Brunel Pension Partnership, Agenda Item 16.

**Resolution:**

**The Committee noted the report.**

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

Officers talked to a paper that identified emerging regulatory issues and used a red, amber, green schema of higher, medium, lower risk to show the risk associated with each issue. Issues of GMP Indexation, Cost Caps, Pensions Dashboard, Annual Report and Academies' Review were discussed in terms of metrics and costs.

Metrics designed to allow comparison of one fund to another were discussed in terms of definitions and standardisation, the pressures of ensuring positive presentation and the fundamental variability in the size of funds being compared. It was concluded that meaningful metrics need to be defined according to the specific purposes of Wiltshire Pension Fund.

Clarity about ongoing regulatory change and its corresponding impact on costs of were discussed in the wider context of the risk associated with non-compliance. It was concluded that where future cost-pressures could be identified, their impact was more germane to future valuation than to current administrative costs.



The Chair summarised the discussion as being about risk emerging from regulatory change and its likely cost, alongside complexity of data and its value in managing the fund.

**Resolution:**

**The committee noted the report.**

77 **LPB Code of Conduct Policy**

The Chair outlined an enquiry made about the Members Interest form. The enquiry had recognised the legal obligations addressed by the form, but had queried the amount of information it placed in the public domain. Legal services had devised a two-part form that distinguished between information under Part 1 that was in the public domain and Part 2 that was restricted to the Administering Authority.

**Resolved**

**To approve the updated Code of Conduct and Conflict of Interest Policy Guidelines for the Local Pension Board, including the attached form for registering Members interests.**

78 **Review of other Funds' Committee arrangements:**

Jim Edney, Independent Pension Fund Advisor, gave a verbal update on desk-research into how pension boards and pension committees define their roles and work together. Despite overlap between boards and committees, there appears to be no established best practice in reducing duplication and optimising the relationship between the two meetings. Common areas that boards lead on were communications and the monitoring of fund administration, whilst some committees provided boards with regular 'assurance reports' that are designed to avoid duplication.

The Chair requested a meeting of Chairs and Officers in January 2019 to define the respective roles of the board and the committee and to discuss the working relationship between the two.

**Resolution:**

**That a meeting be called to advance how board and committee clarify roles and working relationship.**

79 **Training Review**

Officers described how the Training Review was informed by three surveys conducted by Hymans-Robertson giving insight into National Confidence, Knowledge and Effectiveness of committees and boards. This enabled the development of a training strategy for all committee members. At this stage, results were being shared as headline results that indicate the value of targeting

training on; actuarial methods, procurement, investment, administration and governance.

The Chair thanked everyone for completing the surveys, expressed confidence in the exercise as giving a good representation of the committee's knowledge and skill and noted the committee's dependence on its various advisors.

**Resolution:**

**To note the reports on Committee knowledge, understanding and effectiveness and that a training programme was to be developed in response to survey outcomes.**

80 **Date of Next Meeting**

The date of the next meeting of Wiltshire Pension Fund Committee was to be held on 14 March 2019 10.30 am.

81 **Urgent Items**

There were no Urgent Items.

82 **Exclusion of the Public**

**Resolved:**

**To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 83-88 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.**

83 **Review of key contract costs**

**Resolution:**

**The frequency of future reports on key contracts and whether this report was best dealt with by board or committee would be decided at Wiltshire Pension Board meeting January 24 2019.**

84 **Brunel Pension Partnership update**

**Resolution:**

**The committee noted the update**

85 **Investment Quarterly Progress Report**

**Resolution:**

**The committee noted the report.**

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

**Resolved:**

**To note the minutes and key decisions of the Investment Sub Committee.**

87 **Minutes**

**Resolution:**

**The committee approved the Part 2 (confidential) minutes of the meeting held on 20 September 2018.**

88 **Investment Strategy, Employer Investment Strategies and Triennial Valuation training**

Hymans-Robertson talked to their slides on the 2019 valuation of Wiltshire Pension Fund as a training exercise designed to develop the committee's knowledge of the valuation process. The training covered the role of the actuary, data analytics, funding objectives, target basis, assumptions, future trends, prudence expressed as contribution levels and investment strategies.

(Duration of meeting: 10.30 am - 12.50 pm)

The Officer who has produced these minutes is Jim Brewster of Democratic Services, direct line 01225 718242, e-mail [jim.brewster@wiltshire.gov.uk](mailto:jim.brewster@wiltshire.gov.uk)

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## **INVESTMENT SUB-COMMITTEE**

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**PART 1 MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 21 FEBRUARY 2019 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.**

**Present:**

Cllr Tony Deane (Chairman), Cllr Gordon King and Cllr Roy White

**Also Present:**

Cllr Philip Whitehead, Cllr Richard Britton, Mr Jim Edney, Mr Anthony Fletcher, Mr Mike Pankiewicz, and Mr Dave Willers

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**1 Membership**

The Chair welcomed Anthony Fletcher, newly appointed Independent Governance Advisor who was attending as an observer.

**2 Apologies**

There were no apologies received for the meeting.

**3 Minutes**

**Resolved:**

**The minutes of the meeting held on 22 November 2019 were approved.**

**4 Declarations of Interest**

There were no declarations of interest.

**5 Chairman's Announcements**

The Chair thanked Gordon King for his work on pensions and climate change.

**6 Public Participation and Councillors Questions**

There were no members of the public present.

**7 Date of next meeting**

The next ordinary meeting of the Sub-Committee will be held on 5 June 2019 10.30 am.

8 **Urgent items**

There were no urgent items.

9 **Exclusion of the public**

**Resolved:**

**To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 58-62 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.**

10 **Investment Quarterly Progress Report**

**Resolved**

**The Committee approved investment of an amount in listed infrastructure equal to 5% of the latest total Fund value, less the value of Partners Group's portfolios, to be funded from the UK Gilts portfolio.**

**The Committee approved use of this portfolio on an on-going basis to fund capital calls for the Partners Group fund commitments.**

**The Committee approved that the investment in listed infrastructure was made via Magellan's Global Select Infrastructure Fund, subject to final due diligence checks and legal review of the Fund documents.**

11 **Accounting Update**

**Resolved**

**To note report.**

12 **Minutes**

**Resolved:**

**The Part 2 minutes of the meeting held on 22 November 2019 were approved.**

13 **Investment Themes and Opportunities**

(Duration of meeting: 10.30 am - 12.50 pm)

The Officer who has produced these minutes is Jim Brewster of Democratic Services,  
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## LOCAL PENSION BOARD

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### MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 24 JANUARY 2019 AT WEST WILTS COMMITTEE ROOM, COUNTY HALL, BA14 8JN.

#### Present:

Cllr Richard Britton, Sarah Holbrook, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

#### Also Present:

Cllr Tony Deane and Cllr Tom Rounds

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#### 1 Welcome

The Chairman welcomed all to the meeting including the Associate Director for Finance & Procurement, Chair and members of Wiltshire Pension Fund Committee, officers from pensions team and a representative of the press.

#### 2 Apologies

Apologies were received from David Bowater.

#### 3 Minutes and action tracking

Officers reported that the action log had been edited and subject to revision due to considerations arising from ongoing internal review.

The following actions were subject to update.

Action 12.10 That the fund pays for its audit was confirmed.

Action 12.15 The planned review of Investment Strategy Statement and Strategic Asset Allocation will be conducted over the coming months. Factors arising from Environmental Social Governance concerns will be addressed throughout this process of planned review.

Action 13.2 - LPB Chairman's review of the Fund's Annual Report was classed as completed

Action 13.5 – Further details on the key contract costs be presented to the Wiltshire Pension Fund Committee was classed as completed

Action 13.9 - The Chairman to approach Multi-Academy Trusts for an Employer Member Representative was classed as completed

**Resolved:**

**The minutes from the previous Local Pension Board held on 11 October 2018 were confirmed.**

**Action 7.15 Revise parameters of benchmarking to base this work upon outputs that have been developed as standard metrics across similar funds and that are practical and affordable.**

**Action 8.7 The details of this action would be amended to note that the Fund will use the new Annual Report format produced by CIPFA as a means to identify the most meaningful and useful KPIs which can be compared across Funds. Due to methodological complications, metrics on costs-per-process would not be actioned. The recommendation to measure performance against statutory timeframes would remain. This basket of KPIs would be shared across Board and Committee.**

**4 Declarations of Interest**

There were no declaration of interests.

**5 Chairman's Announcements**

The Chair announced that members of the Board and an Officer had attended the LPGS Governance Conference in Bristol 17 and 18 January 2019. Horizon scanning at the conference covered anticipated case law, the introduction of four year valuation cycle, the pensions dashboard and member training.

**6 Public Participation and Councillors Questions**

There were no public questions or statements.

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

The Board considered the key decisions of the Wiltshire Pension Fund Committee meeting held on 12 December 2018 and noted the emergence of a new way of working between Board and Committee.

The Associate Director for Finance & Procurement, outlined ongoing discussion on how the benefits of each governing body could be fully realised so as to drive the pension fund forward through a more holistic approach to governance. The relationship between Board and Committee was emphasised as being iterative and two-way.

The Chair emphasised that the Board is not a decision-making body and that its primary focus was in supporting the Committee through advising on compliance.

Tony Deane, Chair of Wiltshire Pension Fund Committee, highlighted how the Hymans Robertson survey of members had surfaced duplication between Board and Committee that could be streamlined through better co-ordination.

Richard Britten requested that it be noted he was listed as being present as an elected member when he is not present in that capacity.

**Resolved:**

**The Board noted the minutes of the previous Wiltshire Pension Fund Committee held on 12 December 2018.**

**8 Training Item: Introduction of new software and use of new online services**

Officers talked through three new online services; Member Self-Service, Docmail, and iConnect. Member Self-Service allows members to manage key aspects of their account. Docmail improves member communications by enabling more efficient mailshot operations. iConnect allows data exchange between employers and the administering authority.

These changes should make for greater efficiency and could reduce costs. 100% take up of services by members was held to be an unrealistic aim whilst 30-40% take up of Member Self-Service would deliver significant cost savings. Implementation of these software applications were recognised as significant pieces of work and in some cases would take three to five years to complete.

**Resolved:**

**The Board noted the impact of the new services detailed in the report.**

**The Chair requested that an update be brought to Board and Committee in 12 months to allow assessment of efficiencies and cost-reductions derived from these services.**

**9 Governance Effectiveness Review**

Officers talked through the completed Hymans Robertson 'Effectiveness Review' highlighting the concerns and the room for improvement that it had evidenced. A discussion on priorities emphasised the inter-relation of the

aspects addressed by the review, but training was highlighted as being of pre-eminence.

Following discussion on the cost of the review, it was suggested that the review be repeated at regular intervals.

**Resolved:**

**The Board noted the value of the Effectiveness Review and agreed with proposal for officers to address the recommendations stated in the report.**

10 **LPB self-assessment against its achievement of its core functions 2015-2018**

Officers talked through a report that indicated the Local Pension Board to be achieving up to 75% of its core functions. Areas of development were to be included in a future programme of work. The impact of ongoing technological change was illustrated with reference to iConnect. iConnect granted more control over data exchange with employers and therefore would extend the range of functions that can be improved by the administration team.

The Chair suggested that the annual or quarterly iteration of core functions be reviewed to ensure a balance between operations and strategy within capacity limitations. Given the increasing quantity of guidance to local pension funds, ensuring that there is a well-understood, efficient and effective working relationship between Board and Committee is all the more necessary.

**Resolved:**

**The Board noted the self-assessment.**

**The Board recommended that the frequency of assessment against core functions be better balanced with capacity within the team to conduct this self-assessment.**

11 **LPB Training policy and plan for 2019-2020**

Officers talked through a tabled report that outlined a programme of training for the next three years.

The Chair thanked the team and expressed support for the whole document that enabled both Board and Committee to respond appropriately to the increasing demands of regulation and guidance. The value of shared training for Board and Committee was highlighted as well as the need for specific training targeted at either Board and Committee.

Cllr Tony Deane, Chair of Wiltshire Pension Fund Committee, raised concerns that training requirements do not become impediments to recruiting elected members to pensions roles. The need to make pensions an attractive area to

engage in for elected members was emphasised and the contribution that Democratic Services could make was noted.

Annual self-assessments would continue, a formal MiFID II competence review would take place whilst any overarching training review would move to a four-year cycle to align with committee appointments and to allow early identification of training needs.

**Resolved:**

**The Board noted the Training Policy and Plan.**

**The Training Policy and Plan would be made available to Board and Committee members.**

**The Investment Manager would coordinate the annual MiFID II competence arrangements.**

12 **LPB Budget 2019-2020**

Officers discussed the Local Pension Board budget report for 2019-20. The report forecast a £5,000 underspend in 2018-19. The detail of expenditure figures was questioned by Barry Reed. The Chair noted that anticipated expenditure on consultancy was unlikely to be spent within the year. The Chair indicated that provision should be maintained in relation to governance advice particularly concerning CIPFA benchmarking requirements

**Resolved:**

**The Board agreed the draft Local Pension Budget and recommended to the Pension Fund Committee that it was included in the Fund's Administration budget for 2019-20.**

13 **Scheme, Legal, Regulatory and Fund update**

Officers talked through a report that detailed anticipated regulatory changes and indicated the perceived risk of that change to Wiltshire Pension Fund. Whilst delays with HM Treasury and CIPFA projects were noted, the increased activity of The Pensions Regulator was highlighted. Fair Deal, dashboard project and cost-cap mechanism were all discussed in terms of progress to date as was their risk categorisation using the RAG schema as 'amber'.

The CIPFA guidance on production of the Annual Report was not deemed to have raised any issues. Production of the Annual Report was being scheduled to tie-in with closure of Annual Accounts at end of July 2019.

The Chair noted attendance of The Pensions Regulator at the previous Board meeting and asked that an invitation to attend in future be made.

The Chair sought clarification on a response to the consultation on pooling. Officers detailed workshops and outlined a planned collective response from the funds being pooled by Brunel Pension Partnership as a response to this consultation.

The Chair highlighted the 'McCloud case' that is currently subject to appeal and the potential ramifications of the case was discussed in broad terms.

**Resolved:**

**The Board noted the report on legal and regulatory issues.**

**The Fund Governance & Performance Manager would liaise with the Regulator concerning the content of their presentation to the Local Pension Board.**

#### 14 **Risk Register**

Officers reported that the risk register remains unchanged. A discussion of how to present inherent risk (the risk associated with an event) and residual risk (the risk associated with an event when mitigating action is taken into account) and its categorisation as either red, amber, green in keeping with a standard use of RAG schema followed. A discussion of targets and the extent of local control was held.

The Chair suggested that stating the extent of local control could be helpful whilst Richard Britton suggested stating the acceptance of risk or the extent to which it can be tolerated may be helpful.

Officers agreed that the risk registers targets could make the relationship of control and mitigating activity to risk clearer.

**Resolved:**

**The Board noted the attached Risk Register and the measures being taken to mitigate risks.**

**The review of the Risk Register would be used as a vehicle to clarify the distinct roles of Board and Committee in respect to the shared issue of risk management.**

**Officers would look into adopting a revised template for the risk register which uses inherent and residual risk as proposed by the Associate Director for Finance and Procurement.**

15 **Administration Key Performance Indicators**

Officers talked through a report on administration KPIs and two appendices that show the results of different reporting methods. The second method splits KPIs by Fund Administration and Employers.

Once presentational considerations have been addressed, this work was intended to build on an evidence-based approach to increasing employer engagement. Increasing employer engagement by improving communications through letters and forms needs to be balanced with the growing regulatory requirements required of those communications.

The Chair noted the difficulty of data management and reporting and thanked the team for their approach of continuous improvement in this area.

**Resolved:**

**The Board noted the Fund's performance against its KPIs and the proposed changes to future methodologies used to produce and report on KPIs to the Board.**

16 **How did the Board do?**

The Chair led a discussion of how effective the board was in conducting its business.

17 **Urgent items**

There were no urgent items.

18 **Exclusion of the Public**

**Resolved:**

**To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 19-21 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.**

19 **Brunel Pension Partnership update**

**Resolved:**

**The Board noted the verbal update on Brunel Pensions Partnership.**

20 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee**

**Resolved:**

**The minutes of the Wiltshire Pension Fund Committee were noted and approved.**

21 **Local Pension Board Minutes**

**Resolved:**

**The minutes of the Local Pension Board were noted and approved.**

22 **Date of next meeting and Forward Plan**

The Chair reminded all that the Forward Plan needs to link into the overall business plan. Tony Deane, Chair of Wiltshire Pension Fund Committee, noted that the Committee would give this linkage expression through its co-ordinated work-plan.

The date of the next meeting was set for 23 May 2019 10.30 am.

(Duration of meeting: 10.00 am - 12.12 pm)

The Officer who has produced these minutes is Jim Brewster 01225 718242 of Democratic Services, direct line 01225 718242, e-mail [jim.brewster@wiltshire.gov.uk](mailto:jim.brewster@wiltshire.gov.uk)

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



Organisation	Subject	Link	Status	Comments	Risk
HM Treasury	Reforms to public sector exit payments: response to the consultation	<a href="https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html">https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html</a>	Updated	The Bill was presented to Parliament on Tuesday 5 September 2017 and there was no debate and the second reading has been repeatedly delayed since and now there is now no specific date scheduled. It is a Private Member's Bill, which are often not printed until close to the second reading debate and hence no text is still available.	
CIPFA	Preparing the Annual Report: Guidance for LGPS Funds	<a href="https://www.cipfa.org/policy-and-guidance/consultations/lgps-%e2%80%93-preparing-the-annual-report,-c,-guidance-for-lgps-funds">https://www.cipfa.org/policy-and-guidance/consultations/lgps-%e2%80%93-preparing-the-annual-report,-c,-guidance-for-lgps-funds</a>	New	CIPFA released a consultation on proposed changes to the Annual Report to reflect changes to the operation of the Scheme since the last publication in 2014 (e.g. asset pools, legislation etc). The new guidance is considered statutory by MHCLG and includes new additions such as standardised KPIs and cost figures which appears to partially replace the purpose of the voluntary CIPFA benchmarking exercise. The consultation closed on 7 December 2018 and requirements are now being finalised.	
The Pension Regulator (tPR)	Miscellaneous		New	<p>There has been increased communications from the Pension Regulator to check that Funds are meeting their duties. This has come in the form of:</p> <ul style="list-style-type: none"> <li>• An enhanced annual written survey;</li> <li>• A phone survey;</li> <li>• The first submission of common and conditional data scores as part of the Scheme Returns</li> <li>• Checking that Funds had submitted Benefit Statements and if they need to report themselves to tPR; and</li> <li>• Stressing that the tPR expects to see improvements in data quality over time.</li> </ul> <p>The Scheme Advisory Board has also exchanged letters with tPR to query tPR's approach to enforcement action on certain LGPS Funds. The two parties have agreed to meet and work together on such matters.</p>	
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-">https://www.gov.uk/government/publications/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-</a>	No change since the last meeting	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.	

