

## LOCAL PENSION BOARD

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### **PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 12 JULY 2018 AT SALISBURY ROOM - WILTSHIRE COUNCIL OFFICES, COUNTY HALL, TROWBRIDGE.**

#### **Present:**

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

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#### **23 Membership**

There were no changes to the membership of the Board. It was noted the Board was still carrying a vacancy following the resignation of Lynda Croft, and was in the process of going out to advert for the second time.

#### **24 Apologies**

Apologies for absence had been received from David Bowater.

#### **25 Minutes**

The Chairman introduced the minutes from the previous meeting and advised that whilst the benchmarking of the Fund against other Funds in Brunel Pensions Partnership did not feature on the action tracker, it was included in the Fund's Work Plan.

#### **26 Declarations of Interest**

There were no declarations of interest.

#### **27 Chairman's Announcements**

The Chairman reminded members of the remit of the Local Pension Board to provide oversight of the Fund's governance and administration processes.

Other announcements included a recent CIPFA Guide for Local Pension Boards that would be a useful resource for members, and the Chairman had recently

attended at CIPFA conference for Local Pension Boards. Discussions at the conference had centred on the representation of funds within asset pools, the imminent Government Actuaries Department (GAD) report on the funding viability of the LGPS, and that the Pensions Regulator (tPR) was increasing its resources.

## 28 **Public Participation and Councillors Questions**

There were no members of the public present.

## 29 **Election of Vice Chairman**

Nominations were sought for the position of Vice Chairman.

**Resolved:**

**To appoint Sarah Holbrook as Vice Chairman for the forthcoming year.**

## 30 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee**

The Board considered the minutes of the recent Wiltshire Pension Fund Committee meeting and noted it had referred the Board's Code of Conduct for review to seek further legal advice on which elements of the Register of Interest form were a statutory requirement. Officers advised if only minor changes were recommended this could go straight to the Wiltshire Pension Fund Committee, material changes would need to go to the LPB for consideration. It was recommended the Conflict of Interest Policy be compared to the Pensions Regulator guidance.

**Resolved:**

**To note the minutes and key decisions of the Wiltshire Pension Fund Committee and to recommend the Conflict of Interest Policy be reviewed against the Pensions Regulator guidance.**

## 31 **Draft Statement of Accounts**

The Board discussed the Fund's Statement of Accounts for which it was expecting a clean external audit. Questions were raised on investment manager performance fees and it was confirmed these were agreed upon appointment and checked when the invoice came in. The Chairman commented the Fund may require additional resource in the next year to support the CIPFA disclosure requirements and requested an update on the process for the appointment of a new external auditor at the next meeting.

The Board members recommended technical changes to the accounts as detailed below.

**Resolved:**

**To note the draft Wiltshire Pension Fund Financial Statements for 2017-18, and to recommend the following amendments:**

- **Under ‘Local Pension Board’ include a reference that the LPB also has an oversight function to ensure the Fund is compliant with the Pensions Regulator.**
- **Split the figures for cash and derivatives, or remove the figures for derivatives in the accounts where this is zero.**
- **Remove zero figures in the accounts.**
- **Under ‘Basis of Preparation’, wording to be updated to reflect the regulatory status of the approach taken.**
- **Include Brunel Pension Partnership, Local Pension Board transactions and key management remuneration in ‘related party transactions’ in the accounts. The note the CIPFA guidance recommends more disclosure over these transactions.**
- **AVCs be included in the accounts, and the wording in accounts be amended to reflect this since there are specific requirements about which AVCs that should be disclosed.**

**To request an update on the process for the appointment of a new external auditor at the next meeting.**

**To recommend the compliance with the CIPFA disclosure agreement is factored into the 2018/19 accounts.**

## **32 Training item: GDPR**

Richard Bullen, Fund Governance and Performance Manager, gave a high-level summary of the Fund’s actions to achieve compliance with the General Data Protection Regulations. The Fund had mapped the data it held, sent out Privacy Notices, appointed a Data Protection Officer, issued training, updated policies and been in regular communication with employers. Next steps would include a review of service provider contracts and arranging for audits to verify processes were being followed correctly.

It was explained the Fund was working with all of its partners, managers, and employers in the fund to check their own processes were sound. Employers within the fund would have their respective obligation to review their policies, procedures and communications with employees.

It was discussed whether employers could request their data back from the Fund where they were no longer a participating employer. The extra administration burden on the Fund arising from GDPR was discussed, it was acknowledged it was a significant piece of work, however considered it would make the fund more efficient moving forward due to data cleansing and improved processes.