Organisation	Subject	Link	Status	Comments	Risk
		<a href="#">costs-following-court-of-justice-of-the-european-union-decision</a>			
<b>MHCLG</b>	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>	No change since the last meeting	<p>Following the High Court ruling on 23rd June 2017 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>	
	Fair Deal Consultation	<a href="https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection">https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection</a>	Updated	<p>On 10 January 2019, MHCLG released a new Fair Deal Consultation which proposes a number of changes to the LGPS Regulations to strengthen the protections that apply when LGPS Employees are transferred to service providers and try to make the process smoother.</p> <p>Officers have reviewed the proposals and, whilst on the whole, they believe them to be sensible and a step in the right direction, officers feel further clarity and development is still needed to maximise their effectiveness and reduce the risk of process becoming worse.</p> <p>Changes on this area could be of material significance to the operation of the Fund and hence officers intend to response by the deadline of 4 April 2019 with their views.</p>	
<b>The Department of Work and Pensions (DWP)</b>	Pension dashboard project	<a href="https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/">https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/</a>	Updated	<p>DWP is leading this project and the intention was to 'go live' during 2019.</p> <p>DWP released a feasibility report and consultation in early December which closed on 28 January 2019. We did not respond to the consultation and we have yet to see anything further from DWP on this. Officers agree with the general principle and ideas but need to see more detail about how it would in practice before it can form a full view.</p>	

Organisation	Subject	Link	Status	Comments	Risk
Financial Reporting Council	Stewardship code consultation	<a href="https://www.frc.org.uk/news/january-2019-(1)/frc-strengthens-stewardship-code">https://www.frc.org.uk/news/january-2019-(1)/frc-strengthens-stewardship-code</a>	New	The Financial Reporting Council (FRC) is consulting on a new Stewardship Code (PDF) that sets substantially higher expectations for investor stewardship policy and practice. The Code will focus on how effective stewardship delivers sustainable value for beneficiaries, the economy and society.	
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>	No change since the last meeting	<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>SAB's work is still on-going and Bob Holloway from the LGA previously stated that a wide range of options in both work streams are still be considered. For example, changing the administration arrangements or putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force.</p>	
	Cost cap mechanism & McCloud case	<a href="#">Summary by Osborne Clarke (our external legal advisers)</a>	Updated	<p>In a fairly swift turn of events, the planned changes to the LGPS from 1 April 2019 have now been cancelled due to an on-going court case (referred to as the McCloud case) which may also result in changes to the LGPS and all other public service schemes.</p> <p>The SAB has decided to await the outcome to the court case before making any changes. This is far from ideal, as this could well mean we made to make onerous retrospective changes to the Scheme (w/e from April 2019 but not known until the end of 2019/early 2020) and that such changes would not be included within the triennial valuation.</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>	No change since the last meeting	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.	

Organisation	Subject	Link	Status	Comments	Risk
				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.	
	Tier 3 employers review	<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>	No change since the last meeting	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 has recently produced a detailed report which is available on the SAB website which outlines its findings on the identification of issues but the report doesn't make any specific recommendations. SAB is yet to advise what actions it will take following receipt of the report.	
	Good Governance Project (formerly known as the Separation Project)	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	Updated	Formerly 'the separation project', the scope of this project has now evolved following feedback from the industry and it is now focused on ensuring any conflicts of interest are addressed and managed, the LGPS remains appropriately resourced to deliver its statutory function.  Hymans Robertson has been commissioned to assist the SAB on this review which will initially involve a short online questionnaire and a focus on effectiveness. Later on, there will be interviews and workshops with key stakeholders.	
	Guidance Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	No change since the last meeting	The Guidance project will identify regulations which may be better sited within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.  This project is at an early stage and no further information is available at this time.	

Organisation	Subject	Link	Status	Comments	Risk
	Data Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	No change since the last meeting	<p>The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.</p>	

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
14 March 2019

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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 Board and Committee on a quarterly basis.

#### **Key Considerations for the Board / Risk Assessment**

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. There has been no changes to the risk categories or levels since the last meeting
5. One remaining red risk remains: ***PEN020: Pooling of LGPS assets.***
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. No, direct implications.

#### **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 Board is asked to note the attached Risk Register and measures being taken to mitigate risks.

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

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		
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x
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. When work loads are high, payments to members are prioritised above other work.	2	2	4	Low	None	N/A	N/A	2	2	4
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	An updated Business Continuity Plan has now been drafted in line with the new Council template. 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 mostly paperless office.	4	1	4	Low	None	N/A	N/A	4	1	4
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	N/A	N/A	4	1	4
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	None	N/A	N/A	2	1	2
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 developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, 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.	2	2	4	Low	None	Andy Cunningham	N/A	1	3	3
PEN022	Risks related to reconciliation of GMP records (increase in staff resource & reputational)	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 project is still ongoing and software from Heywood's is being used to process amendments to Altair on bulk. Progress has been delayed due to the Fund trying to engage with Government to agree on a nationwide approach and in order to undertake further analysis of the problems identified.	2	4	8	Medium	Still working with other south-west Funds to try to agree on a common approach and present it to Government Departments. The SW Funds sent a letter outlining its view to the SAB and is awaiting a response. Once the Government's view is clearer, the Fund plans to implement a overpayments policy.	Richard Bullen	Apr-19	1	3	3

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							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x
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.	Jennifer Devine	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	This is factored into the Strategic Asset Allocation review, which is now in progress. Both the Fund Investment Consultant and Fund Actuary will be closely involved in the work.	Jennifer Devine	May-19	4	1	4
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	Andy Cunningham	Longevity and bond yields are generally beyond the control of the Fund as are the values of the liabilities in general. However, the Fund has started the 2019 Triennial Valuation process and it is concurrently reviewing its investment strategy and implementing separate employer investment strategies. Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc).	2	1	2	Low	None	Andy Cunningham	N/A	2	2	4
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	Andy Cunningham	As above	2	2	4	Low	As above	Andy Cunningham	N/A	2	2	4
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	Jennifer Devine	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.	Jennifer Devine	N/A	2	1	2

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							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	Jennifer Devine	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.	Jennifer Devine	N/A	2	2	4
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 revised cessation policy on 20 September 2018 to address regulatory changes made in May 2018 and certain scenarios which had arisen which the previous policy did not adequately address. Furthermore, all new admitted bodies require a guarantor to join the Fund which means that a stable Scheme Employer is required to act as the ultimate guarantor.	2	2	4	Low	None	Andy Cunningham	N/A	2	1	2
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	Jennifer Devine	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.	Roz Vernon	N/A	3	1	3
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.	Jennifer Devine	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 "flightpath" and "rebalancing" processes. A single provider to manage all aspects of risk management, is also under consideration.	Jennifer Devine	On-going	3	1	3
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.	Jennifer Devine	Wiltshire Fund Fund is now being treated as a Professional Client, having followed due process.	2	2	4	Low	None.	Jennifer Devine	Completed	3	1	3

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							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x
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.	Jennifer Devine	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	None	Roz Vernon	N/A	2	2	4
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. *KPIs against statutory standards *Imbedding checks and controls into all processes.	2	2	4	Low	None	Andy Cunningham	N/A	2	2	4
PEN009	Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018)	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. The Fund has produced a new suite of procedures and controls following the introduction of GDPR.	3	3	9	Medium	Further reviews and changes in relation to the GDPR.	Andy Cunningham	On-going	2	1	2
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	Data & 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.	3	2	6	Medium	The Fund is currently addressing new data issues identified by a review of the tPR two key data standards and other data reviews while ensuring data is of high quality is an on-going responsibility.	Mark Anderson	Ongoing	2	1	2
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 Governance & Performance 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 Director of Finance & Procurement is still being filled on an interim basis but other senior officer roles in the Pension Fund are now filled by permanent staff.	Andy Cunningham/Corporate Directors	Ongoing	2	1	2



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		
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x
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 large knowledge gap could be left behind.	Andy Cunningham	Key people in the team are seeking to transfer specialist knowledge to colleagues by documenting procedures and notes. 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	3	9	Medium	None - the risk will reduce once the existing team increases its level of knowledge and experience through greater time in their roles.	Andy Cunningham	Ongoing	2	1	2
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 results of the knowledge assessment was presented to 12 Dec 2018 Committee and 24 January 2019 Local Pension Board. Overall, their level of knowledge was deemed good but there were areas of improvement identified that Officers will consider when looking at future training plans. Pensions is a complex subject, so the training needs of the Committee will need to be continued reviewed.	Richard Bullen		2	1	2
PEN019	Maintenance of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure of Wiltshire Council to maintain a Local Pension Board, from finding suitable representatives and the officer time required to support the Board and 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	Officers are planning to review the terms of reference for the LPB and Committee in due course, partly to make the process of recruiting to the LPB easier but also to help ensure the LPB remains effective.	2	2	4	Low	None	Andy Cunningham	N/A	1	3	3
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.	Jennifer Devine	The Fund is working with Brunel Pension Partnership on pooling arrangements. Progress and updates regularly reported to Committee. The Fund's passive portfolios have been pooled with significant fee savings, but a budget increase is also currently being proposed. The final position is still uncertain.	3	4	12	High	Significant amount of resource still required by officers to progress this project.	Jennifer Devine	Ongoing	1	3	3

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		
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x
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 is still being monitored through work planning and appraisals.	3	3	9	Medium	None at present but this varies from meeting to meeting depending on the demands and other work responsibilities.	Andy Cunningham	N/A	1	2	2
PEN025	Academisation of Schools, the possibility of MAT breakups and cross fund movements.	Regulatory & Governance	Potential for further schools to convert to academy status, MATs to breakdown	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. Revised cessation policy aims to address some of the risks relating to MAT breakups.	2	3	6	Medium	The Fund is monitoring the SAB review of academies roles in the LGPS and will take actions (e.g. respond to consultations) as necessary to try to mitigate this risk further.	Andy Cunningham	N/A	1	1	1
PEN027	Significant structural change to LGPS Funds or to our Fund	Regulatory & Governance	A merger, takeover from another Fund or of another Fund. Significant changes to how certain employer categories participate in the Fund - for example Tier 3 employers or academies.	Depending on its nature and scale: a major impact on employer numbers, governance, control and operational matters.	Andy Cunningham	To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust wishes to consolidate its cross-Fund operations within a single Fund.	4	2	8	Medium	None	Andy Cunningham	N/A	3	1	3
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	None	Denise Robinson/Ashleigh Salter	N/A	1	1	1

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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
14 March 2019

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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 pension benefits.

#### **Background**

2. The Fund has committed to reporting administration KPIs in help 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. As discussed at previous meetings, officers will continue to expand and evolve its range of reportable KPIs over time so these align with strategy documents such as the administration strategy and regulatory requirements and guidance. The current range of KPIs reported are shown in the Appendices to this report.

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

5. As part of the goal to improve the quality of KPIs, some changes to the appendices have been made as explained below:

Appendix 1: This contains the current approach for reporting KPIs, with Fund Administration and Employers timeframes combined along with prior period comparisons. The table covers Q3 2018/2019 while the two charts provide comparisons against previous quarters.

6. Appendix 2: A proposed replacement to the reporting in Appendix 1, with KPIs split by Fund Administration and Employers to show clearly identification of where any delays lie. Comparisons against previous quarters will be available for future meetings using this new format although officers still plan to make some minor revisions to these tables to develop the KPIs further. Since these tables were presented to the LPB, new columns has been added showing the number of outstanding cases. In addition, the timescales on the Benefit Administration KPIs have been reviewed and brought in line with the Administration Strategy targets, providing a target beyond previous guidelines.
7. Appendix 3: Disclosure Regulations: As requested by the Local Pension Board, the Fund has now included KPIs against various disclosure regulations. However, CIPFA has

recently added some new KPI requirements to the Annual Report and Accounts which is similar to this table so the Fund will look to adapt the CIPFA tables in future.

8. Officers intend to replace the information provided in Appendix 1 with the information provided in Appendix 2 for future reporting. Note: It is also proposed to reduce the number of areas assessed to just focus on those with material volumes.
9. Appendix 4: The Pension Regulator's Common Data percentage calculation (as at 21 February 2019). Officers have not included a measurement against the Conditional Data (Scheme Specific) measurement as the Scheme Advisory Board as yet to determine which data items should be included. The choice of data items could have a material impact on the scores.

## **Conclusions**

### **Combined Administration KPIs (Appendix 1)**

10. There is a mixed trend for Qtr 3 2018/19, for the percentage of cases being completed although the total number of completed cases has risen to its highest volume over the four quarters up from 1130 (in Qtr 2 18/19) to 1924. The highest quarter increases were in **deferred, deferred to retirement** and **refund** cases. (see Chart 1). As the Fund has been focusing on clearing older cases, which are less urgent in nature, initially this will make the timescale targets appear worse as the benefit will be seen in later reporting.
11. The **Active to retirement** metric has seen a fall this quarter in meeting the target timeframe although Qtr 2 saw a slight recovery (see chart 1). The number of active retirement cases completed was at its highest level in Qtr 2 and higher than average in Qtr 3 compared over the four quarters (see chart 2).
12. **Death cases** continue to be above 95% against target measure for the fourth quarter in a row.
13. The implementation of an overtime plan has been carried out to deal with **deferrals** and as anticipated volumes have increased from a low in Qtr 2 of 331 to a new high in Qtr 3 of 890 cases. Successful training of the new team members is also leading to higher volume of work being completed, with this pattern continuing in January and February. The overtime programme is ongoing and officers hope and expect higher volumes will continue to be cleared in future quarters.
14. **Deferred into Retirement** cases increased to a new high of 237 cases, while the average is 150 cases over the four quarters with timescales up slightly from 83% to 85% met.
15. **Refunds** cases increased in volume over Qtr 2 with completed cases up 179 to 253 in Qtr 3, although the target dropped from a four quarter high of 62% down to 44%.
16. The remaining measures remain relatively stable.
17. Furthermore, the Fund has recently signed a contract for a key piece of automation software (I-Connect) and is starting to use another piece of automation software (process automation) to make other improvements.

18. In addition, another new project has now started which is reviewing end to end processes using Lean principles. The benefits on greater efficiency are expected to be seen in the longer term from both this and I-connect.
19. Officers started to see some of the benefits of improvements made towards the end of 2018 with further improvement occurring in 2019.

#### New Benefit Administration and Employer KPIs (Appendix 2)

20. Appendix 2, table 1 shows the relatively higher volume of outstanding deferrals which is having a subsequent impact on processing times. Recent realignment of work priorities have already been put in place to address the outstanding estimates and refunds.
21. A technical amendment has been to this area concerning 'terminated workflows', which explains the reduction from the volumes in Appendix 1 of 1,924, down to 1,701 cases completed in Appendix 2.

#### Disclosure Regulations (Appendix 3)

22. The table in appendix 3 shows the Fund is generally performing well against the first three areas but further improvement is required against deferreds and refunds processing. As shown in Appendices 1 and 2, this requires faster submission of data by employers and quicker processing by the Fund in order to reduce the timeframes down and increase the success rate. The Fund will do this by undertaking the actions outline within its Business Plan and Data Improvement Plan.

#### tPR Common and Conditional Data percentages (Appendix 4)

23. The Fund's Common Data percentage is now 94.2%. The main two causes of remaining failures are the processing of active to deferred status cases, which the Fund has already has a sub-plan in place to help improve the situation, and incorrect scheme member addresses which is on-going issue that is difficult to resolve as the Fund relies on deferred and pensioner members telling us when they change address.

#### Environmental Impact

24. There is no environmental impact from this report.

#### Financial Considerations

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

#### Risk Assessment

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

#### Legal Implications

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

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

28. There are no implications at this time.

**Proposals**

29. The Committee is requested to note the Fund's performance against its KPIs and its proposed changes to future KPI reporting.

**Andy Cunningham**

Head of Pensions Administration and Relations

Report Author: Andy Cunningham – Head of Pensions Administration and Relations & Mark Anderson  
– Data and Systems Manager

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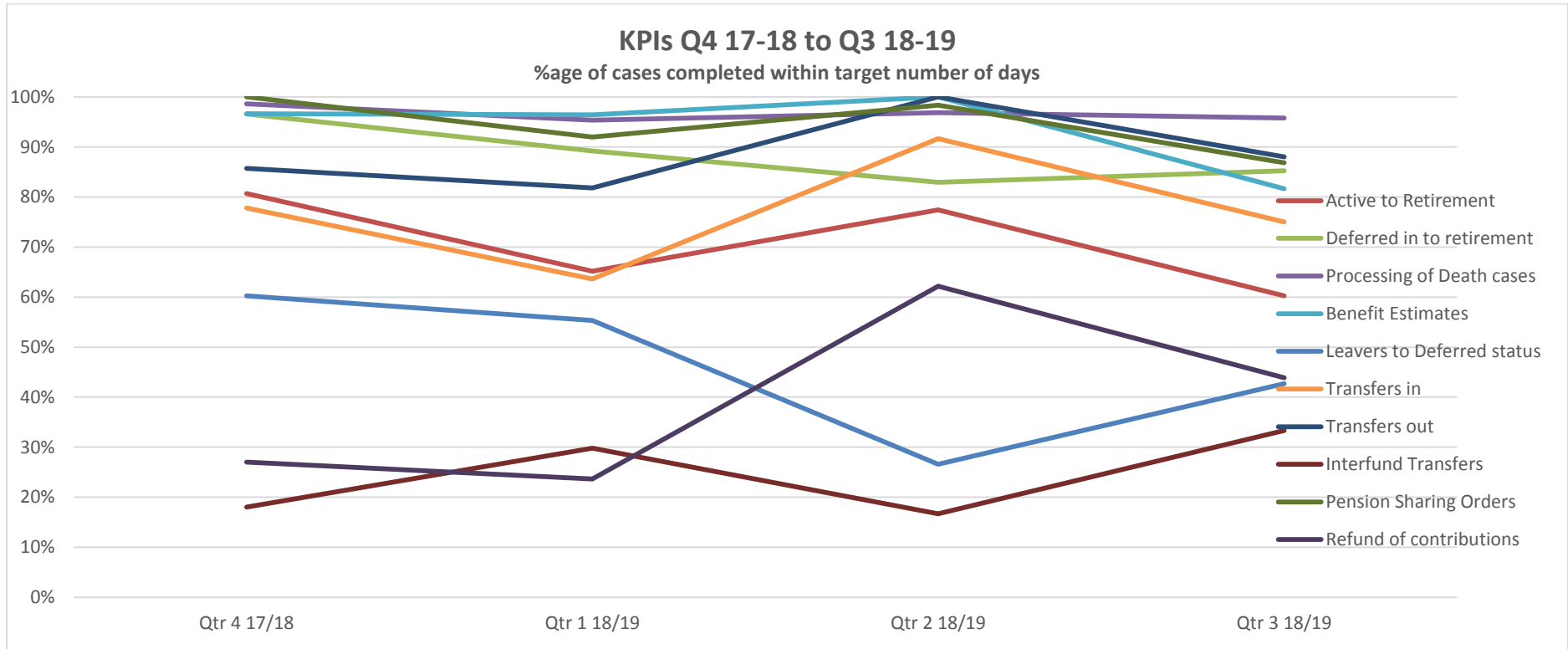


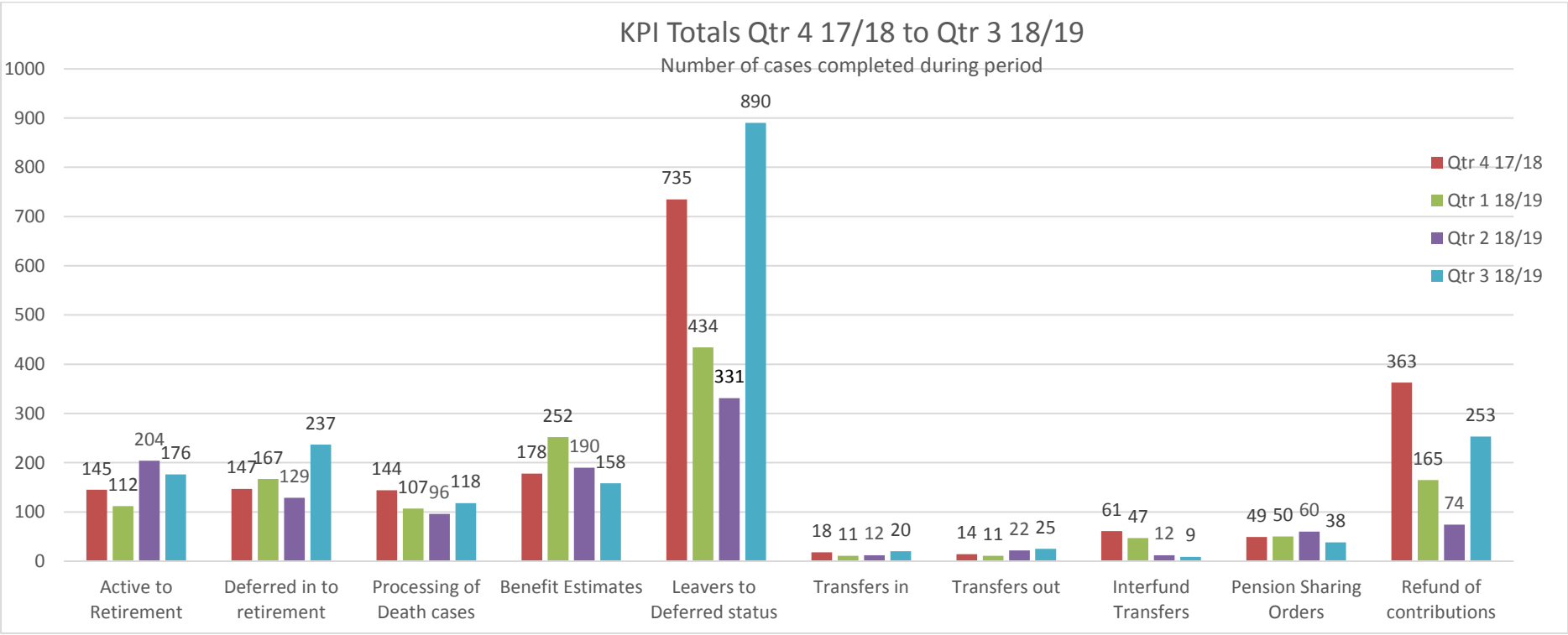
## Wiltshire Pension Fund

### Benefit Administration Key Performance Indicators

Period 01/10/2018 to 31/12/2018

Type of case	Time to complete						Total	Timescales % on target	Timescales working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Active to Retirement	16	32	36	22	42	28	176	60%	20
Deferred in to retirement	69	65	40	28	29	6	237	85%	20
Processing of Death cases	96	12	4	1	2	3	118	96%	20
Benefit Estimates	26	21	18	13	51	29	158	82%	40
Leavers to Deferred status	48	34	31	33	234	510	890	43%	40
Transfers in	5	5	1	4	0	5	20	75%	40
Transfers out	15	3	3	1	0	3	25	88%	30
Interfund Transfers	2	0	1	0	0	6	9	33%	40
Pension Sharing Orders	21	5	0	3	4	5	38	87%	30
Refund of contributions	77	18	10	6	11	131	253	44%	20
<b>Grand Total</b>	<b>375</b>	<b>195</b>	<b>144</b>	<b>111</b>	<b>373</b>	<b>726</b>	<b>1924</b>		
<b>Percentage</b>	<b>19%</b>	<b>10%</b>	<b>7%</b>	<b>6%</b>	<b>19%</b>	<b>38%</b>			