**Resolved:**

**To note the update on the Fund's actions to ensure GDPR compliance and to recommend it reviews its actions against the advice of the Scheme Advisory Board on its interpretation of GDPR, to ensure the Fund focuses on the important and sensitive data it holds.**

### 33 **GDPR Progress Update**

The Board considered this update in conjunction with the previous agenda item. The complexities of the data mapping exercise and integration of policies and procedures with those of third parties was discussed.

**Resolved:**

**To note the Fund's progress on the implementation of GDPR.**

### 34 **Local Pension Board Annual Report**

The Board considered its annual report and noted the requirement on members to advise officers of training events they had attended so this could be recorded. Members were pleased to learn the Annual Benefit Statement exercise was on target to be completed on time this year. The Chairman recommended an additional Section be added to the annual report to record whether recommendations of the Board had been adopted by the Committee/Fund.

**Resolved:**

**To approve the Local Pension Board Annual Report subject to the addition of a section to record the implementation of LPB recommendations, the wording of this was delegated to officers, in consultation with the Chairman.**

### 35 **The Pensions Regulator Code of Practice 14 Record Keeping Compliance**

Officers presented a report which tested the Fund's compliance against the Pension Regulators Code of Practice 14 Record Keeping Regulations, the specification of the review was set out by an independent questionnaire originally provided by Aon Consulting and covered the Fund's internal controls. Overall the Fund was well managed, two areas had been improved since the last review, 13 others required improvement and one new risk had been added.

The report set out an action plan to improve the risks identified. It was explained that a number of the risks related to communication of the Independent Dispute Resolution Process to members, and once this was resolved, a number of risks would be addressed.

**Resolved:**

**To note the self-assessment undertaken by officers and to request an update on progress at a future meeting within the next 6 months.**

36 **Internal Audit report**

The Board was presented with the Fund's internal audit report which had given a "Reasonable Assurance" opinion. There were no significant findings in the report, with one new priority 3 risk identified and two more priority 3 risks remaining from the 2016-2017 year (one of which was not due until December 2019). In addition, there was one advisory recommendation.

The new priority 3 risk related to the Fund Investment & Accounting Manager ensuring that she can demonstrate she has verified reconciliations prepared by the Accounting Technician; this check was now in place and occurring monthly. For the two other risks, the monthly reconciliations of New Pensioners and New Dependents between the Altair Pension system and SAP Pension Payroll was currently being put in place while the full reconciliation between all Altair and Pension Payroll records was planned to start towards the end of 2018, once the first stage of the GMP Reconciliation project is complete.

The Board were reassured to hear SWAP were following up on their audit recommendations and requested an update on action taken at a future meeting. Members sought assurance the Fund paid for the internal audit, rather than Wiltshire Council as part of their contract, officers agreed to check on this and report back.

**Resolved:**

**To note the update, SWAP Internal Audit report and response to recommendations, and request an update on progress against recommendations at a future meeting.**

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

A report outlined the current and recent scheme and regulatory changes. Key updates included: the reforms to public sector exit payments were delayed, amendments to the LGPS regulations had been made in May, and the Pensions Dashboard was still only in early development. New updates from the Scheme Advisory Board had been added in respect of a Separation Project to consider separation between host authority and scheme manager role. Another project in the early stage was one to identify regulations which may be better sited within

statutory guidance, and to propose the necessary amendments and assist HMCLG with the drafting of guidance. Likewise, the SAB was launching a project to assist authorities in meeting the tPR data management requirements.

The Chairman highlighted the SAB was looking for volunteer authorities to be involved in these projects and it would be an opportunity for the Fund to steer the outcome. It was heard that CIPFA was bringing out a number of new publications over the next year the Fund should be updated on.

**Resolved:**

**To note the changes highlighted in the report and to request a section for relevant CIPFA updates.**

**38 Risk Register Update**

Since the last report to the Board, officers had downgraded PEN012 'Over-reliance on key officers' as a number of key staffing roles had been filled. Officers advised that most operational and strategic decisions were made by the Head of Pensions Administrations and Relations or the Investment Manager, therefore the s151 vacancy did not impact on the running of the Fund day to day. The Board however expressed concern the Fund would suffer in the long term from lack of strategic direction if this vacancy was not filled on a permanent basis.

PEN010 'Failure to keep records up to date and accurate' had been raised and would be addressed when the Fund was better resourced, PEN020 'Pooling of LGPS assets' remained red risk. A new risk had been added PEN027 'Significant structural change to LGPS or our Fund' due to the environment of shared service and fund mergers.