## Wiltshire Pension Fund

### Fund Key Performance Indicators (Administration Strategy)

Period 01/10/2018 to 31/12/2018

Type of case	Open cases at period end	Percentage against membership	Time to complete						Total	Timescales % on target	Timescales working days
			0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Active to Retirement	169	0.76%	43	21	21	17	21	9	132	48%	10
Deferred in to retirement	43	0.14%	102	66	22	12	21	2	225	45%	5
Processing of Death cases	109	0.14%	89	13	5	2	2	4	115	77%	5
Benefit Estimates	78	0.35%	12	30	17	15	43	22	139	30%	10
Leavers to Deferred status	1633	7.30%	15	13	13	20	87	543	691	21%	20
Refund of contributions	263	1.18%	8	9	7	6	21	173	224	13%	20
<b>Grand Total</b>	<b>2295</b>		<b>269</b>	<b>152</b>	<b>85</b>	<b>72</b>	<b>195</b>	<b>753</b>	<b>1526</b>		
<b>Percentage</b>			<b>18%</b>	<b>10%</b>	<b>6%</b>	<b>5%</b>	<b>13%</b>	<b>49%</b>			

Additional note: Timescales for the above chart are shorter than those reported under the previous KPI methodology. Interfund Transfers removed.

## APPENDIX 2 (Table 2)

### Employer Key Performance Indicators (Administration Strategy)

#### Administration Strategy

Period 01/10/2018 to 31/12/2018

Type of case	Time to advise							Total	Timescales	
	In Advance	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		Admin Strategy % on target	Admin Strategy working days
<i>Retirement</i>	75	17	4	6	4	10	16	132	57%	0
<i>Leavers</i>	105	12	30	36	33	68	407	691	31%	20
<i>Refund of contributions</i>	18	12	11	12	10	30	131	224	28%	20
<b>Grand Total</b>	<b>198</b>	<b>41</b>	<b>45</b>	<b>54</b>	<b>47</b>	<b>108</b>	<b>554</b>	<b>1047</b>		
<b>Percentage</b>	<b>19%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>4%</b>	<b>10%</b>	<b>53%</b>			

Disclosure Regulations (Combination of Fund and Employer)

Period 01/10/2018 to 31/12/2018

Type of case	Time to complete							Total	Disclosure % on target	Timescales Disclosure working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 23 days	23 - 46 days	46 to 69 days	69 days +			
<b>Active to Retirement</b>	53	17	14	10	13	7	18	132	71%	23
Processing of Death cases	109	2	1	1	1	0	1	115	99%	46
Benefit Estimates	18	27	20	22	35	11	6	139	88%	46
<b>Leavers to Deferred status</b>	24	30	12	39	174	106	306	691	40%	46
<b>Refund of contributions</b>	12	3	3	6	10	20	170	224	24%	69
<b>Grand Total</b>	<b>216</b>	<b>79</b>	<b>50</b>	<b>78</b>	<b>233</b>	<b>144</b>	<b>501</b>	<b>1301</b>		
<b>Percentage</b>	<b>17%</b>	<b>6%</b>	<b>4%</b>	<b>6%</b>	<b>18%</b>	<b>11%</b>	<b>39%</b>			

tPR Common Data Percentage Breakdown (21 February 2019)

Failure type\Status	Active	Status 2	Deferrred	Pensioner	Dependent	Awaiting Entry	Frozen Refund	Totals	Percentage of total records
Fail 1: Status	0	2845	0	0	0	2	0	2847	3.7%
Fail 2: NI Number	3	4	21	0	70	0	140	238	0.3%
Fail 3: Addresses	171	67	732	19	6	0	585	1580	2.1%
<b>Totals</b>	<b>174</b>	<b>2916</b>	<b>753</b>	<b>19</b>	<b>76</b>	<b>2</b>	<b>725</b>	<b>4665</b>	<b>6.1%</b>
Percentage of total records	0.23%	3.78%	0.98%	0.02%	0.10%	0.00%	0.94%		

**Total score = 94.2%**

**Note:** Each record either passes or fails and hence there is no distinction in methodology between a single or multiple failures on a record. This is why the total failure rate of 6.1% does not match the total score failure rate of 5.8%.

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**WILTSHIRE**  
PENSION FUND

**Additional Voluntary Contributions  
AVCs**

# Contents

- ▶ Ways to enhance members' LGPS pensions
- ▶ The Fund's AVC providers
- ▶ Our relationship with providers
- ▶ The Fund's responsibilities
- ▶ AVC Wise
- ▶ Officer recommendations

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# Ways to enhance members' LGPS pensions

## ▶ Added Years/Additional Regular Contributions (ARCs)

- ▶ Historic facility - New Added years ended 31<sup>st</sup> March 2008 - Payment were a percentage of salary
- ▶ Historic facility - New ARCs ended 31<sup>st</sup> March 2014 - Payments were flat sums per pay period

## ▶ Additional Pension Contributions (APCs)

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- ▶ New facility from 1<sup>st</sup> April 2014 - Members buy extra pension up to a current max of £6,822 p.a.
- ▶ Payment contracts are either via a one off contribution or regular payment plan
- ▶ Modellers can be used establish cost & APCs can be sponsored by employees, employers or both

## ▶ AVCs

- ▶ Have been offered by the Fund since July 1988 - Introduced in the Regs 1986
- ▶ Payment is a percentage of salary & the employee accepts the investment risk
- ▶ Prior to 1<sup>st</sup> April 2014 then was a 50% contribution limit, post 2014 you can potentially contribute 100% of pensionable pay.
- ▶ Tax free cash - 100% can be taken from your AVCs, subject to a 25% limit from your overall LGPS Pension

# The Fund's AVC Providers

## ▶ Prudential

- ▶ Only AVC arrangement open to new investors
- ▶ August 2018 - 410 Members - Total Valuation £3,220,000 - Start date Apr.2010
- ▶ Investment types - 10+ fund options & a lifestyle matrix

## ▶ Equitable Life

- ▶ April 2018 - 150 Members - Total Valuation £615,000 - Start date Aug.1988, Close date Dec.2000
- ▶ Investment types - With Profits & Unit Linked

## ▶ Clerical Medical

- ▶ April 2018 - 110 Members - Total Valuation £1,075,000 - Start date c2000, Close date c2010
- ▶ Investment types - With Profits & Unit Linked

## ▶ NPI

- ▶ April 2018 - 7 Members - Total Valuation £195,000 -Start date Feb.2001, Close date c2010
- ▶ Investment types - Managed Fund, With Profits, Unit Linked & Deposit

# Our relationship with AVC providers

## ▶ Policies & Endorsements

- ▶ No contracts or service standards, typically standard non-negotiable policy terms

## ▶ GDPR

- ▶ GDPR Agreements are separate to policies
- ▶ 3 class themselves as Data Controllers & Equitable Life as a Data Processor

## ▶ Administration arrangements

- ▶ Investment returns are free of tax, but subject to an Annual Management Charge
- ▶ Prudential provides on-line access to Fund officers & service reports
- ▶ Closed arrangements - Provide no service reports & require the Fund to support their admin.

## ▶ Equitable Life

- ▶ Being bought out by Reliance Life, a subsidiary of the Life Company Consolidation Group
- ▶ With-Profits members due a windfall circa December 2019 - Subject to court rulings
- ▶ Non guaranteed capital distribution is expected to be between 35% & 70%

# The Fund's responsibilities

## ▶ Annual review

- ▶ Treat assets with AVC Providers like any other Investment Manager
- ▶ Scope to include customer service & investment performance

## ▶ Other typical review considerations

- ▶ Do the terms of the provider's policy terms remain appropriate?
- ▶ Should a Trustees powers summary document be prepared?
- ▶ What is the Committee's view on the Fund supporting provider administration?
- ▶ What future improvements are providers introducing?
- ▶ Should Committee delegate reviews to officers or the ISC?

## ▶ Rationalisation exercises

- ▶ Previous exercise in c. October 2010



# AVC Wise

## ▶ What is AVC Wise?

- ▶ Shared cost savings scheme starting on 1<sup>st</sup> July 2018 & involving employees & employers
- ▶ Salary sacrifice enabling both tax relief & national insurance savings
- ▶ Supported by Wiltshire Council
- ▶ Advantage - increased employee savings & employer NIC savings

## ▶ Fund considerations

- ▶ Additional administration for staff
- ▶ Council HR / Prudential promoted, however Fund staff attend seminars
- ▶ Members must remain aware of the wider pension options open to them

## ▶ Independent Financial Advice

- ▶ Fund Forums & Annual Conference - Affinity connect
- ▶ [Unbiased.co.uk](http://Unbiased.co.uk) for members who wish to seek their own advice

# Officer recommendations

- ▶ Annual reviews to be managed by the Investment team
- ▶ Committee determines the scope of those reviews
- ▶ That only exceptional issues are brought to the Committee's attention, for example progress reports on the sale of Equitable Life
- ▶ Committee considers another 'rationalisation' exercise.



## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
19 March 2019

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### AVC Review of Funds

#### Purpose of the Report

1. The purpose of this report is to consider adding additional fund choice to the range of Additional Voluntary Contribution (AVC) options currently offered to members.

#### Background

2. An AVC provides an option to members to increase their benefits upon retirement. An AVC runs in tandem with the main LGPS but is separately invested through an insurance company. Prudential is the current in-house AVC provider for Wiltshire Pension Fund.
3. A member has their own personal account and their AVC builds up with their contributions and any return on their investment. Deductions are taken from pay before tax and sent across to the provider making it a tax efficient way to save.
4. A member can choose from a range of investment options depending on their risk profile. The riskier investments generally provide the potential for a higher return.
5. Members can either opt for the default option (If they would rather not make their own investment choice) or the Lifestyle Option should they wish to take more or less risk than the default option. Lifestyle options will target specific outcomes as a member approaches retirement and gets closer to taking their benefits (i.e. members can generally afford to take more risk at the beginning but then switch to less riskier investment options as they approach retirement).
6. At the end of last year officers from WPF met with Prudential and a decision was made to review the wider range of AVC fund choices available to members to ensure that it remains fit for purpose. There were several reasons why this decision was taken;
7. On 5<sup>th</sup> December the Prudential Diversified Growth Fund (which had been used as a standalone fund and by members in the growth phase of the lifestyle option) was closed to new and existing members. Members contributing to this fund were automatically transferred to the Prudential Discretionary Fund on a short-term basis until a more extensive review had taken place.
8. On 1<sup>st</sup> November, 15 members of Dorset Pension Fund AVC moved to Wiltshire Pension Fund following changes in the Fire Authority. Some of these members were contributing to AVC funds that were not previously available to Wiltshire Pension Fund. Prudential agreed to extend the full range to all members so that members moving from Dorset PF can continue to contribute to their current choice of AVC.
9. During 2019 Prudential will be carrying out a wider review of its Lifestyle Options. This includes closure of the Deposit Fund which has been used by members in the protection phase of the Lifestyle option. Prudential has introduced four new Lifestyle strategies for Funds to consider. Details are included in the appendix to this report.
10. Some LGPS schemes (including four in the comparison; Dorset, Somerset, GMPF and Hampshire) have already adopted some of the new strategies. WPF is in one of the first tranches to move across to the new Lifestyle Strategies.

11. The current range of funds provided to Wiltshire members are as follows:

FUND NAME	CHARGES (% each year)	RISK RATING
Prudential Ethical Fund	0.65	Higher
Prudential UK Equity Fund	0.65	Higher
Prudential UK Equity Passive Fund	0.55	Higher
Prudential Global Equity Fund	0.65	Medium to Higher
Prudential International Equity Fund	0.65	Medium to Higher
Prudential Long Term Growth Passive	0.55	Medium to Higher
Prudential Discretionary Fund - (replaces PDGF)	0.65	Medium
Prudential Index-Linked Fund	0.65	Medium
Prudential Long Term Bond Fund	0.55	Medium
Prudential UK Property Fund	0.65	Medium
Prudential With-profits Fund	†	Lower to Medium
Prudential Cash Fund	0.55	Minimal
Prudential Deposit Fund – <b>To be closed</b> <i>(only available as part of a lifestyle option or to existing Deposit Fund Investors)</i>	N/ A*	Minimal

12. The annual management charge for these funds range from 0.55% to 0.85%. These charges are taken directly from the funds.

### **Main Considerations for Committee**

13. Officers have reviewed the current range of fund choices available to members and compared it to other Funds (majority in the Brunel pool plus GMPF, Hampshire and West Midlands Pension Fund). The result of this comparison (along with Fund factsheets) is in the appendix to this report.

#### **14. Islamic Fund**

Four of the other funds in the comparison offer an Islamic Fund ('HSBC Islamic Global Equity Index Fund') in the medium to high risk category. This fund has consistently delivered good positive returns which generally track benchmark. Prudential have confirmed that this is the only Islamic AVC Fund that they offer. This type of Fund is missing from the current range of funds on offer to members. Members should therefore consider adding an Islamic Fund.

#### **15. Low to medium risk Funds**

WPF only offers one AVC fund in the low-medium category compared to an average of 3.5 across the other pension funds listed. Members may therefore want to consider offering more choice in this category. Of the other funds listed we have noted the following...

#### **16. Fixed Interest Fund**

All nine funds in the comparison offer the Prudential Fixed Interest fund. This fund is actively managed against benchmark (FTSE Actuaries UK Conventional Gilts All Stocks Index). Performance of this Fund has generally been positive and follows (slightly exceeding) benchmark. The performance objective of the fund is to outperform benchmark by 0.75% per year (before charges) on a rolling three-year basis. Annualised 3 years to 31/12/18; the fund and benchmark performance were 4.4% and 4.1% respectively (an

outperformance of 0.3% against a target of 0.75%). As it is an actively managed fund, it is expected to rise and fall per the fixed income market it is invested in.

A fixed interest fund may appeal to many and for this reason members may want to consider adding a fund of this type to the list of options available.

#### 17. Prudential Dynamic Growth Lifestyles

Prudential have introduced four new Lifestyle options targeting...

- Retirement Options
- An annuity
- 100% cash
- Drawdown

The four LS options invest in a mix of multi-asset component funds called 'Prudential Dynamic Growth' Funds, each with a different level of risk. Each component fund has its own mix of assets which is managed by the Prudential Portfolio Management Group (PPMG) Limited.

The underlying funds are managed by Blackrock (equities) and M&G (Cash, Fixed-income and Property).

The new Lifestyle options invest in:

- Prudential Dynamic Growth IV Fund (during the growth phase of the lifestyle. This is a medium-risk fund)
- Prudential Dynamic Growth II Fund (during the protection phase of the lifestyle. This is a low-medium risk investment).
- Prudential Cash fund (at the end of the lifecycle. This is a pre-existing stand-alone fund which is already in the current range of available funds).

There are three other Dynamic Growth Funds (PDG I, PDG III and PDG V). These are standalone funds only and are not used by any of the new lifestyle options.

It's important to note that the level of savings achieved can go up as well as down. PPMG will aim to maximise the level of return achieved.

Prudential will need a decision as to which of the lifestyle strategies WPF wishes to adopt by 31<sup>st</sup> March. WPF will also need to assign a default Lifestyle strategy to move all current LS members across to (if a decision is made to adopt more than one of the new strategies). Prudential will then write to the affected members and inform them of the change. They will also be told which default fund their investment will moved across to and given the option to choose an alternative should they choose to do so. Members will be given at least 6 weeks' notice of the new changes. Switch-over is due to take place on 22<sup>nd</sup> July.

Several Funds have already moved across to the new strategies. Most have adopted the cash option which gives members the opportunity to take a tax-free cash lump sum on retirement. Some funds have also adopted annuity or retirement options as an alternative. Drawdown which is not available with the LGPS has been the least popular. This option would be liable to tax and members wishing to invest their AVC investment in this option would have to transfer their funds to a private scheme.

Full details of the lifestyle options and funds are in the appendix.

#### **Financial Implications**

18. There will be no cost to Wiltshire Pension Fund as the charges are deducted directly from the funds that members contribute to.

### **Risk Assessment**

19. A “key features” document and “A Guide to Fund Options” clearly explains the risk profiles of each AVC fund. Members are made aware that the value of investments that make up their plan can go down as well as up.

### **Legal Implications**

20. None have been identified as arising directly from this report.

### **Environmental Impact of the Proposals**

21. As the proposed AVC Fund seeks to invest in good environmental, social and well governed companies, this would have a positive environmental impact.

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

22. None have been identified as arising directly from this report.

### **Proposals**

23. The Committee is asked to approve the addition of an Islamic AVC Fund to the list of AVC fund choices to members of WPF as this is something we do not offer at present

24. The Committee is asked to approve the addition of the Prudential Fixed-Interest Fund to the list of AVC fund choices to members in order to increase the number of low-medium risk funds available to members.

25. The Committee is asked to consider the four new Lifestyle options and to adopt the cash options strategy for members who wish to take a tax free lump sum on retirement and the retirement options strategy which would suit members (e.g. younger members) who aren't yet sure how they are going to use their pension savings.

26. The Committee is asked to approve the retirement options Lifestyle strategy as the default option into which existing Lifestyle funds will be transferred on 22<sup>nd</sup> July.

It should be noted that Prudential will need to be informed of the Committee decision by the end of March so that they can put in place the measures needed for the switch which is scheduled to take place on 22<sup>nd</sup> July.