**Resolved:**

**To note the Risk Register and measures being taken to mitigate risks and recommend the Committee regularly review PEN012 due to the outstanding permanent vacancy for the Treasurer/Section 151 officer to the Fund.**

**39 Quarterly Update on Key Performance Indicators**

The Head of Pensions Administration and Relations presented a report on the Fund's performance against key indicators. The report now included the indicators recommended by the Pensions Regulator, it was noted the Fund planned to develop KPIs for employers and late payment of contributions.

The implication of the Fund using 'common data' as recommended by tPR was discussed, it was noted it was difficult to draw comparisons between the Funds

due to likely inconsistencies in the methodologies that funds would use. A key priority for officers moving forward would be to involve its data quality analysts posts to improve the Fund's data and improve KPIs. Questions were raised over why KPIs on pension fund 'leavers to deferred' and 'refund of contributions' stood out from other performance metrics. It was explained the poor performance of 'leavers to deferred' was due to lack of resource within that area of the team and also difficulty in obtaining accurate data from employers. In respect of contribution refunds, these were of lower priority, and ultimately could only be speeded once vacancies were filled and further technological and process improvements were implemented.

**Resolved:**

**To note the Fund's performance against Key Performance Indicators.**

**40 Review Fund Communication: Employers and Members**

The Fund's new Communications Manager explained she planned to inject a more bold approach into the Fund's branding so as to clearly identify it. Examples of new branding were shown. The Board also heard the Fund had launched its new website which was based on the popular platform offered by Hymans Robertson, the next priority was to work on a member self-service portal in November 2018; this would be a staged roll-out.

**Resolved:**

**To note the update on the Fund's Communication Strategy and the date for the next Annual Conference as 14<sup>th</sup> November.**

**41 Investment Strategy Statement**

Officers advised the Fund's Investment Strategy Statement had recently been updated in respect of the de-risking of strategic asset allocation due to the triggering of the Flight Path when the funding level increased. The document had also been updated to reflect the current approach to decision making with Brunel Pension Partnership.

Mike Pankiewicz requested the policy be updated, and added to, in respect of the Fund's approach to fossil fuel divestment and the Environment, Social and Governance (ESG) approach of the Fund. It was highlighted that investment managers considered ESG ratings in their investments, and the Committee should monitor Brunel's approach to decarbonisation. Officers agreed this recommendation would be factored in for the next review.

**Resolved:**

**To note the Investment Strategy Statement agreed for final publication.**

**To recommend, upon next review of the Investment Strategy Statement by Committee, that:**

**a) reference is made to ESG policy and that ESG policy is reviewed in light of a forthcoming government consultation paper on final salary pension schemes in respect of ESG;**

**b) an annex be included to illustrate the Fund's compliance with Regulation 7.**

**42 LPB Training Strategy Update 2018**

The Fund Governance and Performance Manager advised Hymans Robertson had developed training exercises for Board and Committee members on the subject of pensions knowledge and understanding, confidence and member effectiveness. Members would be invited to feedback on this and the training strategy would be tailored accordingly. Officers were confident the Board's training plan was compliant with the obligations upon members, however were planning to develop a more comprehensive training strategy. The Chairman advised the Pensions Regulator was offering member training sessions and suggested the Fund take advantage of this.

**Resolved:**

**To note the Fund's progress in implementing an updated training and development strategy.**

**To recommend officers contact the Pensions Regular about the offer of training events.**

**43 How did the Board do?**

The Chairman thanked officers for their work supporting the Board.

**44 Urgent items**

There were no urgent items.

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

The next meeting of the Board was to be held on 11 October 2018.



46 **Exclusion of the Public**

**Resolved:**

**That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 46-49 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 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.**

47 **LPB Insurance Indemnity Policy update**

The Board considered the extension of an insurance indemnity policy.

**Resolved:**

**To recommend, and delegate to officers, to arrange a continuation of an insurance policy for the Board. The outcome of this exercise would be reported back to the next meeting for information, however in the event a material difference in costs or coverage was proposed this would be brought back to the Board for further consideration.**

48 **Brunel Pension Partnership update**

**Resolved:**

**To note the update on the progress of Brunel Pension Partnership and request an update in 2019 on whether the pool was on track with forecasting savings and transactions.**

49 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee, Investment Sub-Committee and Brunel Oversight Board**

**Resolved:**

**To note the minutes of the Wiltshire Pension Fund Committee, Investment Sub Committee, and Brunel Oversight Board.**

50 **Minutes**

**Resolved:**

**To confirm the Part 2 minutes of the meeting held on 15 March 2018.**

(Duration of meeting: 10.30 am - 1.20 pm)

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

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