Report Author: Rozalyn Vernon, Fund Investment and Accounting Manager

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Unpublished documents relied upon in the production of this report:

NONE





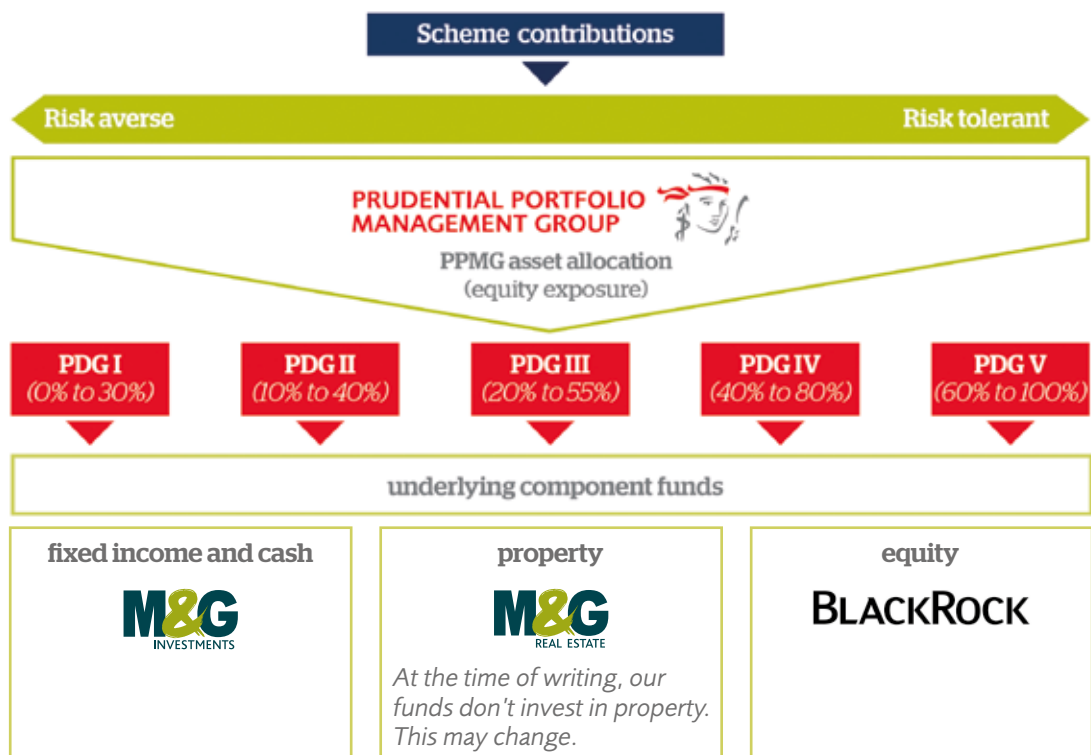
## Pensions for a world of change

### Prudential Dynamic Growth Lifestyles

In this leaflet we tell you about our four Prudential Dynamic Growth Lifestyles.

- What each of the four options is designed to do
  - The funds in each lifestyle option and when members move between each fund as they get close to retirement age
  - The funds' investment objectives and risk ratings
- Our lifestyle options invest in a range of multi-asset funds called Prudential Dynamic Growth Funds – or PDGs for short
  - They are a collection of five multi-asset funds:
    - Prudential Dynamic Growth I
    - Prudential Dynamic Growth II
    - Prudential Dynamic Growth III
    - Prudential Dynamic Growth IV
    - Prudential Dynamic Growth V
  - Each fund has its own mix of asset classes, such as equities, property, fixed income and cash. PDG I has the lowest allocation to equities. PDG V has the highest allocation to equities
  - Contributions are invested across a number of different assets to help protect investments from feeling the full effects of a fall in value of one type of asset
- These multi-asset funds are managed by our in-house investment experts, Prudential Portfolio Management Group Limited (PPMG)
  - PPMG constantly monitors different markets and economies, actively managing the funds with the aim of maximising returns
  - The funds can invest in equities, fixed income, cash and property. They currently use underlying component funds managed by BlackRock and M&G. The list of funds is not definitive. Other funds and asset classes can be added, and we may not always invest with some of the fund managers or in some of the funds. PPMG can change the allocation in each of the PDG funds to protect the value of customers' pension pots.

The graphic below shows how it all links up together.



The value of pension savings can go down as well as up. Investors may get back less than has been put in.

## A glimpse at Prudential Dynamic Growth Lifestyles

A lifestyle is a way of investing. At the start, money is invested for long-term growth with the aim of increasing the value of members' pension savings. Our lifestyle options use a mix of four component funds. The funds members invest in depends on which lifestyle option they select.

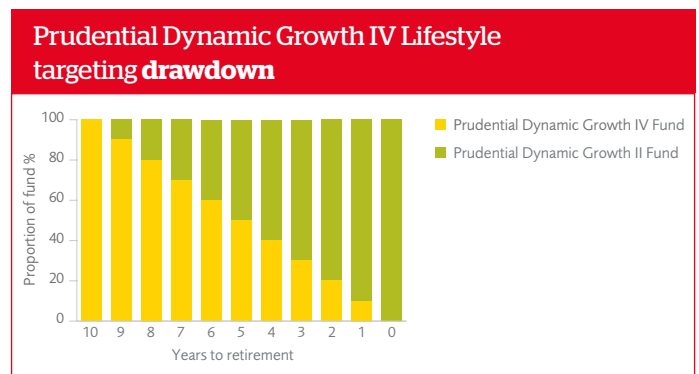
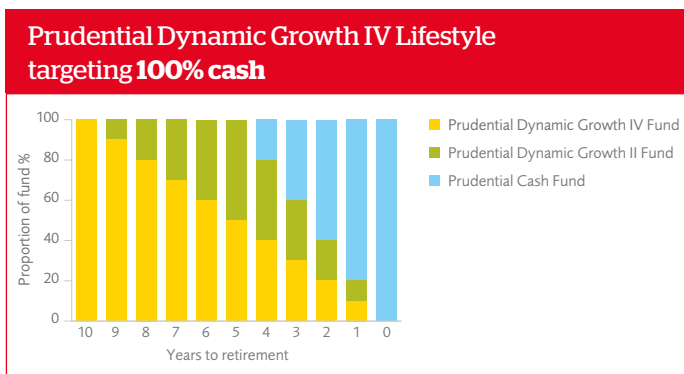
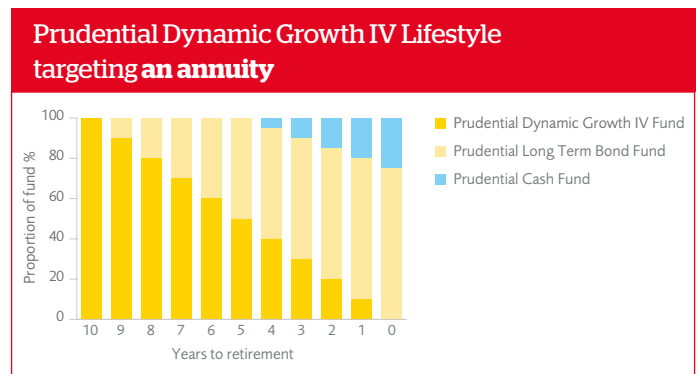
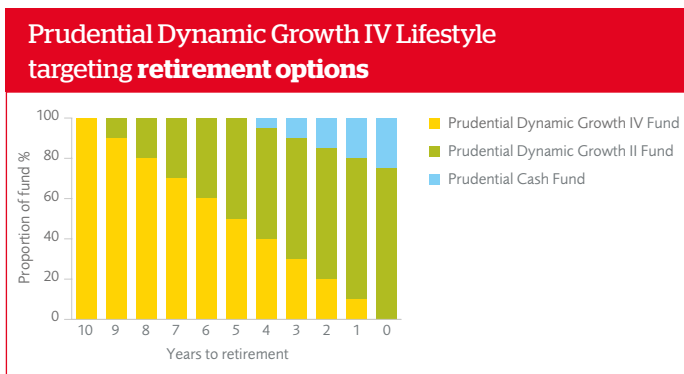
And as members get close to retirement age, how much they invest in each fund is adjusted to help align the funds' investment risk with how they propose to use their savings.

We've four Prudential Dynamic Growth Lifestyle options. Each is designed to reflect what members are likely to do with their savings. There are three for members who know how they're going to use their pension savings, and one is for members who aren't yet sure.

<b>1</b>	Prudential Dynamic Growth IV Lifestyle targeting <b>retirement options</b>	This lifestyle option is designed for customers who aren't yet sure how they're going to use their pension savings.
<b>2</b>	Prudential Dynamic Growth IV Lifestyle targeting <b>an annuity</b>	These lifestyle options are designed for customers who know how they're going to use their pension savings.
<b>3</b>	Prudential Dynamic Growth IV Lifestyle targeting <b>100% cash</b>	
<b>4</b>	Prudential Dynamic Growth IV Lifestyle targeting <b>drawdown</b>	

### A picture of how a lifestyle option works

The charts below show the funds in each lifestyle option and when members move between them as they get close to their retirement age.





## The new funds may have a different aim

All investment funds have an aim. The aim, or objective, tells you what the fund manager is trying to do when managing the fund. Here are the investment objectives, and the risk ratings, of the funds in our four lifestyle options.

Component fund	Lifestyle option targeting	Number of years to retirement age	Our risk rating	Investment objective
<b>Prudential Dynamic Growth IV</b>	<ul style="list-style-type: none"> <li>retirement options</li> <li>an annuity</li> <li>100% cash</li> <li>drawdown</li> </ul>	more than 10 years	<b>medium</b>	<p>The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 40% of its assets in equities but not more than 80%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis.</p> <p>The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.</p>
<b>Prudential Dynamic Growth II</b>	<ul style="list-style-type: none"> <li>retirement options</li> <li>100% cash</li> <li>drawdown</li> </ul>	less than 10 years	<b>lower to medium</b>	<p>The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 10% of its assets in equities but not more than 40%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis.</p> <p>The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.</p>
<b>Prudential Long Term Bond</b>	<ul style="list-style-type: none"> <li>an annuity</li> </ul>	less than 10 years	<b>medium</b>	<p>The investment strategy of the fund is to purchase units in the M&amp;G PP Long Term Bond Fund.</p> <p>That fund invests, via other M&amp;G PP funds, in long-dated bonds split equally between UK Government gilts and corporate bonds. It is a 'fund of funds' with the gilts component passively managed. The actively managed corporate bonds are mainly high quality sterling issues, but may include limited amounts of high yield and hedged non-sterling bonds.</p> <p>The split between government and corporate bonds may be reviewed from time to time.</p> <p><b>Performance objective:</b> to match the performance of the benchmark as closely as possible.</p>
<b>Prudential Cash</b>	<ul style="list-style-type: none"> <li>retirement options</li> <li>an annuity</li> <li>100% cash</li> </ul>	less than five years	<b>minimal</b>	<p>The investment strategy of the fund is to purchase units in the M&amp;G PP Cash Fund.</p> <p>That fund invests in both secured (reverse repurchase agreements) and unsecured interest bearing deposits, as well as short-term UK Government bonds and certificates of deposit.</p> <p>It is actively managed against its benchmark, the London Interbank LIBID 7 day deposit rate.</p> <p><b>Performance objective:</b> to outperform the benchmark before charges on a rolling three year basis.</p>

## Our investment risk ratings explained

<b>higher</b>	These are specialist equity funds that focus on set geographical regions or a particular type of share – shares of smaller companies or those that conform to certain criteria.
<b>medium to higher</b>	These funds offer a diverse geographical spread of equity investment or have multi-asset strategies with a specialist focus (such as ethical). The equity funds in this category will have greater overseas exposure and underlying volatility than the medium sector.
<b>medium</b>	These funds may invest in multi-asset strategies with a higher weighting in equities (or with significant derivative use), while funds investing mainly in property, high yield or government bonds (such as UK gilts) are also in this category.
<b>lower to medium</b>	These funds may invest in corporate bonds or multi-asset strategies with a higher weighting in corporate bonds – and other comparable strategies.
<b>lower</b>	These funds may invest in assets, combinations of assets or defensive strategies, where the chances of values falling and rising are likely to lie between those of funds investing in money market instruments and funds investing solely in corporate bonds.
<b>minimal</b>	These funds may invest in a combination of deposits, money market instruments and other interest bearing securities.

*The information in this leaflet was correct when the leaflet was written.*



[pru.co.uk](http://pru.co.uk)

**Aims**

The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 40% of its assets in equities but not more than 80%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.

**Benchmark**

Benchmark Internal composite benchmark, asset allocation set by the PPMG  
 ABI Sector Mixed Investment 40-85% Shares

**Identification Codes**

Sedol Code	BSPBVB1
Mex Code	VNAAAF
Isin Code	GB00BSPBVB10
Citi Code	M41T

**Fund Overview**

Daily price (27/02/2019)	131.30
Fund size (31/01/2019)	£2048.25m
Number of holdings	4337
Launch date	27/02/2015

**Fund Charges**

Base Annual Management Charge (AMC)	Please refer to the "Fund Guide" for your specific pension plan
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**Performance**



**Discrete performance - to latest available quarter end**

	31/12/13 to 31/12/14	31/12/14 to 31/12/15	31/12/15 to 31/12/16	31/12/16 to 31/12/17	31/12/17 to 31/12/18
Fund	n/a	n/a	22.8%	11.5%	-4.7%
Benchmark	n/a	n/a	14.2%	9.2%	-5.0%

**Performance - to latest available quarter end**

	Quarter		Annualised		
	4 2018	3 Years to 31/12/18	5 Years to 31/12/18	10 Years to 31/12/18	
Fund	-6.3%	9.3%	n/a	n/a	
Benchmark	-6.5%	5.8%	n/a	n/a	

**Prudential Risk Rating**

**Medium Risk**

These funds may invest in multi-asset strategies with a higher weighting in equities (or with significant derivative use), while funds investing mainly in property, high yield or government bonds (such as UK Gilts) are also in this category.

These risk ratings have been developed by Prudential to help provide an indication of a fund's potential level of risk and reward based on the type of assets which may be held by the fund. Other companies may use different descriptions and as such these risk ratings should not be considered as generic across the fund management industry.

We regularly review our fund risk ratings, so they may change in the future. If, in our view, there is a material change in the fund's level of risk, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we will provide information on the new risk rating. We recommend that you make sure you understand the risk rating of any fund before you invest.

You should also consider discussing your decision and the appropriateness of a fund's risk rating with an adviser.

**Fund Managers**



Name:	M&G	BlackRock	Prudential Portfolio Management Group
Manager for:	4 years	4 years	4 years

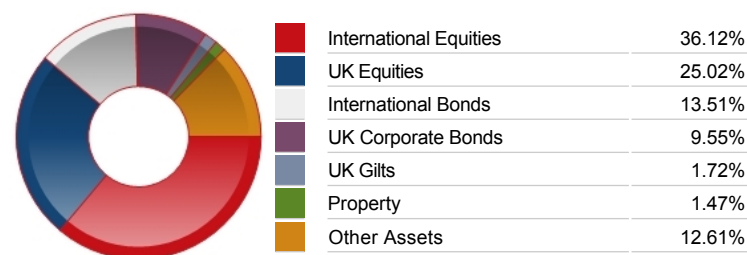
**Important Information**

- For some funds, there is a short time-lag between a policyholder investing his money, the money passing through the accounting system and then buying the underlying investments. This time-lag or "dealing cycle" is not factored in to performance of the Prudential fund. You may therefore see a difference between the Prudential fund's performance and that of any underlying fund it invests in.
- Source of portfolio data: FundsLibrary. Source of performance data: Financial Express (FE). Please remember that past performance is not a reliable indicator of future performance. The figures shown are intended only to demonstrate performance history of the fund and take no account of product charges. The application of charges may impact the overall performance. Please also note that our charges may vary in the future and may be higher than they are now. Fund Performance is based upon the movement of the daily price and is shown as total return in GBP with gross income reinvested. The value of your investment can go down as well as up and you may not get back the amount you put in.
- This factsheet is intended for the trustees, sponsors, advisers and members of occupational pension schemes using Prudential group pension contracts and Prudential grouped personal pensions and Stakeholder pension contracts. Its purpose is to provide an insight into how investment markets and funds have performed over the period and is provided for information only. If you are not familiar with any of the investment terminology included, then please contact an adviser. Investors should refer to their scheme documentation (e.g. Fund Guide) for fund availability, investment strategy, any scheme information and charges. Every care has been taken in populating this output, however it must be appreciated that neither FundsLibrary, Prudential nor their sources guarantee the accuracy, adequacy or completeness of this information or make any warranties regarding results from its usage.

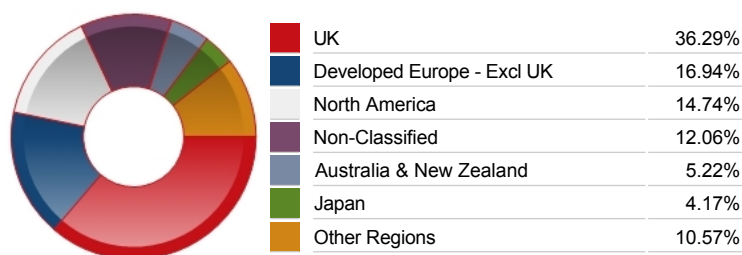
Top 10 Holdings

Name	% Weight	Sector	Country
1 HSBC Holdings PLC (UK Reg)	1.74%	Banks	United Kingdom
2 Royal Dutch Shell A	1.40%	Oil & Gas Producers	United Kingdom
3 BP	1.29%	Oil & Gas Producers	United Kingdom
4 Royal Dutch Shell B	1.17%	Oil & Gas Producers	United Kingdom
5 AstraZeneca	0.99%	Pharmaceuticals & Biotechnology	United Kingdom
6 GlaxoSmithKline	0.97%	Pharmaceuticals & Biotechnology	United Kingdom
7 Samsung Electronics Co.	0.93%	Technology Hardware & Equipment	South Korea
8 Diageo	0.90%	Beverages	United Kingdom
9 British American Tobacco	0.76%	Tobacco	United Kingdom
10 Unilever	0.60%	Personal Goods	United Kingdom

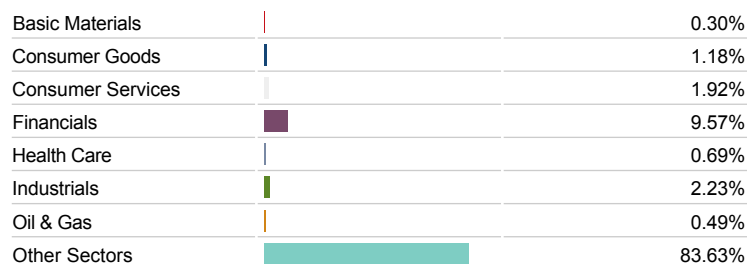
Asset Allocation



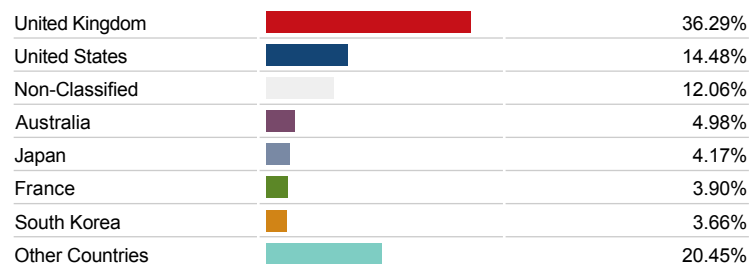
Regional Allocation



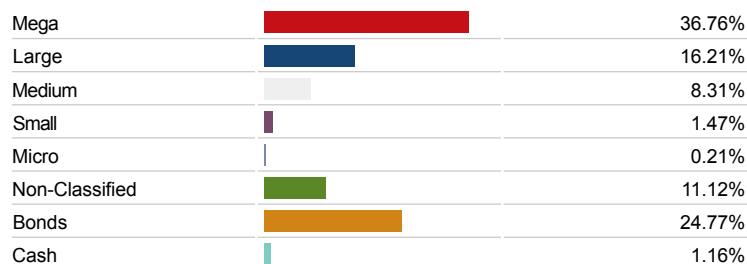
Bond Sector Breakdown



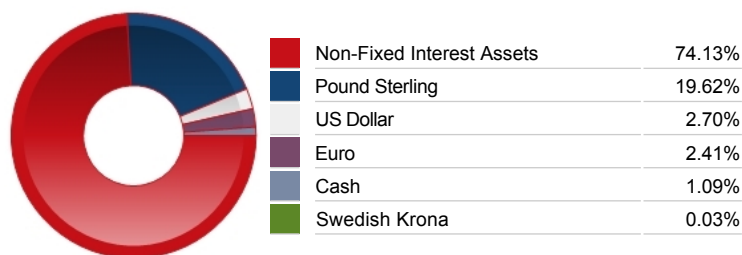
Top Country Breakdown



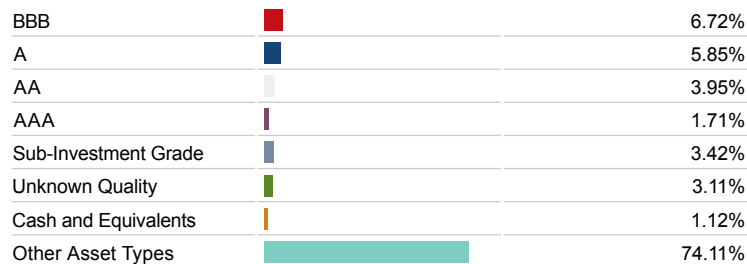
Breakdown By Market Cap (%)



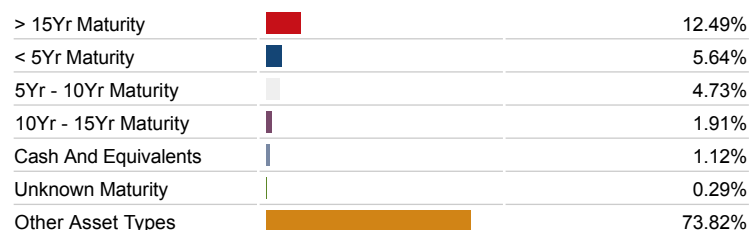
Fixed Interest Currencies



Fixed Interest Quality Profile



Fixed Interest Maturity Profile



Important Information

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- Prudential is a trading name of Prudential Pensions Limited. This name is also used by other companies within the Prudential Group. Prudential Pensions Limited is registered in England and Wales. Registered office at Laurence Pountney Hill, London EC4R 0HF. Registered Number 992726. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

**Performance comment**

Performance as at Q4 2018 - After a positive Q3, all 5 of the PPDG Funds experienced negative performance in Q4 2018, meaning portfolio performance was negative for full year 2018. It should be noted that this was an unusual year in which, almost without exception, a wide range of different asset classes produced negative performance for investors. Diversification benefits were therefore less pronounced than usual. In Q4 the story of softening growth continued, and the US macro data also began to soften to an extent. Global trade tensions between China and the USA continued as a theme, while evidence of the effects of the tensions began to be seen in the global economy. Developed market equities fell around 14% in Q4, while emerging market equities fell -7.5%. UK fixed income assets did help to soften the impact as government bond assets benefitted somewhat from "safe haven" status. This helped aggregate performance during Q4, as did a 2.5% depreciation of Sterling vs the US Dollar.

Another key focus of the market in the last quarter of the year was the flattening US yield curve, and whether this was a precursor to a US recession. The view of many was that the US Federal Reserve could continue to raise rates during 2019, and that this would follow through to have a negative effect on the economy. While the fund manager was of the opinion that global growth continued to soften, he was less concerned about recession risk. There continued to be strong credit fundamentals, with the fund manager being of the opinion that central banks would react to negative data and market moves and change policy to be more accommodative once again.

Although financial conditions generally tightened during the year, there were several stimulus measures introduced in China, and the fund will continue to look for signs that these are bearing fruit. At the same time, the fund continues to monitor China / USA trade relations (a ceasefire has been announced, and the market continues to hope for a positive outcome to the delayed negotiations). Finally the UK Brexit debate rumbles on, and the fund continues to monitor the situation for opportunities and threats presented to the fund's positioning.

This commentary reflects the general views of individual fund managers and should not be taken as a recommendation of advice as to how any specific market is likely to perform. Source: M&G Investments

**Important Information**

- Prudential is a trading name of Prudential Pensions Limited. This name is also used by other companies within the Prudential Group. Prudential Pensions Limited is registered in England and Wales. Registered office at Laurence Pountney Hill, London EC4R 0HH. Registered number 992726. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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**Aims**

The investment strategy of the fund is to purchase units in the M&G PP Fixed Interest Fund. That fund invests mainly in UK government gilts. The fund is actively managed against its benchmark, the FTSE Actuaries UK Conventional Gilts All Stocks Index. The fund can also invest in overseas government bonds and corporate bonds issued by UK and overseas companies and institutions. Exposure to short-term exchange rate movements from any overseas holdings is mitigated by hedging.

Performance Objective: To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.

**Benchmark**

Benchmark FTSE Actuaries UK Conventional Gilts All Stocks Index  
 ABI Sector Sterling Fixed Interest

**Identification Codes**

Sedol Code 3168585  
 Mex Code PUFIT  
 Isin Code GB0031685851  
 Citi Code P272

**Fund Overview**

Daily price (27/02/2019) 265.00  
 Fund size (31/01/2019) £29.10m  
 Underlying Fund size £62.41m  
 Number of holdings 10  
 Launch date 06/04/2001

**Fund Charges**

Base Annual Management Charge (AMC) Please refer to the "Fund Guide" for your specific pension plan

**Performance**



**Discrete performance - to latest available quarter end**

	31/12/13 to 31/12/14	31/12/14 to 31/12/15	31/12/15 to 31/12/16	31/12/16 to 31/12/17	31/12/17 to 31/12/18
Fund	14.1%	0.9%	10.6%	2.5%	0.2%
Benchmark	13.9%	0.6%	10.1%	1.8%	0.6%

**Performance - to latest available quarter end**

	Quarter	Annualised		
	4 2018	3 Years to 31/12/18	5 Years to 31/12/18	10 Years to 31/12/18
Fund	1.4%	4.4%	5.5%	5.5%
Benchmark	1.9%	4.1%	5.2%	4.5%

**Prudential Risk Rating**

**Lower to Medium Risk**

These funds may invest in corporate bonds or multi-asset strategies with a higher weighting in corporate bonds (and other comparable strategies).

These risk ratings have been developed by Prudential to help provide an indication of a fund's potential level of risk and reward based on the type of assets which may be held by the fund. Other companies may use different descriptions and as such these risk ratings should not be considered as generic across the fund management industry.

We regularly review our fund risk ratings, so they may change in the future. If, in our view, there is a material change in the fund's level of risk, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we will provide information on the new risk rating. We recommend that you make sure you understand the risk rating of any fund before you invest.

You should also consider discussing your decision and the appropriateness of a fund's risk rating with an adviser.

**Fund Managers**



Name: Miles Tym  
 Manager of the underlying fund for: 6 years, 5 months

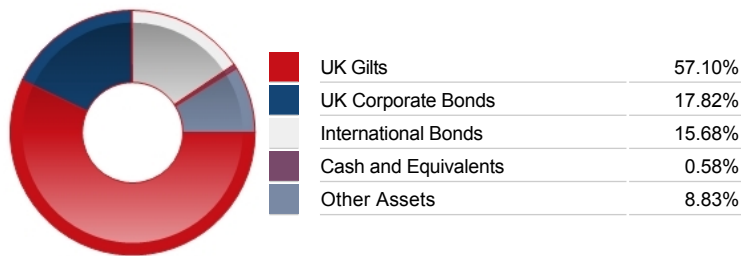
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- Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2018. FTSE Russell is a trading name of certain of the LSE Group companies. e.g., "FTSE®" "Russell®", "FTSE Russell®", "MTS®", "FTSE4Good®", "ICB®", "Mergent®, The Yield Book®," are a trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. "TMX®" is a trade mark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.
- Source of portfolio data: FundsLibrary. Source of performance data: Financial Express (FE). Please remember that past performance is not a reliable indicator of future performance. The figures shown are intended only to demonstrate performance history of the fund and take no account of product charges. The application of charges may impact the overall performance. Please also note that our charges may vary in the future and may be higher than they are now. Fund Performance is based upon the movement of the daily price and is shown as total return in GBP with gross income reinvested. The value of your investment can go down as well as up and you may not get back the amount you put in.
- This factsheet is intended for the trustees, sponsors, advisers and members of occupational pension schemes using Prudential group pension contracts and Prudential grouped personal pensions and Stakeholder pension contracts. Its purpose is to provide an insight into how investment markets and funds have performed over the period and is provided for information only. If you are not familiar with any of the investment terminology included, then please contact an adviser. Investors should refer to their scheme documentation (e.g. Fund Guide) for fund availability, investment strategy, any scheme information and charges. Every care has been taken in populating this output, however it must be appreciated that neither FundsLibrary, Prudential nor their sources guarantee the accuracy, adequacy or completeness of this information or make any warranties regarding results from its usage.

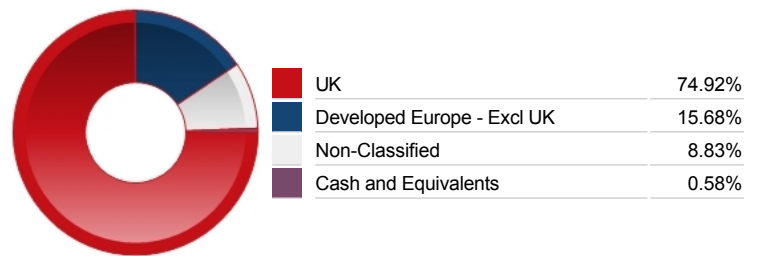
Top 10 Holdings

Name	% Weight	Sector	Country
1 2¼% Treasury Gilt 2023	23.36%	Bonds	United Kingdom
2 UK(GOVT OF)1.625% GILT 10/71 GBP0.01	12.86%	Bonds	United Kingdom
3 3¾% Treasury Gilt 2020	11.24%	Bonds	United Kingdom
4 KREDITANST FUR WIE0.875% SNR 15/03/22 GBP1000	10.45%	Bonds	Germany
5 1½% Treasury Gilt 2047	9.45%	Bonds	United Kingdom
6 PPL TREASURY POOLPPL TREASURY POOL	8.83%	Non-Classified	Non-Classified
7 3¼% Treasury Gilt 2044	8.42%	Bonds	United Kingdom
8 EURO INV BANK1.125% SNR 07/09/21 GBP1000	5.23%	Banks	Luxembourg
9 UK(GOVT OF)1.75% GILT 22/01/49 GBP0.01	4.96%	Bonds	United Kingdom
10 ¾% Treasury Gilt 2023	4.63%	Bonds	United Kingdom

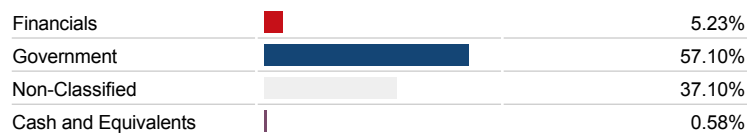
Asset Allocation



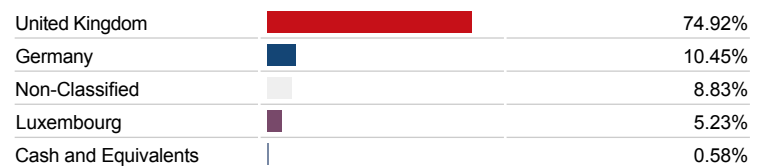
Regional Allocation



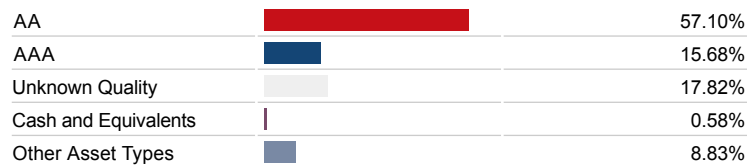
Bond Sector Breakdown



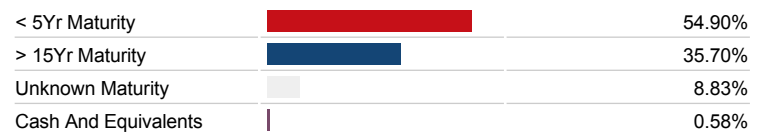
Top Country Breakdown



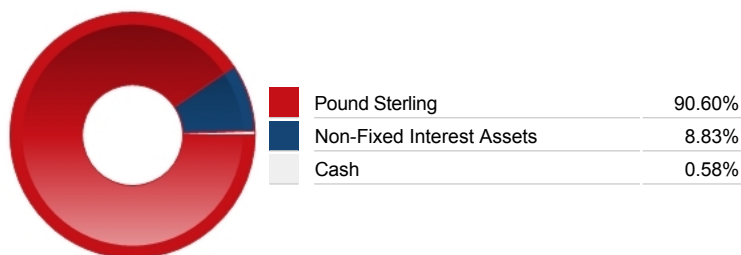
Fixed Interest Quality Profile



Fixed Interest Maturity Profile



Fixed Interest Currencies



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## Performance comment

Performance as at Q4 2018 - During the final quarter of 2018, the manager increased and subsequently closed the overweight position versus the benchmark in gilts maturing in 50 years versus shorter dated gilts. Gilts maturing in 50 years underperformed after a poorly received syndication. This detracted from performance over the quarter.

This commentary reflects the general views of individual fund managers and should not be taken as a recommendation of advice as to how any specific market is likely to perform.  
Source: M&G Investments

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**Aims**

The investment strategy of the fund is to purchase units in the HSBC Islamic Global Equity Index Fund. That fund aims to create long term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic investment principles as interpreted and laid down by fund manager's Shariah Committee and provided to the fund manager's Board of Directors. For further details on the Shariah principles, please refer to the section "Investment Policy of the Sub-Funds" found in the underlying fund's prospectus.

**Benchmark**

Benchmark Dow Jones Islamic Titans 100 Index  
 ABI Sector Global Equities

**Identification Codes**

Sedol Code B06GS52  
 Mex Code PUEYD  
 Isin Code GB00B06GS525  
 Citi Code UO44

**Fund Overview**

Daily price (26/02/2019) 417.64  
 Fund size (31/01/2019) £4.27m  
 Underlying Fund size \$597.08m  
 Number of holdings 106  
 Launch date 18/04/2005

**Fund Charges**

Base Annual Management Charge (AMC) Please refer to the "Fund Guide" for your specific pension plan

**Performance**



**Discrete performance - to latest available quarter end**

	31/12/13 to 31/12/14	31/12/14 to 31/12/15	31/12/15 to 31/12/16	31/12/16 to 31/12/17	31/12/17 to 31/12/18
Fund	15.9%	4.6%	28.9%	14.0%	2.2%
Benchmark	15.3%	7.9%	26.1%	15.5%	2.3%

**Performance - to latest available quarter end**

	Quarter 4 2018	3 Years to 31/12/18	Annualised 5 Years to 31/12/18	Annualised 10 Years to 31/12/18
Fund	-9.5%	14.5%	12.7%	11.6%
Benchmark	-10.0%	14.2%	13.1%	n/a

**Prudential Risk Rating**

**Medium to Higher Risk**

These funds offer a diverse geographical spread of equity investment or have multi-asset strategies with a specialist focus (e.g. ethical). The equity funds within this category will have greater overseas exposure and underlying volatility than the "medium" sector.

These risk ratings have been developed by Prudential to help provide an indication of a fund's potential level of risk and reward based on the type of assets which may be held by the fund. Other companies may use different descriptions and as such these risk ratings should not be considered as generic across the fund management industry.

We regularly review our fund risk ratings, so they may change in the future. If, in our view, there is a material change in the fund's level of risk, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we will provide information on the new risk rating. We recommend that you make sure you understand the risk rating of any fund before you invest.

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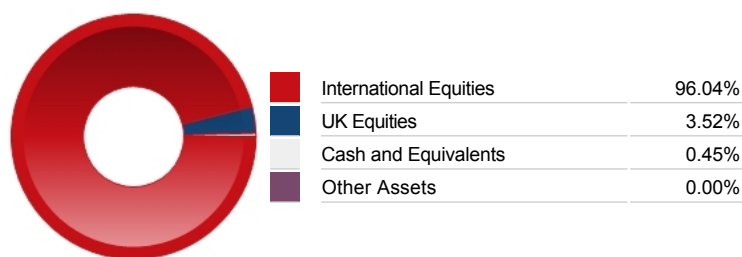
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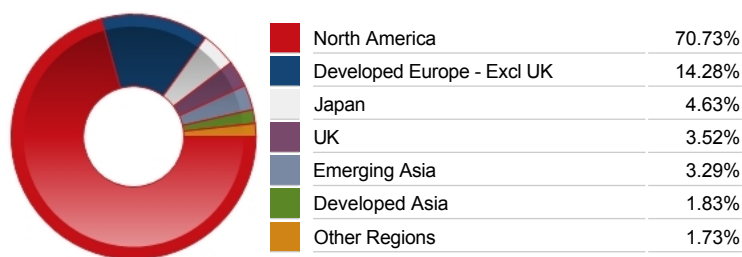
**Top 10 Holdings**

Name	% Weight	Sector	Country
1 Microsoft Corp.	6.68%	Software & Computer Services	United States
2 Apple	6.05%	Technology Hardware & Equipment	United States
3 Johnson & Johnson	2.95%	Pharmaceuticals & Biotechnology	United States
4 Alphabet Class C	2.71%	Software & Computer Services	United States
5 Facebook Class A	2.68%	Software & Computer Services	United States
6 Alphabet Class A	2.66%	Software & Computer Services	United States
7 Exxon Mobil Corp.	2.46%	Oil & Gas Producers	United States
8 Pfizer	2.15%	Pharmaceuticals & Biotechnology	United States
9 Visa	1.97%	Financial Services	United States
10 Procter & Gamble Co.	1.95%	Household Goods & Home Construction	United States

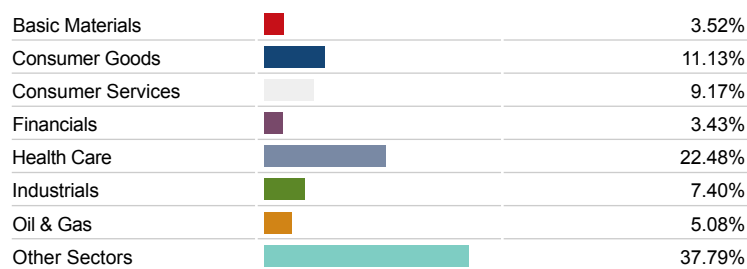
**Asset Allocation**



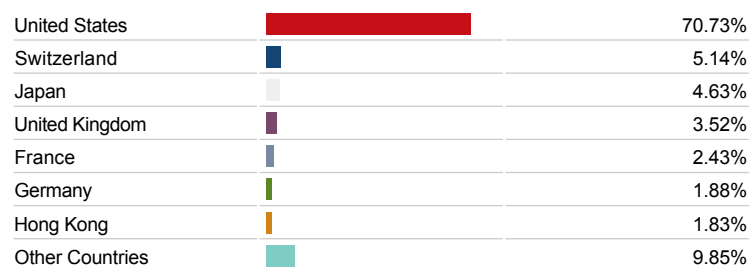
**Regional Allocation**



**Equity Sector Breakdown**



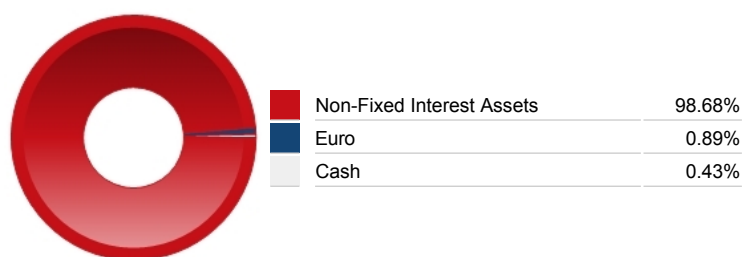
**Top Country Breakdown**



**Breakdown By Market Cap (%)**



**Fixed Interest Currencies**



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**Performance comment**

Performance as at Q4 2018 - Global markets fell during the final quarter of 2018, down -13.0% in local currency terms.

Concerns about the US-China trade war continued to shape global markets, despite the two countries agreeing to postpone an increase in tariffs in the New Year on \$200 billion worth of Chinese goods.

US equities fell over the quarter despite economic growth momentum, rising inflation, and a tight labour market. The sell-off was led by technology stocks, which have led the bull market but are now viewed as being too highly valued. As expected, the Federal Reserve hiked rates again in December, with two more increases expected next year. However, the midterm election results have reduced the likelihood of additional fiscal stimulus to the economy.

In Europe, stocks swayed in tandem with US-China trade sentiment. The European market was also held back by concerns about Italy's economic stability and France's political environment and fiscal position (in the light of large protests and accompanying policy measures to quell the disquiet). UK equities slumped over the fourth quarter, despite the weaker pound contributing materially to the performance of export-reliant stocks. As the separation deadline neared, the currency was affected by the ongoing Brexit negotiations, with the government facing a difficult task to get its draft agreement through parliament. Throughout the quarter, unresolved issues concerning the Irish border also weighed on sentiment.

Japanese equities had a weak fourth quarter, given concerns about slowing domestic growth against the backdrop of the US-China trade war and a slowdown in China.

Emerging markets stabilised following the bout of currency depreciations last quarter. Chinese equities continued to fall, although the decline in the second half of the year has been less than in the first; concern has risen about a slowing Chinese economy, given the escalating trade war between the US and China, though an apparent breakthrough in negotiations helped appease these worries towards the end of the period. In Brazil, the market rose strongly following the victory of candidate Jair Bolsonaro, who is seen as having pro-market policies. The Argentine market stabilised following the travails of the last quarter. Mexican equities fell sharply on concerns about the policies of President-elect Andres Manuel Lopez Obrador, specifically his decision to cancel the Mexico City airport project and to cut banking fees. While a revised trade agreement to replace NAFTA has now been agreed, the deal still needs to be ratified by the countries' legislatures (which might not be straightforward, given recent political developments in the US and Mexico).

This commentary reflects the general views of individual fund managers and should not be taken as a recommendation of advice as to how any specific market is likely to perform. Source: HSBC Global Asset Management (UK) Limited.

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**Aims**

The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 10% of its assets in equities but not more than 40%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.

**Benchmark**

Benchmark Internal composite benchmark, asset allocation set by the PPMG  
 ABI Sector Mixed Investment 20-60% Shares

**Identification Codes**

Sedol Code	BSPBV88
Mex Code	VNAAAD
Isin Code	GB00BSPBV885
Citi Code	M41R

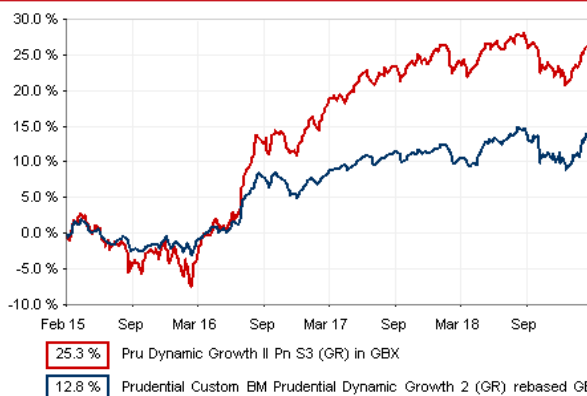
**Fund Overview**

Daily price (27/02/2019)	125.30
Fund size (31/01/2019)	£304.19m
Number of holdings	4337
Launch date	27/02/2015

**Fund Charges**

Base Annual Management Charge (AMC)	Please refer to the "Fund Guide" for your specific pension plan
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**Performance**



**Discrete performance - to latest available quarter end**

	31/12/13 to 31/12/14	31/12/14 to 31/12/15	31/12/15 to 31/12/16	31/12/16 to 31/12/17	31/12/17 to 31/12/18
Fund	n/a	n/a	18.1%	9.2%	-3.1%
Benchmark	n/a	n/a	8.7%	4.4%	-2.4%

**Performance - to latest available quarter end**

	Quarter	Annualised		
	4 2018	3 Years to 31/12/18	5 Years to 31/12/18	10 Years to 31/12/18
Fund	-4.0%	7.7%	n/a	n/a
Benchmark	-3.8%	3.5%	n/a	n/a

**Prudential Risk Rating**

**Lower to Medium Risk**

These funds may invest in corporate bonds or multi-asset strategies with a higher weighting in corporate bonds (and other comparable strategies).

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We regularly review our fund risk ratings, so they may change in the future. If, in our view, there is a material change in the fund's level of risk, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we will provide information on the new risk rating. We recommend that you make sure you understand the risk rating of any fund before you invest.

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**Fund Managers**



Name:	M&G	BlackRock	Prudential Portfolio Management Group
Manager for:	4 years	4 years	4 years

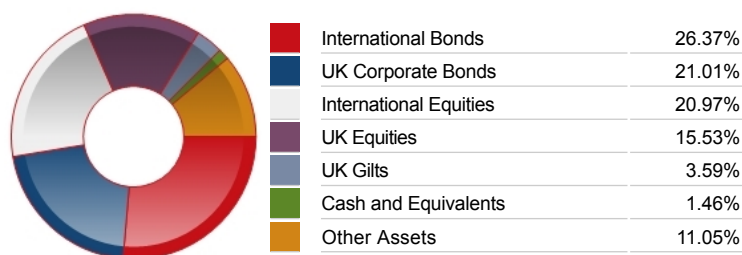
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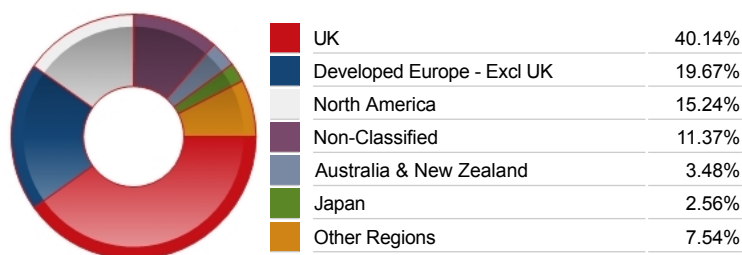
Top 10 Holdings

Name	% Weight	Sector	Country
1 HSBC Holdings PLC (UK Reg)	1.08%	Banks	United Kingdom
2 Royal Dutch Shell A	0.87%	Oil & Gas Producers	United Kingdom
3 BP	0.80%	Oil & Gas Producers	United Kingdom
4 5% Treasury Stock 2025	0.79%	Bonds	United Kingdom
5 EDF6% SNR EMTN 23/01/2114 GBP	0.76%	Electricity	France
6 Royal Dutch Shell B	0.73%	Oil & Gas Producers	United Kingdom
7 4¼% Treasury Stock 2020	0.65%	Bonds	United Kingdom
8 2% Treasury Gilt 2020	0.62%	Bonds	United Kingdom
9 AstraZeneca	0.62%	Pharmaceuticals & Biotechnology	United Kingdom
10 GlaxoSmithKline	0.60%	Pharmaceuticals & Biotechnology	United Kingdom

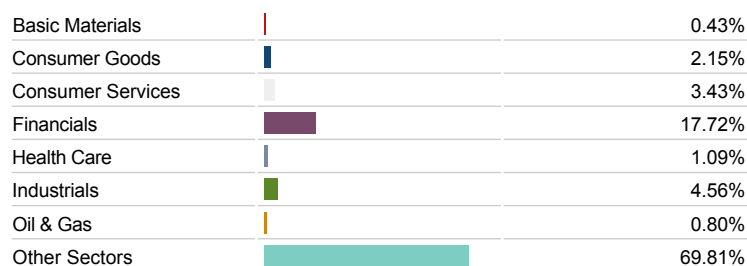
Asset Allocation



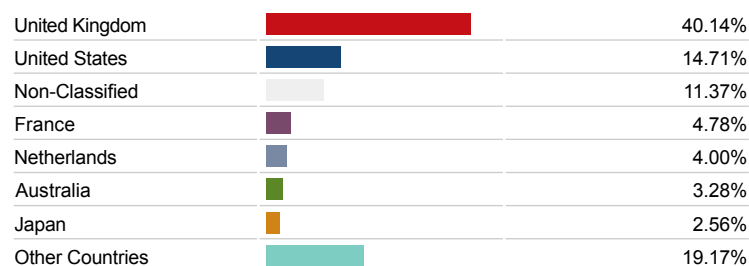
Regional Allocation



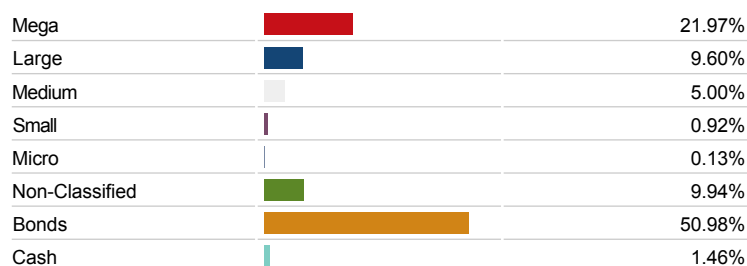
Bond Sector Breakdown



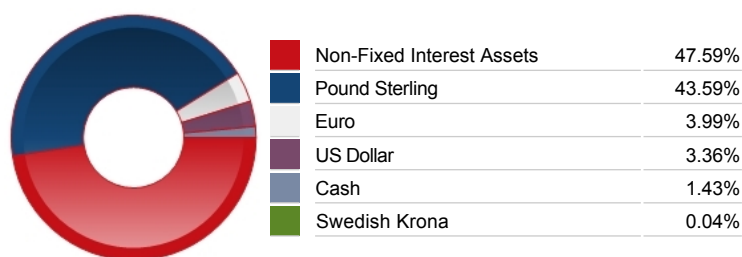
Top Country Breakdown



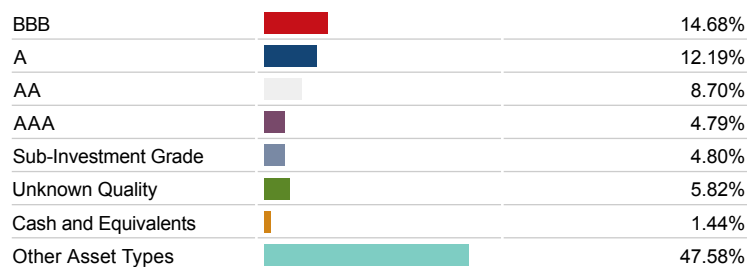
Breakdown By Market Cap (%)



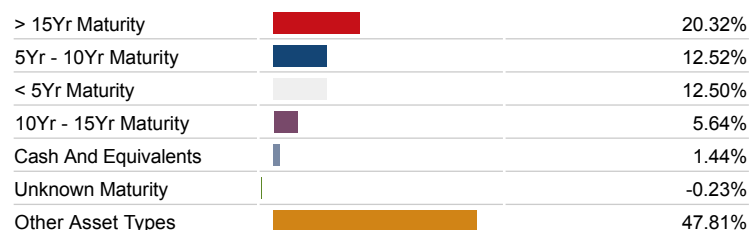
Fixed Interest Currencies



Fixed Interest Quality Profile



Fixed Interest Maturity Profile



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**Performance comment**

Performance as at Q4 2018 - After a positive Q3, all 5 of the PPDG Funds experienced negative performance in Q4 2018, meaning portfolio performance was negative for full year 2018. It should be noted that this was an unusual year in which, almost without exception, a wide range of different asset classes produced negative performance for investors. Diversification benefits were therefore less pronounced than usual. In Q4 the story of softening growth continued, and the US macro data also began to soften to an extent. Global trade tensions between China and the USA continued as a theme, while evidence of the effects of the tensions began to be seen in the global economy. Developed market equities fell around 14% in Q4, while emerging market equities fell -7.5%. UK fixed income assets did help to soften the impact as government bond assets benefitted somewhat from "safe haven" status. This helped aggregate performance during Q4, as did a 2.5% depreciation of Sterling vs the US Dollar.

Another key focus of the market in the last quarter of the year was the flattening US yield curve, and whether this was a precursor to a US recession. The view of many was that the US Federal Reserve could continue to raise rates during 2019, and that this would follow through to have a negative effect on the economy. While the fund manager was of the opinion that global growth continued to soften, he was less concerned about recession risk. There continued to be strong credit fundamentals, with the fund manager being of the opinion that central banks would react to negative data and market moves and change policy to be more accommodative once again.

Although financial conditions generally tightened during the year, there were several stimulus measures introduced in China, and the fund will continue to look for signs that these are bearing fruit. At the same time, the fund continues to monitor China / USA trade relations (a ceasefire has been announced, and the market continues to hope for a positive outcome to the delayed negotiations). Finally the UK Brexit debate rumbles on, and the fund continues to monitor the situation for opportunities and threats presented to the fund's positioning.

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
14 March 2019

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### **WILTSHIRE PENSION FUND DATA IMPROVEMENT STRATEGY & PLAN**

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

1. The purpose of this report is to present a draft Data Improvement Strategy & Plan to Committee for approval.

#### **Background**

2. The Pension Regulator recommends that all Funds should review their data quality at least annually and put a Data Improvement Plan in place should they identify any material data issues.
3. For many years, the Fund has recognised the importance of good quality data on nearly all aspects of the running the Fund efficiently and effectively. However, with increasing complexity, acceptance and awareness of the importance of good quality at a national level, officers recognise the need to prioritise data quality even more highly and formalise its approach.
4. The Plan represents a formalisation and summary of existing and new initiatives to improve the Fund's data quality.

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

5. The Strategy and Plan breakdowns down the issues between the categories 'obtaining good quality data' and 'maintaining good quality data'. The rationale for taking this approach is to make clear the need focus on taking a preventative approach to new data quality issues developing, in addition to resolving existing data issues.
6. Furthermore, some of the improvements planned can be further categorised as short-term or long-term improvements. Many of preventative style approaches identified are longer-term.
7. Existing, identified data issues have been summarised and broken down into the categories outlined in the sub-plans shown in Appendix 1 of the Strategy and Plan while preventative approaches are outlined in Appendix 2. Some of these sub-plans are already developed and in place while others are still due to be developed. Officers will continue to add additional sub-plans as and when required.

#### **Financial Implications**

8. There are no direct implications of this plan. The new data improvement plans currently plan to use existing resource or software that the Fund has already purchased (e.g. I-connect).

#### **Risk Assessment**

9. This data improvement strategy and plan mainly relates to risk PEN010 on the risk register but also indirectly to other risks such as PEN001 and PEN008.

**Legal Implications**

10. The proposals in this document will help strengthened the Fund compliance with legislation relating to data

**Environmental Impacts of the Proposals**

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

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

12. There are no known implications at this time.

**Proposals**

13. The Board is asked to approve the Data Improvement Strategy and Plan.

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

Report Author: Andy Cunningham, Head of Pensions Administration and Relations  
Unpublished documents relied upon in the production of this report: NONE

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# **Data Improvement Strategy & Plan**

**March 2019**

## Contents

1. Introduction.....	2
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## 1. Introduction

This document outlines Wiltshire Pension Fund's Data Improvement Strategy & Plan.

Fundamentally, the purpose of the Fund is to pay the **correct pension benefits to its members when they become due**. It is therefore imperative that the Fund achieves and maintains the highest possible data quality standards, to comply with its core functions and to ensure the cost-effective use of resources. High quality data is also the basis for all fund valuations and effective decision making.

Keeping and maintaining high quality data is becoming increasingly difficult due to the continual diversification of the participating employer base, the increasing number of payroll providers, the large number of members and the complexity inherent in the scheme's design. However, the Fund is committed to meeting these challenges by using the approaches outlined in this strategy.

## 2. Legislative Framework

This Fund and its employers have a legal obligation and statutory duty to comply with a various regulations, standards and formal guidance; these include, but are not limited to:

- LGPS Regulations 2013, as amended;
- Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014;
- The Pensions Act 1995, 2004 and 2008;
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013;
- Data Protection Act 2018;
- Freedom of Information Act 2000;
- Pension Regulator's Code of Practice No.14

This document considers the requirements of these different pieces of legislation in determining the Fund's approach and its priorities.

### 'Common' & 'Conditional' Data

The Pension Regulator (tPR) acknowledges that complete, accurate scheme records are a vital part of the administrative function. tPR defines two types of data held in scheme records which can be broadly explained as follows:

**Common data:** Data used to identify scheme members and includes names, addresses, national insurance number and date of birth and other similar data.

**Conditional data:** Data which is essential to calculate benefit entitlements for the LGPS such as, member contributions, pensionable pay & service history. It also encompasses

data relating to events that occur during an individual's membership, for example transfers, purchase of additional pension and pension sharing orders.

Both types of data are equally important, but are defined separately for the purposes of measurement by tPR

### **3. Plan objectives**

The key objectives of this plan are:

- a). To ensure accurate records are maintained to calculate pension entitlements and employer liabilities; ensuring all information and data is communicated securely and accurately, within prescribed timescales.
- b). To ensure that the Fund is compliant with legislation and in particular, with the guidance of the Pension Regulator. Furthermore, in doing so, ensuring it establishes a robust, reviewable and transparent framework necessary for the acquisition and upkeep of accurate, complete and up-to-date records
- c). All actions agreed are proportionate to the risk posed, cost effective and efficient. As part of this, appropriate technology used will be used wherever possible to improve data quality standards, and the streamlining of operational processing across employer and Fund workstreams.
- d). To focus on making sure the Fund data is correct at source by using preventative approaches wherever possible (section 4). Data cleansing activities should very much be used as a second line of defence rather than the main strategy to hold clean data.
- e). To ensure clarity of roles and responsibilities between the Fund and employers, ensuring all parties are committed to the continuing engagement to improve data quality and promote accurate record keeping.
- f). To ensure that all data collection processes are clearly documented and regularly reviewed to check the validity of data. Internal managers will act as a second line of defence by periodically checking documented procedures are followed while an audit programme will be in place to act as a third line of defence on controls, the collection and processing of data.

### **4. Obtaining good quality data**

An essential part of any data improvement policy is to ensure that good quality data is received at source and accurate processing takes place to create new, accurate data items. The Fund's data requirements are outlined within its template forms and employer's guide both held on the website. Outlined in this section are the approaches that the Fund will use:



### a). I-connect and accurate data submissions

The Fund has recently purchased a software package called I-connect and a key part of this data improvement plan is to rollout the use of I-connect across the Fund's current and future participating employers. I-connect acts as a portal which sits between employers and the Fund and it helps ensure the data submitted from employers to the Fund passes a high number of data validation checks before it is uploaded on to the Fund's administration system, thus reducing the risk that poor quality data enters the system and discrepancies arise between employer's payroll software and the Fund's administration system. The Fund intends to rollout I-connect gradually across all employers between 2019 and 2021 in order to ensure that adequate testing takes place and employers have time to adjust their processes to a new way of working.

Complete and accurate data submissions are the cornerstone of high quality data. However, even with full roll-out of I-connect, the Fund will need to continue to rely on other forms of data submissions, mainly where the data sources are non-employer party such as other funds and members themselves. Further information on how the Fund will address these data matters are explained in the points below.

### b). Employer training, engagement and support

The Fund is reliant upon the accuracy, completeness and timeliness of data provision from participating employers and any third-party agencies they may utilise e.g. payroll providers.

To maintain complete and accurate records there needs to be a continual dialogue with participating employers regarding the provision of data, particularly as employer contacts change. Fund Officers will work with named employer representatives throughout the year to support the general activities of the Fund, clarifying information and data provided and actively seek to train employers on all aspects of pensions administration as necessary. It is an employer responsibility to both provide accurate data and to provide resources to respond to ad-hoc enquiries, bulk data activities such as year-end data submissions and data reconciliations.

The Fund will set out an employer training plan, review and improve all material available to employers such as the employer's guide and continue to provide other supplementary information through the mediums of newsletters, forums, the administration strategy, the website and webinars.

### c). Clear data submission templates and forms & timely deliver

The Fund recognises that due to the nature of the Scheme, it has relatively complex and time-consuming data requirements and it has a responsibility to ensure that its templates and forms are as simple as possible to understand and complete. As part of a current project

undertaking a review of repeatable processes, the Fund will analyse where errors and misunderstandings often occur in relation to its forms, letters and other templates, and make adjustments wherever possible to reduce the frequency of this occurrence by supporting employers.

Furthermore, the Fund needs to ensure the timescales outlined in the Administration Strategy are met to ensure the timely delivery of data by following the protocols stated within it and that it uses the Fund's escalation policy, where necessary, if other approaches are exhausted.

#### d). Effective internal controls and processes

All processes must be underpinned by suitable documentation, staff training and skills transfer to ensure ownership, understanding and compliance at both a Fund and employer level. As the Fund processes source data, it needs to ensure that the new data it creates is also accurate. It will do this by making sure clear and up to date procedures are in place and are being followed, the Altair pension administration system is up to date and any 'known errors' are communicated to processors, processes are adjusted where necessary and relevant managers undertake regular reviews of the work being processed and they make recommended improvements where necessary.

#### e). Timely receipt and processing of data

Another key element of ensuring data used is accurate is for the Fund to receive and process data in a timely manner. The Fund will aim to ensure it always has appropriate resource in place, work is prioritised appropriately and any mounting data backlogs are quickly identified and a plan is put in place for reducing the backlogs. The area links closely to the Fund's data improvement plan.

The Fund's desired processing levels are outlined in the Fund Administration Strategy while Disclosure Regulations and guidance issued by other bodies, such as CIPFA, provide further requirements and guidelines. Collectively, the Administration Strategy forms a set of Key Performance Indicators (KPIs) which officers and the Committee will monitor performance against and officers will put plans in place where KPIs are not being met and specific action is required to address the matter.

#### f). Fund Administration Strategy

The Fund will review its Fund Administration Strategy to make sure it is up to date and fit for purpose. It contains a detailed overview of Fund and employer responsibilities, performance standards and escalation policy. The Fund will also actively monitor employers and as well as its own performance against the details contained within the Strategy and take appropriate actions if issues arise.

## 5. Maintaining good quality data

Whilst the Fund will always strive to obtain good quality data at source and process it accurately, inevitably there will be scenarios where the Fund will become aware of out of date and incorrect data at a later date and these inaccuracies will need to be proactively identified and rectified. The Fund will do this by using the approaches below:

### a). Data Reconciliations:

A brief summary of key data reconciliation exercises that the Fund will undertake are outlined below.

Review activity	Monitoring Performance	Timescale
<p><u>Non i-Connect Employers</u> The Fund will undertake biannual data reconciliation exercises with all employers to identify discrepancies within member datasets, carrying out detailed analysis on any data gaps and rectifying them.</p> <p><u>i-Connect Employers</u> As above, but on a monthly basis.</p>	<p>Where the Fund identifies a pattern of data issues specifically with an employer it will speak to identify the root cause of the problem to try to limit the chance of a repeat. It when then take further action, as appropriate, which could include bespoke employer training or support, an action plan or a face to face meeting.</p> <p>Where common issues are identified across a range of employers, the Fund will take a similar approach but consider the need to take actions across a range of employers.</p>	<p><u>Non I-connect employers:</u> Twice yearly as part of the end of year exercise and during half year (autumn).</p> <p><u>I-connect employers:</u> Monthly.</p>
<p>Following year-end contribution return exercise, the Fund will provide employers with a detailed review of errors and data gaps encountered during the process.</p>	<p>The Fund will monitor progress against resolution of errors. Where errors are not resolved within timescales prescribed within the Pension Administration Strategy, employers may be subject to the Fund's escalation policy on charging employers for unsatisfactory performance</p>	<p>Within 30 days of receipt of complete and correct year end contribution return</p>

The Fund will undertake periodic data reconciliation exercises to ensure there are no inconsistencies between the pension payroll system and pension administration system.	Data quality reports will be designed to analysis the data and monitor improvement. The data quality reports will be consistent with the Service Level Agreement between the two service areas.	Will vary on the data being reviewed from monthly, to quarterly to annually.
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## b). Using Third Party Data Services

The Fund will make use of third party data services to improve the quality of its data and also support the administrative function. These are provided by outside organisations as either collaborative ventures (at no or minimal cost) or procured commercially. The Fund uses these approaches where it either does not have accessed to the necessary information or it is able to benefit from the specialist services of an outside company.

### i). LGPS National Insurance Database & ‘Tell Us Once’ Service

Administered by South Yorkshire Pension Fund Authority (SYPA) on behalf of the Local Government Association (LGA), the secure National Insurance Database was developed for LGPS administering authorities to share data to prevent the duplicate payment of death grants. This follows changes to Scheme Regulations in 2014, by virtue of which, payment of a death grant in respect of a member with entitlement to multiple membership categories, is restricted to an aggregate payment value in relation to any active or pensioner/deferred membership. When processing the death of a scheme member, officers will procedurally check the LGPS National Insurance Database for the existence of membership at other LGPS Funds.

The secure LGPS National Insurance Database also facilitates the integration of the Funds membership profile into the government ‘Tell Us Once’ service, as administered by the Department of Work & Pensions (DWP). The ‘Tell Us Once’ service allows a person registering a death to request that the DWP pass on the deceased’s information to other government departments and council services. If the deceased is a member of the Fund, as determined by the LGPS National Insurance Database, the Fund will identify this on a weekly basis by reviewing notifications on the data portal.

### ii). Target Professional Services Ltd

Target Professional Services Ltd enables officers amongst other services to find the most recent postal address of a member to whom contact has been lost and, where requested, provide next of kin details and death certificates. For addresses, the loss of contact will normally occur when a deferred or pensioner member fails to notify the Fund of a change of address.

### iii). Mortality Screening Services

Provided commercially, the Fund periodically engages in comparing its deferred and pensioner memberships against the national death register as administered by the General Register Office which is part of Her Majesty's Passport Office.

### iv). National Fraud Initiative (NFI)

Administered by the Cabinet Office, the NFI programme is a biennial exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. As a participant, the Fund receives a report of 'matches' to investigate, to take remedial actions and update records accordingly.

## 6. Improving current data quality

Following a review in early 2019, the Fund has identified a number of areas of new or continued focus for data improvement and maintenance. These are outlined in Appendices 1 & 2. The specific sub-plans for each of these areas will be produced by the Fund, maintained internally and detail the specific actions required and the timeframes for resolution.

As new areas of focus are identified, and existing areas dealt with, new sub-plans will be added and worked upon by Fund Officers.

## 7. Measuring success

The Fund's key measures of success are:

- a). **tPR's common and conditional (scheme specific) data targets:** The Pension Regulator set targets of 100% for both common and conditional (scheme specific) although the exact definition of conditional (scheme specific) data for the LGPS has yet to be confirmed by the Scheme Advisory Board. Therefore, the Fund will use measurements as benchmarks to measure its data quality.
- b). **Key Performance Indicators (KPIs):** As referred to early with this plan and as outlined in the Pension Administration Strategy which will be updated from time to time.
- c). **Percentage of Annual Benefit Statement sent on time:** The percentage sent by 31 August of each year. The official target is 100% and the Fund's target is to be as close to 100% as possible.

## **8. Plan review and monitoring**

The Fund will review this policy document periodically, and as required, to reflect changes in regulations and Fund working practices. Scrutiny and oversight will be provided as and when is required by the Local Pension Board, the Pension Fund Committee, the Pension Regulator and internal and external auditors.

## **9. Related Policy Statements**

The following related documents can be found on the Fund's website:

- Pension Administration Strategy (including escalation policy); and
- Fund Business Plan 2019-2022

This document has been presented, considered and approved by the Pensions Committee on 14 March 2019.

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## Appendix 1: Data Improvement sub-plans – resolving existing, identified data issues (section 5)

Ref & Priority	Data Area	Potential Impact	Mitigation	Review Frequency
<b>DI1 ADDRESSES</b>	Member Addresses, particularly deferred members	Unable to contact members to advise them their benefits are due. Incorrect addresses also count as failures against tPR common data score.	When any posted mail is returned, the details are passed on Target Professional Services Ltd to trace the person and obtain to date address.	Ongoing, as and when required.
<b>DI2 - EMPLOYER</b>	Consistent membership data between employers and the Fund.	Inability to ensure accurate payment of benefits within prescribed timescales.  Potential additional administration and legal costs to correct historical errors	The actions outlined in sections 4 & 5.	Monthly for I-connect employer and biannually for non I-connect employers or more frequently as required.
<b>DI3 - GMPs</b>	To ensure that GMP data and residual pension splits are accurate.	Incorrect GMP liability values will consistently lead to the incorrect value of benefits paid	Continue to engage with HMRC over the data provided.  Assess data to identify key factors such as database configuration issues & incremental increase requirements	Ongoing

<b>DI4 CONSISTENCY ERRORS</b>	Technical data inconsistencies within member records on the Altair database (pension administration system)	Incorrect data configuration leads to benefit calculation failure & reduces the effectiveness of the administration of the Fund	Training staff to ensure that data is applied to the database in a way the is consistent with Heywood's guidance on the management of the database.  Sample check member records and run regular consistency error reports.	Ongoing
<b>DI5 FUND BACKLOG PROCESSING</b>	Backlogs currently exist for work related to aggregation and deferment of records.	Whilst neither set of backlog results in any financial detriment to members, the backlogs have secondary impacts on the processing of other cases, causes inefficiencies and lower tPR scores.	Review of processes, procedures and notes to improve efficiencies. Reallocation of resource. Employer training to reduce queries.	Ongoing



## Appendix 2: Process and control strengthening – preventative approaches to data quality issues (section 4)

Ref & Priority	Data Area	Potential Impact	Mitigation	Review Frequency
<b>DP1 YEAR END</b>	<p>Year-end processes and controls:</p> <p>a). Correct allocation of CARE pay &amp; FTE pay data to member accounts (where members have multiple accounts)</p> <p>b). All CARE, FTE pay and other supporting data is correct and received in a timely manner for all records.</p> <p>c). Authorisation process for employers and any differences in contribution and membership data are fully reconciled.</p>	<p>Failure of Fund to fulfil its statutory requirement to ensure accurate payment of benefits within prescribed timescales.</p> <p>Impact on annual allowance calculation for members.</p> <p>Failure to comply with the requirements of the rates and adjustment certificate.</p> <p>Risk of fraudulent activity.</p>	<p>a). Transition of employers to I-connect.</p> <p>b). Continued liaison and development of bespoke automated annual return data linking for large scheme employers, relating to their current payroll system to enable accurate digital import of data</p> <p>c). Continued development of “sanity” checks on pay data submitted</p> <p>d). Regular revision and improvement of Fund pay tolerance levels</p> <p>e). Descriptive feedback to employers where anomalies are highlighted</p> <p>f). Robust authorisation controls including sign off by key employer contacts.</p> <p>g). Regular gap analysis of FTE Pay figures and CARE Data.</p>	<p>Annually – before commencement of year end contribution exercise</p>
<b>DP2 PENSIONER PAYROLL</b>	<p>Verification and authorisation of payroll data between the Pension Administration database and the Pension Payroll database</p>	<p>Non-verification and authorisation payroll data could result in failure to identify fraudulent</p>	<p>a). Robust authorisation controls – Covering both financial &amp; data transfers between databases</p>	<p>Annually – Financial reconciliation of the payroll before &amp; after each pension increase exercise.</p>

		<p>activity that may have financial consequences</p> <p>Failure to reconcile members &amp; their pensions could lead to maladministration</p>	<p>b). Incorporate a series of annual pre-pension increase checks to ensure both databases mirror each other.</p> <p>c). Initiate a programme of data quality reporting &amp; reconciliation</p>	<p>Monthly – Data reporting &amp; reconciliations to be undertaken</p>
<p><b>DP3</b></p> <p><b>CONSISTENCY</b></p> <p><b>ERRORS</b></p>	<p>Data entered on the pension administration system needs to be entered consistently and checked as part of the process.</p>	<p>Non-verification of data from 3<sup>rd</sup> parties such as other LGPSs may have financial or data quality consequences</p>	<p>Ensure that all transfer value data is verified on Altair, by reviewing their documentation &amp; update each member's records as required.</p> <p>Run consistency check routines</p>	<p>Ongoing</p>

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
14 March 2019

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### **WILTSHIRE PENSION FUND BUSINESS PLAN 2019-2022**

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

1. The purpose of this report is to bring Members the draft Wiltshire Pension Fund Business Plan 2019-22 for comment and approval.

#### **Background**

2. The last Business Plan was approved by this Committee on 25 July 2015 which set out a Forward Plan for the following three years (2015-18). Outstanding actions from that business plan have been incorporated into the 2019-2022 action plan.
3. The purpose of the Business Plan is to set out the key developments and major tasks for the period covered by the plan. The plan attempts to outline the the actions the Wiltshire Pension Fund will need to implement to meet its key objectives during the period.

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

4. The draft Wiltshire Pension Fund Business Plan 2019-22 is attached as the Appendix. Officers have taken a revised approach to producing this Business Plan by starting with a specific vision, following by vision themes and then by actions for the 2019 years and aspirations for the remaining period.
5. Officers will initiate a new set of specific actions for each year towards the end of the preceding year and they will also report back to committee on the progression or completion of previously stated actions. Due to ever changing environment in which the Fund operates, it is impractical to assign specific actions a significant period ahead which is why officers recommend yearly setting of actions.

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

6. There is no environmental impact of this proposal.

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

7. Adoption of the Business Plan does not in itself commit any expenditure or increased risk. The financial implications of the proposed actions have either been or will be brought forward to the Committee in the usual way when the Fund Administration Budget is agreed. The risks of each development will be analysed in detail at the time, with the Committee approval sought if appropriate.

### **Legal Implications**

8. There are no material legal implications arising from the proposals.

### **Reasons for Proposals**

9. It's best practice to develop a Business Plan for Local Government Pension Funds.

### **Proposals**

10. The Committee is asked to approve the draft Wiltshire Pension Fund Business Plan 2019-2022.

ANDY CUNNINGHAM

Head of Pensions Administration and Relations.

Businss Plan Authors:

Andy Cunningham, Head of Pensions Administration and Relations and Jennifer Devine, Investment Manager

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



# **Wiltshire Pension Fund**

## **Business Plan 2019-2022**

## Introduction

The purpose of the Wiltshire Pension Fund Business Plan 2019-2022 is to set out Wiltshire Pension Fund's (WPF) aspirations, strategic direction and goals and objectives during the period. The plan also outlines some of the specific actions WPF intends to take during 2019.

The Local Government Pension Scheme Funds have been, and continue to be, in an environment of transition and change. Over the last few years, the transition to asset pooling has had a major impact on all Funds, including WPF, while additional layers of oversight and scrutiny has been implemented in the form of Local Pension Boards, the Scheme Advisory Board and with an expanded role for the Pension Regulator. In terms of administration, these changes have also been coupled with ever increasing complexity from Scheme changes, the continual increase in outsourcings, academy changes and ceasing employers.

Many employers continue to face budget challenges which means they continue to look for new and innovative ways to make savings against their costs. The Fund is fully aware of its responsibility to try to maximise investments returns, keep employer contributions low and relatively stable and to minimise risk where possible. In this digital age, member requirements have also changed, not just in looking for online access to information but also to receive quicker and easy to read information to meet their needs.

Whilst both changes in the external environment and the needs of customers have created additional challenges for Funds, WPF, much like its host Wiltshire Council, is and will continue to be ambitious in setting itself objectives and goals. The starting point for this ambition is a clear vision.

## The vision

“Wiltshire Pension Fund is an exemplar LGPS Fund”

Wiltshire Pension Fund recognises that it not only has to meet its statutory requirements but it should also aspire to be cost effective, efficient, provide outstanding customer service and, importantly, to think and act with the long-term in mind. We are currently administering pensions that may not be paid out for over 50 years so we also need to adapt, change and ensure the infrastructure is in place for future generations in terms of both administration and financing.

Subsequently, the vision outlined within this document is a long-term one and an important part of this vision is to put steps in place to plan for the long-term.

## Vision themes

Exemplar will have a different meaning to different individuals and hence WPF has broken down its vision into different themes and then derive specific actions from each of the themes. Many of the themes interact and actions will often relate to more than one theme.

- **Management of investments:** The Fund's investments need to be managed in accordance with the Strategic Asset Allocation, which is developed in consultation with the Fund actuary and investment consultants, in order to ensure that the Fund is best placed to deliver the required investment returns over the long term. The Fund will work with investment managers to monitor performance returns.

- **Working with other Funds to deliver investment pooling:** WPF is a member of the Brunel pool, and over the next few years investments will be transferred to the pool, in order to achieve reductions in investment management costs, by combining assets with other LGPS funds to achieve economies of scale. WPF will work with the other nine funds in the Brunel pool to ensure that pooling of investments delivers the required savings, and that the Funds hold Brunel to account successfully and effectively.
- **Innovative and secure Funding approaches:** The Fund's financial goals always need to be more than just reaching and maintaining a whole-fund funding level of 100%. We are a multiple employer fund with a wide variety of employers of different statuses, financial positions and risk appetites. The Fund, working closely with its actuary, strives to set contribution rates, and enact policies which both address this variety in the best way possible while managing the risk to the Fund.
- **Outstanding customer service and stakeholder relationships:** WPF exists to serve its customers and to be exemplar it needs to aspire to high levels of customer service. WPF is also reliant on a number of internal and external partners to operate successfully and it is essential to maintain strong working relations with them.
- **Lean processes, high performing and efficient with a culture of continuous improvement:** With ever changing complexity and technology, WPF needs to make sure its processes are, and remain, lean and customer focused but still well controlled to meet regulatory and business requirements.
- **Embracing Technology:** Technology has been, and continues, to change at a fast pace. It provides both opportunities and challenges for the Fund and it also changes customer expectations. WPF aims to embrace technological changes and use it to improve its service and efficiency, not just by using third party products aimed at the LGPS market but to look more widely at the use of technology across pension funds and beyond.
- **Robust and accurate service delivery:** We operate in a highly regulated, complex environment and handle large amounts of payments and hence an essential part of our core service is to meet the mantra of paying the right pension to the right person at the right time. A key part of this is effective processes and controls.
- **Thriving team and fluid governance:** Even with greater use of technology we are still heavily reliant on a strong and knowledgeable team to deliver our objectives against our strategy with appropriate oversight, scrutiny and decision making through our governance arrangements.
- **Strong accounting controls:** WPF has a strong accounting framework and will continue to assess and improve its processes. The accounts and the annual report will be delivered in line with reporting timescales and with all required content.
- **Sharing excellence and learning from others:** As one of over 80 LGPS administering authorities, together with a wider range of other pension funds and comparable organisations, there is plenty of opportunity to learn from others and share good ideas and to be exemplar the Fund needs to look at best practice elsewhere and share its best practice too.

The Fund has outlined the specific actions to plans to take place in 2019 within Appendix 1 and its aspirations for 2020-2022 in Appendix 2.

### **Measuring Success**

WPF will measure its success against its vision in a variety of ways. Initially, it will self-assess that it is completing the actions it has set itself and is working towards meeting its current aspirations and creating new ones. Over time, it will determine a series of measures that it considers to be the attributes of an exemplar fund and it will measure itself against those, both in absolute sense and relative to other Funds. Furthermore, as the Fund is ultimately run for the benefit of its participating members and employers, the view of those customers is essential in determining if the Fund is truly exemplar.

### **Further Information**

Further information about the Wiltshire Pension Fund, including its governance structure, membership, employers and accounts can be found on its website [www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk)



## Appendix 1: Action plan for 2019 (areas for development only)

The table below focuses on actions which relate to developing the Fund and working towards its vision. All business as usual related actions such as renewing essential contracts, external reporting, updating existing policies and strategies and processing routine administration work are excluded from this table.

No	Vision Theme	Action	Target date (latest)
1	Embracing Technology	<u>Member Self Service (MSS)</u> : Complete stage 1 of the implementation of MSS by inviting all active and deferred members to sign up.	June 2019
2	Embracing Technology	<u>I-connect</u> : Start and complete the set-up of I-connect and commence onboarding several large and smaller employers on to the new system.	July 2019
3	Embracing Technology	<u>E-payslips</u> : To complete the rollout of e-payslips by inviting new and existing pensioner members to sign up.	December 2019
4	Embracing Technology & Robust and accurate service delivery	<u>Member payment instruction automation</u> : Automate the process for setting up all one-off (e.g. refunds, transfers, lump sums etc) and regular member payments (e.g. monthly pension payments).	August 2019
5	Embracing Technology & Outstanding customer service and stakeholder relationships	Rollout a new enhanced employer website with access to online training materials and webinars	September 2019

6	Innovative and secure Funding approaches	Implement separate employer investment strategies in conjunction with the 2019 triennial valuation.	December 2019
7	Innovative and secure Funding approaches	Review and update the Funding Strategy Statement to imbed the changes made to the cessation policy, and other changes made as part of the 2019 triennial valuation, to improve the way funding matters are dealt with.	December 2019
8	Management of investments	Complete the Strategic Asset Allocation review, and make necessary changes to the Fund's asset allocation to bring it in line with this review.	December 2019
9	Management of investments	Review and update the Investment Strategy Statement to bring it in line with the new Strategic Asset Allocation, and progress made in investment pooling	December 2019
10	Working with other Funds to deliver investment pooling	Complete the transition of assets to the Brunel high alpha equities portfolio. Continue to monitor fee savings and ensure that Brunel are effectively held to account.	December 2019
11	Strong accounting controls	Complete the Fund's account and annual report in line with updated CIPFA guidance. The deadline for the annual report will be brought forward this year to 31 July to bring it in line with the accounts deadline, and to improve the information available to stakeholders.	July 2019
12	Lean processes, high performing and efficient with a culture of continuous improvement	Start a Lean/Systems Thinking, end to end processing review of all repeatable processes in the section with the key objectives of improving the customer experience and identifying and realising efficiencies.	March 2019
13	Lean processes, high performing and efficient with a culture of	Set up a formal process for monitoring the performance of all supplier and adviser contracts.	October 2019

	continuous improvement		
14	Lean processes, high performing and efficient with a culture of continuous improvement	Introduce a new, semi-automatic work allocation system for all benefits work. The purpose of this is to help identify priority cases quicker with less analysis and discussion needed.	October 2019
15	Outstanding customer service and stakeholder relationships	Imbed the regular monitoring of employer covenant strengths and monitor active membership numbers for small employers to start cessation discussions prior to a crystallisation events.	October 2019
16	Outstanding customer service and stakeholder relationships	Review and update the Pension Administration Strategy and improve internal performance monitoring to ensure the Fund and employers are meeting the requirements of the Strategy and thus improving the administration performance of the Fund.	December 2019
17	Sharing Excellence and learning from others	Continue to take part in regional and national discussion groups and committees, volunteering where possible to take on responsibility and build networks across all key areas of the Fund.	Ongoing
18	Robust and Accurate Service Delivery	Complete the analysis of GMP-related pension in payment issues and agree a final approach on GMP rectification.	December 2019
19	Backlog processing	Implement the data improvement sub-plan for processing of administration backlogs and make reductions in backlog levels in line with the details of the sub-plan.	December 2019

20	Thriving team and fluid governance	Design and start populating an internal website-based, 'Knowledge hub' and 'interactive procedures' to help guide new and existing pension team members smoothly through the complexity of the LGPS whilst reducing risk and improving efficiency.	May 2019
21	Thriving team and fluid governance	Review and update the Terms of Reference for Committee, Local Pension Board and Investment Sub-Committee to provide clarity on the distinctions between each one and to help improve their effectiveness	December 2019
22	Thriving team and fluid governance	Improve the range of Key Performance Indicators (KPIs) produced for the Committee and Local Pension Board to help provide transparency and clearer oversight of administration performance.  Investigate and implement, where appropriate, benchmarking statistics.	November 2019

## Appendix 2: Aspirations for 2020 to 2022

Given the ever-changing nature of the LGPS and the new and evolving challenges, it is difficult to set specific actions far in advance. Therefore, the Fund will produce a new set of actions at the beginning of each calendar year following consideration of progress to date of the previous year's actions, any changes in priorities and other developments which have occurred in the meantime.

No	Vision Theme	Aspiration
1	Embracing Technology	<u>Member Self Service (MSS)</u> : To achieve a sign-up rate of 40% with over 25% of members having logged in with the last 6 months and having switched from paper to electronic communications (e.g. for annual benefit statements, newsletters and other ad-hoc communications)
2	Embracing Technology	<u>I-connect</u> : All WPF employers are onboarded and successfully using I-connect.
3	Embracing Technology	<u>E-payslips</u> : Over 20% take up of all pensioners and over 50% take up of overseas pensioner residents.
4	Working with other Funds to deliver investment pooling	Assets will have continued to transition to the pool in line with the Brunel timetable, and the Fund will be realising significant fee savings in line with expectations.
5	Lean processes and a cultural of continuous improvement	The end to end processing review is complete, the benefits are realised and a culture of continuous improvement is imbedded.
6	Outstanding customer service and stakeholder relationships	Employers and the Fund are consistently meeting all KPIs and the Fund compares well against peers in key, comparable benchmarks such as the Pension Regulator data quality measures.

7	Robust and Accurate Service Delivery	GMP Rectification exercise is complete with minimal difficulties encountered.
8	Robust and Accurate Service Delivery	Continue to make improvements to data quality to reach a 'steady state' position where processing levels and data quality are maintained high levels.

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
14 March 2019

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### **WILTSHIRE PENSION FUND ADMINISTRATION BUDGET 2019-20**

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

1. This report seeks Members' approval for the 2019-20 Administration Budget for the Wiltshire Pension Fund, as shown in the attached Appendix. Actual costs for 2017-18 are also shown, together with the original budget for 2018-19.
2. As last year, the Appendix also shows indicative budgets for the following two years 2020-21 and 2021-22. 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 2019-20 is £11.884m, an increase of £182k (+1.6%) from 2018-19 (see Appendix). The largest proportion of the budget (£9.567m) 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 £660k per year from April 2019. This is an increase of £26k to cover additional staffing resources that are needed to progress the project. 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.
7. The Local Pension Board reviewed and approved their budget at their meeting on the 24<sup>th</sup> January 2019. A budget of £27,414 is included for 2019-20 in the attached appendix for the Local Pension Board – the same figure as for 2018-19. 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 and securities lending income) is £2.618m, which is a £174k (7.1%) net increase. This reasons for this increase are:

- a) A £48K net increase in the investment administration budget (excluding fees and securities lending income). This is mainly made up from an a £23k additional provision against investment advisor fees (following the recent appointment MJ Hudson); £12k provision to cover the cost of the Investment Strategy Review which is due to take place in 2019-20; and £7k to cover agency and £6k to cover part of an additional £100k recharge from Wiltshire Council to cover various internal services such as ICT, HR, Payroll and office accommodation. .
- b) An additional provision of £62k is made for actuarial costs following the experience of the last few years, in respect of the higher costs due in a triennial valuation year and other development costs such as the introduction of separate investment strategies for employers.
- c) The budget to cover external legal fees has been increased by £30k to reflect greater use of this service (in place of internal legal).
- d) Provision of £94k has been added to the admin budget to cover remaining part of the £100k recharge increase from Wiltshire Council (see point a) above) for 2019-20 following a recent review of the service by the Council. This has been split between Investment (£6k) and Admin (£94k) based on FTE in the budget workings.
- e) Against this, the budget for Other Professional Fees, which covers tracing and mortality screening costs, has been reduced by £8k to reflect the actual use of this budget over the last few years.
- f) The budget which covers the external audit fee has been reduced by £6k to reflect the planned charge for 2019-20.
- g) Bank interest rates on the overnight call-accounts has increased significantly and this has led to higher interest on these accounts. Budgeted bank interest receivable has been increased by £9k to reflect the additional interest we expect to receive.
- h) £65k additional provision has been added to the Pension Administration Recharge budget to cover planned changes to the staffing structure and additional costs resulting from the new pay and grading structure.
- i) The systems budget has been reduced by £102k to reflect planned expenditure in 2019-20.

### **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 £30.31 per member for 2018-19. The proposed budget will take these costs to £31.23 per member (0.10% of the market value of the Fund's assets).
- 11. In terms of investment costs, the budget indicates spend of 40p per £1,000 (0.40% of market value) on managing its assets for 2019-20, 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 will be 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 many 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 2019-20 shown in the Appendix totalling £11.884m;
- b) Note the indicative budget allocations for 2020-21 and 2021-22; and
- c) Approve 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.

BECKY HELLARD  
Treasurer to the Pension Fund

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Report Author: Rozalyn Vernon, Fund Investment and Accounting Manager

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

# APPENDIX

## Wiltshire Pension Fund Administration Budget 2019-20

2017-18		2018-19	Changes	2019-20	2020-21	2021-22	
Actual		Budget	£	Budget	Annual Change	Annual Change	
£		£		£	£	£	
	<b>Fund Investment</b>						
9,127,886	INVESTMENT MANAGEMENT FEES	9,279,000	288,000	3.1% 9,567,000	711,000	781,000	Management fees are dependent on market conditions (includes fees from Brunel)
-245,851	SECURITIES LENDING INCOME	-20,000	-280,000	1400.0% -300,000	0	0	Uncertainty caused by 'Brexit' has led to increased selling of equities to short-sellers generating higher levels of securities lending income
118,782	<b>Investment Administration Recharge</b>	135,000	7,400	142,400	-4,400	1,100	Cost of agency in 2019-20
	<b>Additional charge from Central Finance</b>		6,000	6,000	0	0	Additional recharge from Wilts Council from 2019-20
116,339	<b>Investment Professional Fees</b>	84,300	33,500	117,800	-8,600	3,900	Cost of investment strategy review and new investment advisor
34,182	<b>Corporate Governance Services</b>	8,300	700	9,000	0	0	
39,513	<b>Performance Measurement</b>	0	0	0	0	0	
308,816	INVESTMENT ADMINISTRATION COSTS	227,600	47,600	20.9% 275,200	-13,000	5,000	
	<b>Scheme Administration</b>						
1,573,490	<b>Pension Scheme Administration Recharge</b>	1,895,000	-48,350	1,846,650	21,800	25,400	Revision of systems budget offset by changes to staffing and cost of pay and grading restructure
	<b>Additional charge from Central Finance</b>		94,000	94,000	0	0	Additional recharge from Wilts Council from 2019-20
273,873	<b>Actuarial Services</b>	173,000	62,000	235,000	-114,500	0	Valuation year, this line includes includes £50k budgeted income from employers
27,917	<b>Audit</b>	33,300	-6,000	27,300	0	0	
37,855	<b>Legal Fees</b>	20,000	30,000	50,000	0	0	Increased use of external legal services
-25,632	<b>Committee and Governance Recharge</b>	94,969	-5,455	89,514	400	200	
1,887,503	SCHEME ADMINISTRATION COSTS	2,216,269	126,195	5.7% 2,342,464	-92,300	25,600	
<b>2,196,320</b>	<b>GRAND TOTAL (exc. Inv mgt' fees &amp; securities lending income)</b>	<b>2,443,869</b>	<b>173,795</b>	<b>7.1% 2,617,664</b>	<b>-105,300</b>	<b>30,600</b>	
11,078,354	<b>GRAND TOTAL (inc. Inv mgt' fees &amp; securities lending income)</b>	11,702,869	181,795	1.6% 11,884,664	605,700	811,600	

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
14 March 2019

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### PENSION FUND – CLARIFICATION OF GOVERNANCE ROLES

#### Purpose of the Report

1. The purpose of this report is to update Members on the progress made by a focus group of Committee, Board Members & officers of the Fund, following the identification within Hyman Robertson's effectiveness review report that the roles of the Wiltshire Pension Fund Committee & Board require clarification & restating.

#### Background

2. The Effectiveness review highlighted a number of overarching recommendations with regard to the roles of each group. These were;
  - Clarification to be given to the Committee on the role of the Board & why both groups have distinctively different roles & objectives
  - Ensuring that the Fund's objectives are clearly defined & processes are put in place to monitor them & report on progress
  - That the structure of meetings should be reviewed & that all parties would consider the way in which they need to communicate with each other
  - That the terms of reference would be restated for both the Committee & the Board,
3. Following discussion at the Committee meeting held on 12<sup>th</sup> December it was agreed that a focus group would be set up to consider the contents of the report and determine what practical steps should be taken to mitigate the findings identified. A meeting was held on 23<sup>rd</sup> January 2019.

#### Considerations for the Committee

4. The focus group determined the following outcomes during their meeting;

##### **Roles & objectives**

- **Committee** – Takes full decision-making responsibility for all aspects of the administration & management of the Fund. Ensuring current & future pension liabilities can be met through the investment of fund assets, driving fund performance & risk management.
- **Board** – Is an independent statutory body with an advisory & scrutiny remit. It has no decision-making powers but will seek to hold the Committee to account in respect of its legal, compliance, governance & management of the Fund. If requested, it can also undertake research on behalf of the Committee.

##### **Actions being taken by the focus group**

- Terms of reference (ToR) – the Committee, Board & Investment sub-Committee's ToRs will be reviewed to ensure that they remain relevant to the statutory purpose of each group, harmonise the purpose of each group with the other groups & either increase the scope or become less prescriptive in nature so as to enable each group's practical operation.

- Communication – To enhance the communication between all groups by;
    - 1) Reviewing the design of the LPB Annual Report to actively indicate whether a Board recommendation has been acted upon & specifying a reason if not;
    - 2) To encourage email communication outside of set meetings. This communication will be underpinned by a monthly update report issued by both the Head of Pensions, Administration & Relations & Investment Manager covering their technical areas. It will be issued to all Members & key officers, and;
    - 3) To foster cross-observation by Members, by attending each other's meetings.
  - Agenda setting & meetings – Agendas will be set in a manner which clarifies the roles & objectives of each group & which will minimise duplication, whilst embracing the contribution made by the other group(s). To facilitate this arrangement separate agenda setting meetings will be held & in addition, separate Chair's briefings to the main quarterly meetings will also be held at a different venue.
  - Developing a work programme – A unified, dynamic & ongoing programme of work will be maintained by the Committee, monitoring the progress of the Fund's objectives & which will prompt requests for support from the Board. This programme of work will be supported by regular meetings of both Chair's & senior officers at which policies will be developed & delegations agreed.
  - Induction training – Future training will include commentary on the different statutory roles of the Committee & Board & identify the combined needs of the Members of both groups, as well as specify the distinct and separate needs between each group.
5. At the Local Pension Board meeting in October 2018 the Board reviewed the Fund's delegation strategy. As the basis for comparing & contrasting the roles & objectives of each group the delegation strategy will also be reviewed on approval of each group's updated ToR. See Appendix 1.

### **Conclusions**

6. The focus group believe that the considerations addressed will lead to a better & stronger cooperation between the Committee & the Board. Clearly defining the roles & objectives of each group & with a greater level of communication, will also remove any uncertainty which may have historically developed.

### **Environmental Impact**

7. There is no environmental impact from this report.

### **Financial Considerations**

8. There are no immediate financial considerations.

### **Risk Assessment**

9. There are no risks identified at this time.

### **Legal Implications**

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

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

11. There are no implications at this time.

**Proposals**

12. The Committee are asked to note the assessment made by Officers.

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

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**Pension Fund Decision Making & reviews – Appendix 1**

<b>Fund Policies and Strategies</b>	<b>Committee</b>	<b>Investment Sub</b>	<b>Local Pension Board</b>	<b>Comments</b>
Governance Compliance Statement	✓		✓	
Business Plan	✓		✓	
Administration Discretions Policy	✓		✓	
Administration Strategy & Charge-out rates	✓		✓	
Funding Strategy Statement	✓		✓	
Investment Strategy Statement/Statement of Investment Principles (incl. Stewardship Code Statement)	✓	✓	✓	
Cessation Policy	✓			
<b>Financials and Audit</b>				
<b>Financials and Audit</b>	<b>Committee</b>	<b>Investment Sub</b>	<b>Local Pension Board</b>	<b>Comments</b>
Review Fund Annual Report	✓		✓	
Review Fund Annual Accounts	✓		✓	
Review Internal and External Audit Report	✓		✓	
Wiltshire Pension Fund Administration Budget	✓			Authority is delegated to the Treasurer to move funding between budget headings as required.
Local Pension Board Budget	✓		✓	To go to the LPB first and then included in the full Fund budget to go to Committee.
Treasury Management Strategy	✓			
Budget Monitoring Report/ Administration Outturn Statement	✓			
Input into Internal and External Audit Plans			✓	
<b>Administration</b>				
<b>Administration</b>	<b>Committee</b>	<b>Investment Sub</b>	<b>Local Pension Board</b>	<b>Comments</b>
Review Employer's Data Compliance			✓	

Fraud and Risk Prevention			✓	
Review of Fund Website	✓		✓	
Review Communications Strategy	✓		✓	
Internal Disputes Resolution and Complaints Policy	✓		✓	
Data Security/Compliance and Business Continuity			✓	
GMP reconciliations project			✓	
<b>Fund Governance</b>				
<b>Fund Governance</b>	<b>Committee</b>	<b>Investment Sub</b>	<b>Local Pension Board</b>	<b>Comments</b>
Scheme, Legal, Regulatory and Fund update	✓		✓	
Review Fund Risk Register	✓		✓	
Review Fund Training Programme			✓	
Compliance with tPR checklist			✓	
Administration Key Performance Indicators	✓		✓	
Review External advisor appoints process and controls			✓	
Review Fund delegations and internal controls			✓	
Benchmarking results	✓		✓	
Breaches Policy			✓	
Review Valuation Process			✓	
Review Ombudsman cases			✓	
<b>Investments</b>				
<b>Investments</b>	<b>Committee</b>	<b>Investment Sub</b>	<b>Local Pension Board</b>	<b>Comments</b>
Investments Quarterly Performance Report	✓	✓		
Valuation update	✓		✓	
Contribution rates	✓		✓	Agreed by the Committee and reported to LPB for info.
Individual Employer Investment Strategy and Club Vita update	✓			
Flight Path Strategies	✓	✓		
Appointing an Investment Manager	✓	✓		ISC has delegated authority to appoint if in line with strategic policy



Terminating an Investment Manager Contract	✓	✓		ISC to form a recommendation to Committee
Review of Investment Manager Performance		✓		
<b>Other</b>				
	<b>Committee</b>	<b>Investment Sub</b>	<b>Local Pension Board</b>	<b>Comments</b>
Brunel Update	✓	✓	✓	
Brunel Reserve Matters	✓			This can be determined between meetings in consultation with all members if an urgent meeting cannot be called.
ABS Publication Update/Review	✓		✓	
AGM Feedback	✓		✓	
<b>Board Governance</b>				
	<b>Committee</b>	<b>Investment Sub</b>	<b>Local Pension Board</b>	
Local Pension Board Code of Conduct and CoI Policy	✓		✓	To be reviewed by the LPB prior to decision by Committee.
Local Pension Board Annual Report			✓	To be reviewed by the LPB before inclusion in full Fund Report approved by Committee.

### Committee delegations

Wiltshire Council Constitution Part 3 (2.7) Wiltshire Pension Fund Committee:

*It will exercise the functions of the Council as administering authority under the Local Government Superannuation Acts & Regulations and deal with all matters relating thereto. The committee will publish meetings attendance records in an Annual Report.*

## Officers

*Part 3 D (1.3) Full Council, its Committees and the Cabinet will make decisions on matters of significant policy. The Directors have express authority to take all necessary actions to implement Council, Committee and Cabinet decisions that commit resources, within agreed budgets in the case of financial resources, as necessary and appropriate.*

### Part 3

1.7 Without prejudice to the generality of the foregoing, the Directors shall have the power:

a. To take all lawful action consistent with overall council policy to deliver agreed strategy, plans and policy and to comply with statutory obligations within their areas of responsibility and within approved budget. This shall include, but not exhaustively:

- Invitation and acceptance of tenders
- Submission of bids for funding
- Write-off of irrecoverable debts
- Virement (within the budget framework)
- Disposal and acquisition of assets
- Service and placing of any necessary statutory or

other notices (other than those expressly reserved to Full Council, Committee or Cabinet)

- After consultation with the Solicitor to the Council, authorising the institution, defence, settlement or participation in criminal or civil proceedings in relation to any legislation which they are responsible for monitoring, enforcing or otherwise implementing on behalf of the Council;

b. To put in place management arrangements, which define the area of responsibility of all officers under their service area.

c. To determine staffing arrangements within approved budgets, subject to agreement on grading with the Head of Paid Service after consultation with the other Corporate Directors and conformance with Council policies and the Finance Regulations and Procedure Rules (Part 9).

d. To take all action to recruit, appoint, develop, manage and reward employees within approved Council policies and procedures (including operation of policies for voluntary severance, early retirement, redundancy and redeployment) and relevant conditions of service.

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of the Local Government Act 1972.

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